RECORDATION NO. 11663 Filed 1425 C

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INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE

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RECORDATION NO. 11663 Filed 1425

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INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 11663 Filed 1425 A

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INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 11663 Filed 1425 B

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INTERSTATE COMMERCE COMMISSION

11663 D

RECORDATION NO. Filed 1425

APR 10 1980 -3 10 PM

INTERSTATE COMMERCE COMMISSION

Date APR 10 1980

Fee $ 200.00

CC Washington, D. C.

April 8, 1980

(Beige Covers)

The Chesapeake and Ohio Railway Company
Reconstruction and Conditional Sale Financing
Dated as of March 15, 1980
Conditional Sale Indebtedness
Due June 30, 1990

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, enclosed for filing and recordation on behalf of The Chesapeake and Ohio Railway Company are counterparts of the following:

New Number

(1) Reconstruction and Conditional Sale Agreement dated as of March 15, 1980, between Mercantile-Safe Deposit and Trust Company, as Agent, The Chesapeake and Ohio Railway Company and The Connecticut Bank and Trust Company, as Trustee;

— A

(2) Transfer Agreement dated as of March 15, 1980, between The Connecticut Bank and Trust Company, as Trustee, and Mercantile-Safe Deposit and Trust Company, as Agent;

— B

(3) (a) Lease of Railroad Equipment dated as of March 15, 1980, between The Chesapeake and Ohio Railway Company and The Connecticut Bank and Trust Company, as Trustee;

— C next page

— D next page

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— C

(b) Assignment of Lease and Agreement dated as of March 15, 1980, between The Connecticut Bank and Trust Company, as Trustee, and Mercantile-Safe Deposit and Trust Company, as Agent; and

— D

(4) Hulk Purchase Agreement dated as of March 15, 1980, between The Connecticut Bank and Trust Company, as Trustee, and The Cehsapeake and Ohio Railway Company.

The addresses of the parties to the above documents are:

Vendee-Lessor-Buyer:

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

Builder-Lessee-Seller:

The Chesapeake and Ohio Railway Company
100 North Charles Street
Baltimore, Maryland 21201

Vendor:

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

Please file and record the above documents and cross-index them under the names of the Vendee-Lessor-Buyer, the Builder-Lessee-Seller and the Vendor.

The equipment covered by the above documents is listed in Exhibit A hereto.

Enclosed also is our check in the amount of $200 for the required recordation fee. Please stamp all copies of the enclosed documents with your recordation number, retain one copy of each for your files and return the remaining copies to me.

Thank you for your assistance.

Sincerely,

Jacqueline B. Goodyear

Jacqueline B. Goodyear
as agent for The Chesapeake
and Ohio Railway Company

Ms. Agatha Mergenovich,
Interstate Commerce Commission,
Washington, D. C. 20423.

Encl.
EM

SCHEDULE A

Specifications of the Equipment

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999
48	--	30-Ton Steel Cupola Cabooses	CO 90200-90348

Interstate Commerce Commission
Washington, D.C. 20423

4/10/80

OFFICE OF THE SECRETARY

Jacqueling B. Goodyear
Cravath, Swaine & Moore
One Chase Manhattan plaza
New York, N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/10/80 at 3:10pm, and assigned re-recordation number(s). 11663, 11663-A, 11663-B, 11663-C & 11663-D

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

See F for #5

RECORDATION NO. 11663 Filed 1425

APR 10 1980 -3 10 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2043-981]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of March 15, 1980

Between

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

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
Builder,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee.

[Covering Reconstructed Cars]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

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EXHIBIT E--FUNDING AGREEMENT

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* This Table of Contents has been provided for convenience only and does not affect any interpretation of this document.

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of March 15, 1980, between MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Builder"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners").

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (the "Hulks") from the Builder pursuant to a Hulk Purchase Agreement (the "Hulk Purchase Agreement") in substantially the form of Exhibit D hereto, and will cause the Hulks to be delivered to the Builder, who will cause the Hulks to be reconstructed into equipment (the "Equipment") in accordance with specifications of the Owners as described in Schedule A hereto. The Vendee will subject the Hulks to security title in favor of the Vendor pursuant to a Transfer Agreement (the "Transfer Agreement") in substantially the form of Exhibit A hereto for the purpose of securing the obligations of the Vendee hereunder. The Vendor will transfer security title in the Equipment upon completion of reconstruction back to the Vendee. Beneficial ownership of the Hulks and the Equipment shall at all times be in the Vendee on behalf of the Owners, and nothing in this Agreement shall be construed so as to deprive the Vendee and the Owners of such ownership.

The Vendee and the Builder are entering into a Lease of Railroad Equipment (the "Lease") in substantially the form of Exhibit B hereto, pursuant to which the Vendee is leasing the Equipment to the Builder, as lessee, subject to this Agreement, and the Vendee is assigning for security purposes certain of its rights under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") in substantially the form of Exhibit C hereto. The Owners have agreed to cause certain payments due to the Vendor hereunder to be made pursuant to a Funding Agreement (the

"Funding Agreement") in substantially the form of Exhibit E hereto. The rights acquired by the Vendor pursuant to this Agreement are acquired for the benefit of certain investors (the "Investors") in accordance with the Participation Agreement.

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1. Reconstruction and Sale. The Vendee will deliver the Hulks to the Builder immediately after the purchase thereof under the Hulk Purchase Agreement. Pursuant to this Agreement, the Builder will then cause the Hulks to be reconstructed into the Equipment as described in Schedule A hereto and will deliver the Equipment to the Vendee. The Vendee will accept delivery of and pay for the Equipment as hereinafter provided. Each unit of Equipment shall be standard gauge railroad equipment reconstructed in accordance with the specifications referred to in the Memorandum of Understanding between the Owners and the Builder dated as of March 31, 1980, and in accordance with such modifications thereof as may be agreed upon in writing by the parties thereto (such specifications and any modifications are by reference made a part of this Agreement as fully as though expressly set forth herein and are called the "Specifications"); provided, however, that at least 21% of the units of Equipment delivered pursuant hereto shall have roller bearings (rather than friction bearings). The Builder warrants to the Vendor and the Vendee that the design, quality and component parts of the Equipment will conform, on the date of delivery of each thereof, to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of the Equipment as of the date of such delivery.

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of Equipment to the Vendee at such point or points within the United States of America at such place or places designated from time to time by the Builder on or prior to March 15, 1981, freight charges, if any, prepaid. The Builder agrees not to tender for sale any Hulk under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if (A) the Builder does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following the commencement of reconstruction and in any event on or before December 31, 1980; (B) the Builder has received written notice from the Vendee or the Vendor (a) of the occurrence of any event of default (as defined in

Article 14 hereof) or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 hereof) which with lapse of time, failure to take affirmative action and/or demand could constitute an event of default hereunder shall have occurred, (b) that any of the conditions contained in Paragraph 7 or 8 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of the Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided; or (C) the Purchase Price (as defined in Article 3 hereof) of such Hulk when reconstructed, when added to the aggregate Purchase Price when reconstructed of all other Hulks which previously have been validly accepted under the Hulk Purchase Agreement, would cause the aggregate Purchase Price of all such Hulks to exceed the Maximum Purchase Price (as defined in Article 3 hereof).

The Builder's obligations pursuant to the preceding paragraph shall be absolute and unconditional, regardless of any events which might otherwise be deemed to constitute force majeure. In the event that the Builder fails to perform such obligations, and without limiting the rights and remedies of the parties hereto, Section 2 of the Hulk Purchase Agreement shall apply.

During reconstruction, including without limitation all phases of fabrication and assembly, the Hulks and all work thereon shall be subject to inspection and approval by the Owners. The Builder shall grant to the authorized inspectors of the Owners (who may be employees of the Builder) access to all portions of its plants where Hulks are being reconstructed. The Builder agrees to inspect all materials used in the reconstruction of the Equipment in accordance with its standard quality control practices. Upon completion of each unit or of a number of units of Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Builder) shall execute and deliver to the Builder a certificate of acceptance (the "Certificate of Acceptance") stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; <u>provided, however</u>, that the Builder shall not thereby be relieved of its warranties set forth in Article 12 hereof.

ARTICLE 3. <u>Purchase Price and Payment.</u> The cost

of the Hulks (the "Hulk Purchase Price") and the estimated base construction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto, as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost and the aggregate Hulk Purchase Price (the aggregate "Purchase Price") shall in no event exceed the aggregate Hulk Purchase Price and the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor. The Vendee, as agent for the Owners, shall be unconditionally obligated to pay the Hulk Purchase Price and Reconstruction Cost of each unit of Equipment validly delivered, accepted and reconstructed in accordance with the terms of this Agreement. For purposes of this Agreement, the term "Maximum Purchase Price" shall mean $27,081,854 less an amount equal to the aggregate Purchase Price as defined in the Reconstruction and Conditional Sale Agreement dated as of March 1, 1980 (the "RCSA-1"), between the Vendor, as agent, the Builder and The Connecticut Bank and Trust Company (as trustee for the owners thereunder) of the equipment settled for under RCSA-1.

For the purpose of settlement therefor, the Equipment shall be divided into not more than two groups (the "Groups") of units of Equipment unless the Vendee and the Builder shall otherwise agree. The parties hereto agree to comply with the schedule of closing dates (each such date is called a "Closing Date") set forth in Schedule B hereto; provided, however, that the Vendee, the Vendor and the Builder may agree on such other dates as occur before April 1, 1981 (the "Cut-Off Date"). The Group for which settlement shall be made on any Closing Date shall consist of such units of Equipment with respect to which the Builder shall have presented to the Vendee an invoice (addressed to the Vendor and approved as to price by the Vendee) and a Certificate or Certificates of Acceptance not more than 10 business days prior to such Closing Date; provided, however, that the aggregate Purchase Price of all units of Equipment to be settled for on a Closing Date shall not exceed an amount equal to 100/75.07 of the amounts available to the Vendor pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the CSA Indebtedness (the "Available Investors' Funds"). The Builder shall give the Vendee and the Vendor three days' prior written notice of any Closing Date. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland; Hartford, Connecticut; or New York, New York; are authorized or obligated to remain closed. If any Closing Date is not a business day, payment shall be made on the next succeeding business day.

Subject to Article 21 hereof, the Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of the aggregate Purchase Price of each Group, and hereby promises to pay the same (and the Builder is hereby constituted a third-party beneficiary of such obligation) in immediately available funds to the Vendor at such place as the Vendor may designate, as follows:

(a) in nine annual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to the lesser of (y) 75.07% of the aggregate Purchase Price of the units of Equipment in the Group for which settlement is then being made as set forth in the invoice or invoices therefor (the "Invoiced Purchase Prices") or (z) the Available Investors' Funds; and

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

The installments of the CSA Indebtedness shall be payable on each June 30, commencing June 30, 1982, to and including June 30, 1990, or, if any such date is not a business day, on the next succeeding business day (each such date is called a "Payment Date"). The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date upon which such CSA Indebtedness was incurred at the rate of 13% per annum, and such interest shall be payable, to the extent accrued, on December 30, 1980, and thereafter on June 30 and December 30 in each year, to and including June 30, 1990 (each such date is called an "Interest Payment Date"). The installments of principal and/or amounts of interest payable on each Date shall be calculated to be substantially in proportion to the amount and allocation of principal and interest set forth in Schedule C hereto (subject to the provisions of Article 6 hereof) and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Builder a payment schedule showing the respective amounts of principal and interest payable on each Interest Payment Date.

cation by the Builder that the Invoiced Purchase Prices have been calculated as provided in the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent car builder for comparable equipment; and

(c) an opinion of counsel for the Builder, dated as of such Closing Date, stating that (i) at the time of delivery of the Equipment in such Group on behalf of the Vendor to the Vendee hereunder, title to such Equipment was free of all claims, liens, security interests and other encumbrances of the Builder or of anyone claiming through the Builder; and (ii) as of such Closing Date, title to the Hulks from which such Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and other encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto, together with a favorable letter from Messrs. Wilmer & Pickering (or other outside counsel acceptable to the Vendor) with regard to a search of the Interstate Commerce Commission files in respect of the Hulks.

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

Notwithstanding any other provision of this Agreement (including but not limited to any provision of Articles 14 and 15 hereof), but not limiting the effect of Article 21 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of this Article 3, the interest payable on the CSA Indebtedness in accordance with the Funding Agreement and the obligations set forth in the proviso in the third paragraph of Article 11 hereof, shall not exceed an amount equal to and shall be payable only out of the "income and proceeds from the Equipment". As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 14 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such

event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 6 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon, due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall be required to discharge any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (A) amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were due and payable under the Lease or (B) amounts excluded from the Lease Assignment pursuant to the first paragraph of Section 1 thereof. "Income and proceeds from the Equipment" shall at all times also include any and all amounts received by the Vendee from the Owners under the Funding Agreement, whether or not on the date of receipt thereof any payments are due and payable hereunder. Notwithstanding anything to the contrary contained in Articles 14 and 15 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder or

to proceed against the Lessee under the Lease or the Consent.

ARTICLE 4. Title to Equipment. The Vendor hereby retains a security interest in the Hulks delivered to the Builder hereunder for reconstruction and shall continue to retain such security interest during the entire period that the Hulks are being reconstructed and thereafter in the Equipment until the Vendee shall have made all its payments under this Agreement in respect of the Equipment and shall have kept and performed all its agreements herein contained in respect thereof, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement, except for any additions, modifications and improvements which under the provisions of Section 8 of the Lease are owned by the Lessee.

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

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

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

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

In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 6 of the Lease), the Vendee shall, within 30 days after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all installments of principal and interest in respect of such unit to and including the Casualty Payment Date (as defined in Section 6 of the Lease) in respect thereof. On such Casualty Payment Date the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined) of such unit and shall file or cause to be filed with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date that such Casualty Value is paid (after the payment of the interest and principal due on such date) to prepay without penalty or premium the unpaid balance of the CSA Indebtedness with respect to such unit or units (in the manner provided in the second paragraph of Paragraph 11 of the Participation Agreement), and the Vendee will promptly furnish to the Vendor and the Builder a revised schedule of payments of principal and interest thereafter to be made in respect of the remaining units.

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

The Vendee will at all times prior to the payment of the full indebtedness in respect of the Purchase Price of

the Equipment, together with interest thereon and all other payments required hereby, cause to be carried and maintained insurance in respect of the Equipment as provided in the sixth paragraph of Section 6 of the Lease.

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

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

ARTICLE 7. Reports and Inspections. On or before November 30 in each year, commencing with the year 1981, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in Section 7 of the Lease.

ARTICLE 8. Marking of Equipment. The Vendee will cause each unit of Equipment to be kept numbered and marked as provided in Section 4 of the Lease.

Except as provided in Section 4 of the Lease, the Vendee will not allow any name to be placed on any unit of Equipment as a designation that might be interpreted as a claim of ownership.

ARTICLE 9. Compliance with Applicable Laws. During the term of this Agreement, the Vendee will comply

and will cause every lessee or user of the Equipment to comply in all respects (including without limitation the use, maintenance and operation of the Equipment) with all Applicable Laws (as defined in Section 8 of the Lease), and in the event that any Applicable Law requires any alteration, replacement or modification of or to any part on any unit of Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Builder may, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

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

The parties hereto acknowledge that the rights of the Builder (as lessee under the Lease) and its permitted assigns under the Lease shall be subordinate and junior in rank to the rights and shall be subject to the remedies of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

Subject to the provisions of the preceding paragraph of this Article 10, the Equipment may be used as provided in Section 11 of the Lease. Except as otherwise provided in the Lease, the Vendee may also lease the Equipment to any other railroad company with the prior written consent of the Vendor.

ARTICLE 11. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee, the Owners or their respective successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to any unit of Equipment or the Vendee's interests in the Lease or the payments due and to become due thereunder, or any part thereof, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by any appropriate legal proceedings in any reasonable manner and the nonpayment thereof does

not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor in the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of any such claim shall be secured by and under this Agreement.

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

The foregoing provisions of this Article 11 shall be subject to the limitations set forth in the last paragraph of Article 3 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee or the Owners or their respective successors and assigns (other than the Vendor) not arising out of the ownership of the Equipment or the transactions contemplated hereby (but including tax liens arising out of the rentals and other payments under the Lease and any other proceeds from the Equipment) which, if unpaid, might become a lien, charge, security interest or other encumbrance on or with respect to any unit of Equipment or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity or priority thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of counsel to the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 12. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, including without limitation strict or absolute liability in tort or by statute imposed, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of its security

interest in the Equipment, the ordering, acquisition, use, operation, condition, reconstruction, maintenance, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person or the transfer of its interest in the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the CSA Indebtedness and the release of the security interest in the Equipment, as provided in the last paragraph of Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

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

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

The Builder warrants that the Hulks will be reconstructed in accordance with the Specifications and standards set forth or referred to in Article 1 hereof and warrants that the Equipment will be free from defects in material or workmanship or design under normal use and service. The Builder hereby assigns and delivers to the Vendor and (subject to the rights of the Vendor under this Agreement) to the Vendee every claim, right and cause of action (to the extent legally possible without impairing any such claim, right or cause of action) which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee every such further assurance as may be reasonably requested more fully to effectuate the assignment and delivery thereof.

The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee from and against any and

all liability, including without limitation strict or absolute liability in tort or by statute imposed, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor and the Vendee because of the use in or about the construction or operation of the Equipment or the reconstruction of any of the Hulks of any design, article or material infringing or claimed to infringe on any patent or other right or arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of Equipment resulting in damage to property or injury or death to any person. The Vendor or the Vendee will give notice to the Builder of any claim as to which it has received actual written notice from which liability may be charged against the Builder under this paragraph.

The indemnities made in this Article 12 by the Builder shall not be modified, postponed or in any other way or in any manner reduced as a consequence of any action or inaction of the Owners in connection with, relating to or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Builder pursuant to this Agreement. Said indemnities shall in all events, and in addition to the agreements contained elsewhere in this Article 12, extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty, including without limitation any breach of warranty or breach of contract.

The warranties and indemnities contained or referred to in this Article 12 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of and be enforceable by the Vendee (in both its individual and fiduciary capacities), the Owners, the Vendor, the Investors, any lessor, lessee, assignee or transferee of this Agreement or of any units of Equipment.

ARTICLE 13. Assignments. Except as provided in this Agreement, the Hulk Purchase Agreement or the Trust Agreement, the Vendee will not transfer the right to possession of any unit of Equipment or sell, assign or otherwise dispose of its rights under this Agreement.

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

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

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

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for 10 days; or

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

to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under the Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, or in accordance with the provisions of 11 U.S.C. § 1168, within 60 days after the filing of such petition or the commencement of the case; or

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

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of Equipment and the Vendee shall, for more than 15 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right;

then at any time after the occurrence of such an event of default the Vendor may upon five days' prior written notice to the Vendee (such five-day period to commence on the day upon which the Vendee shall receive such written notice) and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, if such event of default shall be continuing, (i) cause the term of the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease) but without affecting the indemnities or other agreements of the Builder which by the provisions of the Lease survive the termination of its term and/or (ii) declare (a "Declaration of Default") the entire unpaid CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the Penalty Rate. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the limitations of Article 21 and the final paragraph of Article 3 hereof, wherever situated. The Vendee agrees to notify the Vendor promptly of any event of which an officer or employee in its corporate trust department has actual knowledge which constitutes or with notice or lapse of time or both could constitute an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is agreed by the Vendee that time is

of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

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

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

(a) forthwith and in the usual manner (including without limitation causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Builder or its affiliates as the Vendor reasonably may designate;

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

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by

the Builder or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

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

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

Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 15.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee and any other persons to whom the law may require notice of the time and place, may sell one or more of the units of Equipment, free from any and all claims of the Vendee or any other party claiming from, through or under the Vendee at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under this Agreement.

Any sale hereunder may be held at such place or places and at such time or times as the Vendor may specify, in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor or the Vendee may bid for and become the purchaser of any unit of Equipment so offered for sale. The Vendee shall be given written notice of such sale not less than 10 days prior thereto by

telegram or registered mail, addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Vendee to purchase or provide a purchaser within 10 days after notice of the proposed sale price at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 15), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

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

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the Penalty Rate and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and

shall, subject to the limitations of the last paragraph of Article 3 and in Article 21 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

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

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

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

ARTICLE 17. Filing. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be duly filed with the Interstate Commerce Commission; and the Vendee will from time to time perform any other act and will execute, deliver and file any and all further instruments required by law or reasonably

requested by the Vendor for the purpose of proper protection, to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing satisfactory to the Vendor.

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

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

ARTICLE 20. Notices. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its place of business at the following specified addresses:

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

(b) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with copy to the Owners at their respective addresses set forth in Section 2.02 of the Trust Agreement,

(c) to the Builder, at 100 North Charles Street, Baltimore, Maryland 21201, attention of Senior Assistant Treasurer,

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement or referred to herein against any person solely by reason that such person is an incorporator, stockholder, beneficiary, director or officer, past, present or future, of any party hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such persons (solely in such capacities) being forever released as a condition of and as consideration for the execution of this Agreement.

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

Notwithstanding anything herein to the contrary, each of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement) and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence on the part of said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable

against said bank or the Owners hereunder (except, with respect to each such party, in connection with the payment or discharge of taxes, claims, liens, charges or security interests claimed from, through or under such party or its successors and assigns pursuant to the proviso to the last paragraph of Article 11 of this Agreement and except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) on account of this Agreement or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of the said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and the Builder and by all persons claiming by, through or under the Vendor or the Builder.

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

ARTICLE 22. Governing Law. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303, and such additional rights arising out of the marking of the Equipment, if any, as shall be conferred by the laws of the several jurisdictions in which the Equipment is used.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto. The schedules and the footnotes thereto annexed to this Agreement are an integral part of this Agreement and are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as

of the date first set forth above.

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

by

Assistant Vice President

[Corporate Seal]

Attest:

Corporate Trust Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

Assistant Vice President and Treasurer

[Corporate Seal]

Attest:

Assistant Secretary

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

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

On this 7th day of April 1980, before me personally appeared R. E. Schreiber, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

Patricia A. Shilow
Notary Public

[Notarial Seal]

My Commission expires 7-1-82

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President & Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia 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.

[Notarial Seal]

Notary Public

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My Commission expires

Reconstruction and Conditional Sale Agreement

SCHEDULE A

Specifications of the Equipment*

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999	$ 5,669	$ 2,874,000	$ 7,130	$ 3,615,105	$12,799	$ 6,489,105
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749	2,156	207,000	7,784	747,222	9,940	954,222
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500	4,167	4,712,500	8,106	9,167,992	12,273	13,880,492

* Notwithstanding anything herein to the contrary, this Agreement will cover only those units of Equipment that are reconstructed by the Builder from Hulks delivered pursuant to the Hulk Purchase Agreement and that are accepted by the Vendee after June 30, 1980, and on or before March 15, 1981, and that have an aggregate Purchase Price not in excess of the Maximum Purchase Price (as defined in Article 3 of this Agreement). After delivery of all Equipment covered by this Agreement, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those units of Equipment covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999	$ 4,472	$ 644,000	$ 7,363	$ 1,060,228	$11,835	$ 1,704,228
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999	10,870	750,000	6,965	480,578	17,835	1,230,578
48	—	30-Ton Steel Cupola Cabooses	CO 90200-90348	5,000	240,000	20,381	978,288	25,381	1,218,288
1995					$9,427,500		$16,049,413		$25,476,913

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Closings

Date	Estimated Purchase Price
September 16, 1980	$12,011,346
December 16, 1980	12,011,347

Reconstruction and Conditional Sale Agreement

SCHEDULE C

Allocation Schedule of Each $1,000,000 of 13% CSA Indebtedness

Payment Date	Debt Service	Interest Payment	Principal Recovery	Ending Principal
12/30/80	$ *	$ *	$ -0-	$1,000,000.00
6/30/81	65,000.00*	65,000.00	-0-	1,000,000.00
12/30/81	65,000.00*	65,000.00	-0-	1,000,000.00
6/30/82	72,002.49	65,000.00	7,022.49	992,997.51
12/30/82	64,544.84*	64,544.84		992,997.51
6/30/83	126,263.21	64,544.84	61,718.37	931,279.14
12/30/83	60,533.14*	60,533.14		931,279.14
6/30/84	130,274.90	60,533.14	69,741.76	861,537.38
12/30/84	55,999.93*	55,999.93		861,537.38
6/30/85	134,808.11	55,999.93	78,808.18	782,729.20
12/30/85	50,877.40*	50,877.40		782,729.20
6/30/86	139,930.65	50,877.40	89,053.25	693,675.95
12/30/86	45,088.94*	45,088.94		693,675.95
6/30/87	188,120.90	45,088.94	143,031.96	550,643.99
12/30/87	35,791.86*	35,791.86		550,643.99
6/30/88	197,417.97	35,791.86	161,626.11	389,017.88
12/30/88	25,286.16*	25,286.16		389,017.88
6/30/89	207,923.67	25,286.16	182,637.51	206,380.37
12/30/89	13,414.72*	13,414.72		206,380.37
6/30/90	219,795.09	13,414.72	206,380.37	-0-
	$1,898,073.98	$898,073.98	$1,000,000.00	

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

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT
[CS&M Ref. 2043-981]

TRANSFER AGREEMENT

Dated as of March 15, 1980

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

Attention of Corporate Trust Department

We propose to acquire the used railroad equipment described in Annex I hereto (the "Hulks") from The Chesapeake and Ohio Railway Company (the "Builder") and desire to have such Hulks reconstructed. We hereby agree with you as follows:

1. In order to secure the interest of the Investors in the Hulks to be reconstructed and leased in accordance with the Participation Agreement dated as of the date hereof between the Builder, you, us and the other parties thereto, we hereby assign and transfer to you security title to the Hulks (WITHOUT ANY WARRANTIES, INCLUDING BUT NOT LIMITED TO WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP).

2. You will hold security title pursuant to the Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between you, the Builder and us, and you will take whatever action we reasonably require to provide that the Hulks are reconstructed pursuant thereto in accordance with the specifications referred to in Article 1 thereof. In accordance with the RCSA, we will cause the Hulks to be delivered to the Builder.

3. Upon completion of the reconstruction, the reconstructed Hulks will be delivered and conditionally sold by you to us in accordance with the RCSA.

4. If Hulks are excluded from the RCSA you shall

release and reassign to us your security interest in such Hulks, without warranty.

5. It is agreed that this Agreement and the RCSA are being entered into solely to permit you to effectuate the foregoing and your interest in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the owner of the same.

6. It is agreed that this Agreement may be executed by you and us in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute a single instrument. Annex I and the footnotes thereto are an integral part of this Agreement and are incorporated herein by reference.

7. It is agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in the Participation Agreement and the other agreements annexed to the Participation Agreement. It is further agreed, anything herein to the contrary notwithstanding, that each of the representations, warranties, undertakings and agreements herein made by us are made and intended not as our personal representations, warranties, undertakings and agreements in our individual capacity or for the purpose or with the intention of binding us personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in a Trust Agreement dated as of the date hereof between the Owners specified at the end of this Agreement and us (the "Trust Agreement")), and this Agreement is executed and delivered by us not in our own right but solely in the exercise of the powers expressly conferred upon us as trustee under the Trust Agreement; and except in the case of our gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against us on account of this Agreement or on account of any representation, warranty, undertaking or agreement by us herein, either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

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

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as trustee under a Trust Agreement dated as of the date hereof with General Electric Credit Corporation and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division), as Owners,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

by

_____
Authorized Officer

ACCEPTED:

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

by

_____
Assistant Vice President

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

_____
Notary Public

[Notarial Seal]

My commission expires

TRANSFER AGREEMENT

ANNEX I*

Quantity	Description	Railroad Road Numbers
507	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	85-Ton Open Top Hopper Cars	CO 85000-86999
48	30-Ton Steel Cupola Cabooses	CO 90200-90348

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* Notwithstanding anything herein to the contrary, this Agreement will only cover Hulks delivered by the Builder and reconstructed and accepted by us after June 30, 1980, and on or before March 15, 1981, having an aggregate Purchase Price when reconstructed not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1980

Between

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee.

[Covering Reconstructed Cars]

LEASE OF RAILROAD EQUIPMENT

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* This Table of Contents has been provided for convenience only and does not affect any interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1980, between THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a trust agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION ("G. E. Credit") and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) ("Connell" and, with G. E. Credit, the Owners").

The Lessee and the Lessor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (said Trust Company, as Agent, together with the Investors for whom it is acting, being hereinafter called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Owners, the Lessor and said Investors, wherein the Vendor has agreed to sell to the Lessor its interest in the railroad equipment described in Schedule A thereto (the "Equipment") after it has been reconstructed (pursuant to the terms of the RCSA) from the hulks (the "Hulks") delivered to the Lessor pursuant to a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") between the Lessor and the Lessee.

The Lessee desires to lease all the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign certain rights in this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement attached to the Lease Assignment (the "Consent"). The Owners and the Lessee will agree with the Lessor to make certain payments due under the RCSA pursuant to a Funding Agreement dated as of the date hereof (the "Funding Agreement").

In consideration of the agreements hereinafter set forth, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the

rights and remedies of the Vendor under the RCSA:

Section 1. Delivery and Acceptance of Units. Subject to the rights of the Owners to inspect the Hulks and the Equipment as provided in the RCSA, the Lessor hereby appoints the Lessee (and any employee thereof designated by the Lessee) as its agent and the agent for the Owners for inspection and acceptance of the Units pursuant to the RCSA. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (the "Certificate of Acceptance"), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 10 consecutive annual payments, in arrears, payable on June 30 in each year, commencing June 30, 1982. The first five annual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 14.19997240% of the Purchase Price (as defined in the RCSA) of such Unit. The second five annual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 17.35460602% of the Purchase Price of such Unit.

If and to the extent that the Vendor shall not receive the funds due under the Funding Agreement on the dates due thereunder, the Lessee agrees to pay to the Lessor, as additional rental for each Unit subject to this Lease, on each such date an amount equal to the applicable basic lease rate therefor set forth in Schedule C hereto for such date multiplied by the Purchase Price of each such Unit, and the Lessee shall be entitled to an offset against the next following June 30 rental payment or payments (to the extent such payments are not required to satisfy the payment of principal and interest on the CSA Indebtedness, as defined in the RCSA) of an amount equal to the amount so paid by the Lessee plus interest thereon for six months at the rate of 13% per annum.

The Lessee and the Lessor agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted in the event that

(A) any change in the Internal Revenue Code of 1954 (the "Code"), the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations is enacted or has an effective date on or prior to June 30, 1981, or prior to such date any income tax regulations or published administrative or judicial interpretations of the Code are issued, the effect of which is to deny to the Owners the ability to put into practice with respect to this transaction any of the tax assumptions utilized by the Owners in originally evaluating this transaction, if such assumptions were reasonably consistent with industry practice at the time made; (B) the aggregate Reconstruction Cost (as defined in the RCSA) of the Units is more or less than 68.37% of the aggregate Purchase Price of the Units or the Lessor pays more than 24.93% of the Purchase Price of any Unit pursuant to clause (b) of the third paragraph of Article 3 of the RCSA; (C) less than 21% of the Units have roller bearings (rather than friction bearings); (D) any Closing Date is held on a date other than the date specified therefor in Schedule B of the RCSA; (E) the amount settled for on any Closing Date is different from the amount specified therefor in Schedule B of the RCSA; (F) any Unit is delivered and accepted after December 31, 1980; (G) the aggregate amount paid to the Lessor on the sale of noncompleted Hulks pursuant to Section 2 of the Hulk Purchase Agreement is less than the aggregate Purchase Price of such Units; (H) there is any deficiency payable in respect of Investments (as defined in the Participation Agreement) pursuant to the Participation Agreement; (I) Connell holds any interest in the CSA Indebtedness under PA-1 (as defined in the Participation Agreement) as Interim Investor thereunder after the Settlement Date under the RCSA; or (J) the PA-1 Owners expend funds to obtain a replacement Investor (pursuant to Paragraph 10 of PA-1). Any such adjustment shall be effective as of the first rental payment date following the event giving rise to such adjustment, and shall be made in such manner as will result, in the Owners' reasonable judgment, in preserving for the Owners both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owners had such event not occurred, based on the rates of Federal, state and local taxes on or measured by net income in effect from time to time and in all other respects based on the assumptions and methods of calculation utilized by the Owners in originally evaluating the transaction described in this Lease and related documents (the "Net Economic Return"). Notwithstanding the foregoing, the rentals payable and Casualty Value percentages will never be less than those amounts and percentages required to enable the Lessor to satisfy its obligations under the RCSA and to enable the Owners to satisfy the profit and positive cash flow requirements set forth in Section 4(6) of Rev. Proc. 75-21, 1975-1 C. B. 715, as such requirements may be modified or adjusted as of the applicable rental payment date. The Owners shall furnish the Lessee and the Vendor

prior to the effective date of any such adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

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

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including but not limited to abatements, reductions or setoffs due or alleged to be due to or by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Vendor or the Owners or otherwise (except as provided in the second paragraph of this Section 2); nor, except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate the lease of any of the Units, except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason

whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other immediately available funds no later than 10:00 a.m. Baltimore time in the city where such payments are due.

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

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

Section 4. Identification Marks. So long as this Lease shall remain in effect, the Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed by the Lessee in all public offices where this Lease and the RCSA shall have been filed and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing will protect the Vendor's and the Lessor's interests in such Units and that no other filing or giving of notice is necessary to protect the interests of the Vendor and the Lessor in such Units.

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

Section 5. Taxes. The Lessee agrees for the benefit of the Lessor and the Owners to pay and on written demand to indemnify and hold each Indemnitee (which for the purposes of this Section 5 shall mean the Lessor (in both its individual and fiduciary capacities), the Owners, the Trust Estate (as defined in the Trust Agreement) and any affiliate of any of them) harmless from all license and registration fees and all taxes (including income, gross receipts, franchise, sales, use, property, stamp and other taxes), assessments, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, additions to tax, fines or interest thereon (collectively, "taxes, fees or other charges"), imposed against any Indemnitee, the Lessee, any Unit or any part thereof by any Federal, state or local government or taxing authority in the United States of America or by any taxing authority or governmental subdivision of a foreign country upon or with respect to any Unit or any part thereof or upon the manufacture, purchase, ownership, delivery, leasing, possession, use, operation, sublease, return or other disposition thereof or upon the rentals, receipts or earnings arising therefrom or upon or with respect to this Lease or any other document contemplated in the Participation Agreement; excluding, however, (i) United States Federal income taxes imposed on the Owners, whether or not the Lessee is required to indemnify therefor pursuant to Section 15 hereof and (ii) any corporate franchise or doing business tax or tax, fee or charge on, based on or measured by the net income of either Owner, other than such tax as may be imposed by any taxing jurisdiction as a result of the use or operation of the Units by the Lessee within such jurisdiction and which would not otherwise be imposed but for such use or operation of the Units; further excluding, any taxes, fees or other charges on, based on or measured by any fees or compensation received by the Lessor for services rendered in connection with the transactions contemplated hereby; further excluding, any taxes, fees or other charges imposed on or for the account of any Indemnitee by reason of

any transfer of any interest in the Units or the Trust Estate voluntarily by such Indemnitee while no Event of Default shall have occurred and then be continuing; provided however, that there shall not be excluded any taxes, fees or other charges imposed by any jurisdiction on, based on or measured by net income resulting directly or indirectly (whether by inclusion of an item in gross income, disallowance of a credit against tax, disallowance of a deduction for depreciation or otherwise) from the Lessee's receipt of any payment by any manufacturer of any component of any Unit in satisfaction of a claim against such manufacturer with respect to any Unit under any warranty or indemnity provision of any purchase agreement, unless, and only to the extent that, any such tax, fee or other charge is being contested by the Lessee in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or any interest therein. The Lessee further agrees that any payment of indemnity hereunder shall include any amount necessary to hold the Indemnitee harmless on an after-tax basis from all taxes required to be paid by such Indemnitee with respect to such payment of indemnity under the laws of any Federal, state or local governmental or taxing authority in the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country; provided, however, that if any Indemnitee realizes a tax benefit by reason of such payment of indemnity (whether such tax benefit shall be by means of investment tax credit, depreciation deduction or otherwise), such Indemnitee shall pay the Lessee an amount equal to the sum of such tax benefit plus any tax benefit realized as the result of any payment made pursuant to this proviso, when, as, if and to the extent realized; but not before the Lessee shall have made all payments of indemnities to such Indemnitee theretofore required and then due and payable pursuant to this Section 5 and no Event of Default (or event which with notice or lapse of time or both would constitute an Event of Default) shall have occurred and be continuing. Each Indemnitee shall in good faith use reasonable efforts in filing its tax returns and in dealing with taxing authorities to seek and claim any such tax benefit.

The Lessee shall not be responsible under this Section for any tax upon or with respect to any Unit imposed with respect to any period following the return of such Unit (and after Lessee has fully complied with Section 13 with respect to such return) at the end of the term of this Lease or, except as otherwise specifically provided herein,

payment in full of the Casualty Value for such Unit in accordance with the provisions hereof.

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

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

In the event that the Lessee becomes liable for the payment or reimbursement of any taxes, fees or other charges pursuant to this Section 5 during the continuance of this Lease, such liability shall continue, notwithstanding the expiration of this Lease, until all such taxes, fees or other charges are paid or reimbursed by the Lessee.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances or furnish other evidence satifactory to the Lessor of the Lessee's performance of its duties under this Section 5. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions, including but not limited to information relating to the use of any Unit or Units outside the United States of America.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the _ad valorem_ tax returns to be filed by the Lessee in

the applicable states or localities and that neither the Vendor nor the Lessor shall include the Units in any ad valorem tax returns filed by them in such states or localities.

The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to indemnification under this Section 5 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment and such imposition on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the Lessor would have had or been in had such imposition not been imposed.

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

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

accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit, and, subject to the next succeeding sentence, the Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to Section 13 hereof. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted under the RCSA on or prior to December 31, 1980. With respect to any Unit delivered and accepted after December 31, 1980, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Owners' after-tax rate of return and after-tax cash flow (based on the rates of Federal, state and local taxes on or measured by net income in effect from time to time and in all other respects based on the assumptions and methods of calculation utilized by the Owners in originally evaluating the transaction described in this Lease and related documents) will not be increased or decreased by reason thereof; provided, however, that the Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit as of the rental payment date immediately preceding such termination. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering such Casualty Occurrence or any component thereof at the best price obtainable on an "as is, where is, and with all faults" basis; provided, however, that, except in the case of the loss, theft or complete destruction of such Unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale and all payments made by other carriers to or for the account of the Lessee and attributable to the loss or destruction of such Unit, to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance that are satisfactory to the Lessor in respect of the Units at the time subject hereto and the use and operation thereof, including without limitation property insurance and public liability insurance, in such amounts and for such risks and with such insurance companies as are consistent with prudent industry practice, but in any event at least comparable to insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it; provided, however, that, in respect of property insurance, the Lessee may self-insure

any Unit to the extent that it self-insures similar equipment owned by it and as is consistent with prudent industry practice. The Lessee hereby assigns and transfers to the Lessor and the Vendor, as their interests may appear, 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 Units or the use and operation thereof as aforesaid; provided, however, if the Lessee fully complies with all the provisions of this Section 6 and the third paragraph of Section 8 hereof in respect of the risk insured against as to which such proceeds are paid and, if there is no Event of Default under Section 9 hereof, the Lessee shall be entitled to retain all such proceeds.

Section 7. Annual Reports. On or before November 30 in each year, commencing with the year 1981, the Lessee will cause to be furnished to the Lessor, the Owners and the Vendor an accurate statement as of the preceding June 30 showing the amount, description and numbers of all Units (a) then leased hereunder or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs, and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof have been preserved or replaced. The Lessor shall have the right (but not the obligation), at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States of America) at such reasonable times as the Lessor may request during the continuance of this Lease.

Section 8. Warranties; Compliance with Applicable Laws; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR

OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof or the return of all the Units as provided in Section 10 or 13 hereof, any Applicable Law requires any replacement, modification or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or the RCSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of

this paragraph shall be owned by the Lessor, and those made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owners and the Vendor from and against all losses, expenses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Hulk Purchase Agreement, or this Lease or any sublease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby or the occurrence of a default, an event of default or an Event of Default under any of such documents, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer by the Vendor of its interests in the Equipment pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee written notice of any claim or liability to be indemnified against hereunder promptly upon an officer or employee in the corporate trust department of the Lessor having received actual knowledge thereof. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and the Hulk Purchase Agreement; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the principal of or interest on the CSA Indebtedness or a guarantee of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to

the indemnified party sufficient to restore such party to the same position (after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income) that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The indemnities made by the Lessee in this Section 8 shall not be modified, abated, postponed or in any other way diminished or reduced as a consequence of any action or inaction of the Owners in connection with, relating to or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Lessee pursuant to the RCSA. In addition to the agreements contained elsewhere in this Section 8, said indemnities shall in all events extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty (including without limitation any breach of warranty or breach of contract) to anyone.

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

Section 9. Default. If during the continuance of this Lease any of the following events (an "Event of Default") shall occur:

(a) default shall be made in the payment of any amount provided for in Section 2, 6 or 12 hereof and such default shall continue for 10 days;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any interest therein or of the right to possession of any Unit and shall fail or refuse to cause such assignment or transfer to be canceled and to recover possession of such Unit within 15 days after written notice from the Lessor or the Vendor to the Lessee demanding the same;

(c) default shall be made in the observance or performance of any other covenant, condition and agreement on the part of the Lessee contained herein or in the

Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(d) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, or in accordance with the provisions of 11 U.S.C. § 1168, within 60 days after the filing of the petition or the commencement of the case;

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

(f) any of the Lessee's representations or warranties made in the Participation Agreement, herein or in any statement or certificate at any time given in writing pursuant hereto or thereto or in connection herewith or therewith shall be breached or found to be false or misleading in any material respect;

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

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including amounts sufficient to restore the Owners to the same net after-tax rate of return and after-tax cash position (after considering the effect of the receipt of such damages and amounts on their United States Federal income tax and state and local taxes or franchise taxes based on net income) that the Owners would have realized or would have been in had such breach not occurred; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents or employees enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee or its assigns to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value at the time of such

termination of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period (such present value to be computed in each case on the basis of a 6% per annum discount, compounded annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated); or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the net proceeds realizable upon the sale of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessee shall, if the Lessor shall so elect, pay the Lessor on the date of such sale (in addition to the amounts payable pursuant to Sections 5 and 8 hereof) as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale, in lieu of paying any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return or disposition of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax,

lien or other sum which in the judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within 10 days of notice thereof, together with interest thereon from the date of expenditure at the rate of 14% per annum or at the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities, whichever is greater.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law.

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

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

(a) forthwith and in the usual manner (including without limitation giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or its affiliates as the Lessor reasonably may designate;

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

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

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

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

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and if received by the Lessee shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.0482072% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

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

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

Subject to the terms of this Lease, the Lessee shall be entitled to the possession and use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, and to assign its

rights to the Units or to sublease the Units to any of its affiliates, but only upon and subject to all the terms and conditions of this Lease (including the last paragraph of this Section 11) and the RCSA; provided, however, that the Lessee shall in any such event remain primarily liable for all its obligations hereunder. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. Every such sublease shall be subject to the rights and remedies of the Vendor under the RCSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default or Event of Default thereunder or hereunder.

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

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

Section 12. Renewal Option; Duty to First Offer. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be, in respect of all but not less than all the Units then covered by this Lease for an additional two-year period commencing on the scheduled expiration of such term.

Each such extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except that (x) the amount of rentals shall be at Fair Market Rental (as hereinafter defined) payable, in arrears, in annual payments on the day such rentals were payable for the

Units in each year of the original term and (y) the Casualty Value of each Unit on the first day of such extended term shall be equal to the lesser of 30% of the Purchase Price of such Unit or the Fair Market Value (as hereinafter defined) of such Unit on such date and thereafter such Casualty Value shall be reduced on a straight line basis over the estimated remaining useful life of such Unit, all as determined by the procedures hereinafter established.

Fair Market Rental, Fair Market Value and estimated remaining useful life shall be agreed upon by the Lessor and the Lessee or determined as provided in the next paragraph. Fair Market Rental and Fair Market Value shall be equal in amount to the rental or sale value which would be obtained in an arm's-length transaction between an informed and willing lessee or vendee (other than a lessee currently in possession or a used equipment dealer) and an informed and willing lessor or vendor under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to Section 8 hereof; provided, however, that Fair Market Rental shall be determined as provided in this sentence on the basis of the term and other terms and conditions of the lease being considered. Fair Market Rental, Fair Market Value and estimated remaining useful life of the Units shall be determined upon the assumption that the Units shall have been maintained in accordance with the provisions of Section 6 hereof.

If after 45 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, either party to such determination may give written notice to the other requesting determination of Fair Market Rental, Fair Market Value or estimated remaining useful life by the following appraisal procedure, and the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within

35 business days after such notice is given, either party may apply to make such appointment to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, of the Units subject to the proposed extended lease term or sale within 90 days after appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental, Fair Market Value and estimated remaining useful life, unless these are agreed upon by the Lessor and the Lessee as provided for herein, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties at the expiration of the original or any extended term of this Lease, the Lessee shall be given written notice of such intention prior to the expiration of such term. The Lessee shall have the sole right and option to purchase all but not less than all the Units then subject to this Lease at the Fair Market Value of such Units. The Lessee shall exercise such purchase right by delivery to the Lessor of a written notice within 10 business days of receipt of notice from the Lessor, specifying a date of purchase not later than the later of 15 days after the date of delivery of such notice by the Lessee to the Lessor or 90 days after the expiration of such term of this Lease. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is

delivered to the Lessor until the date of such purchase. If the Lessee does not deliver such notice to the Lessor, all obligations of the Lessor under this paragraph shall terminate.

Section 13. Return of Units upon Expiration of Term. Upon the expiration of the original or any extended term of this Lease, the Lessee will, at its own expense, deliver the Units to the Lessor; provided, however, that if so instructed in writing by the Lessor at least 30 days prior to such expiration, the Lessee will, on or prior to the last business day of each consecutive calendar month following such expiration, deliver to the Lessor not more than 225 Units (or such other number as may be agreed to by the Lessor) under this Lease; provided further, however, that the Lessee shall incur no liability to the Lessor or to any person claiming by, through or under the Lessor if the Lessee is unable to deliver Units for delivery in each consecutive calendar month as a result of circumstances constituting force majeure. Any Units delivered to the Lessor pursuant to the preceding sentence shall be delivered upon such storage tracks of the Lessee as the Lessee may designate, and the Lessee shall permit the Lessor to store such Units on such tracks for a period not exceeding 150 days after delivery to such storage tracks, and shall transport the same, on a one-time basis per Unit at any time within such 150-day period, to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee until such time as such Unit shall have been delivered to such connecting carrier. Subsequent to the expiration of the term of this Lease and prior to delivery of any Unit to the Lessor, all terms and conditions of this Lease (other than term and the amount of rental and period of payment therefor) shall continue to apply to such Unit. If the Lessor gives to the Lessee the instruction referred to in the first proviso to the first sentence of this paragraph, then on the 10th day after delivery of the last Unit to be delivered to the Lessor as hereinabove provided or on the 270th day following expiration of the original or any extended term of this Lease, whichever shall first occur (the "Date of Payment"), the Lessee shall pay as rent to the Lessor for each Unit not so delivered to the Lessor upon such expiration a sum equal to one-twelfth of 50% of the average rental rate per Unit prevailing during the term or extended term of the Lease so expired, as the case may be, for each month (or part thereof) subsequent to such expiration and prior to such delivery. If any Unit is not returned by the Date of Payment, then the

Lessee shall continue to pay the monthly rent provided for in the preceding sentence with respect to such Unit, except that such rent shall be payable on the last business day of each month, to and including the month in which the Unit is returned. During any storage period provided for in this paragraph, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) be capable of being moved unloaded by the Lessee to any purchaser or subsequent lessee and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having competent jurisdiction the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof.

If the Lessor does not deliver the instructions referred to in the first sentence of the first paragraph of this Section 13, then in the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 90 days after the end of the term or any extended term of this Lease, the Lessee shall promptly pay to the Lessor an amount for each day after such 90-day period, equal to the greater of (i) all per diem, incentive per diem and mileage charges earned by such Unit (including, to the extent any Unit is used by the Lessee during this period, the per diem, incentive per diem and mileage charges that would have been payable by the Lessee to another carrier for a carrier car for each such day of use in revenue service) or (ii) 0.0482072% of the Purchase Price of such Unit. If the Lessor has not given the Lessee notice to transport any Unit to a connecting carrier for shipment within the 150-day storage period, the Lessor will pay to the Lessee for storage a reasonable storage rate for such Unit, beginning the first day after the 150-day storage period.

In the event that the Lessor elects, prior to the return of any Units or during the storage period provided

for in the preceding paragraph, to re-lease all or any of the Units to a third party, then upon written request from the Lessor to the Lessee, the Lessee agrees that, in order to keep such Units eligible for interchange, it will continue to lease such Units from the Lessor at a rental equal to the rental to be paid by such third party and will sublease such Units to such third party; provided, however, that such third party and the Lessor enter into an agreement reasonably satisfactory to the Lessee (A) to indemnify and hold harmless the Lessee from all liability and obligations arising under the Lease and such sublease (other than to pay to the Lessor an amount equal to any rental paid under such sublease) and (B) to reimburse the Lessee in full for all out-of-pocket costs and expenses connected with the continued lease and sublease of such Units, plus reasonable reimbursement for administrative costs relating directly thereto; provided further, however, that the Lessee shall not be obligated to enter into or carry out any such agreement to the extent that the Lessee is advised by counsel that such agreement would violate the provisions of any applicable law, rule or regulation, including without limitation rules and regulations of the Interstate Commerce Commission and the Association of American Railroads.

Section 14. Filing; Expenses. The Lessee will cause this Lease, the Lease Assignment, the Transfer Agreement (as defined in the Participation Agreement), the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing and refiling required of the Lessor under the RCSA and will from time to time perform any other act and will execute and file (and will refile whenever required) any and all further instruments or supplements required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Lease Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

Section 15. Income Tax Indemnity. (a) Assumptions. (1) The parties hereto agree that the Owners, as the beneficial

owners of each Unit, shall be entitled to such deductions, credits and other benefits as are provided by the Code and state and local taxing statutes to an owner of property, including without limitation (i) deductions for depreciation of each Unit under section 167 of the Code computed on the basis (A) that each such Unit will have a basis under section 167(g) of the Code at least equivalent to the Purchase Price in respect of such Unit, (B) with respect to the amount of the Reconstruction Cost, of the double-declining-balance method of depreciation authorized by section 167(b)(2) of the Code, switching to the sum-of-the-years-digits method of depreciation authorized by section 167(b)(3) of the Code when most beneficial to the Owners without obtaining the consent of the Commissioner of Internal Revenue in accordance with Treasury Regulation § 1.167(a)-11(c)(1)(iii), (C) with respect to the amount of the Hulk Purchase Price (as defined in the RCSA), of the 150 percent declining balance method authorized by Treasury Regulation § 1.167(a)-11(c)(1)(iv)(b)(2), switching to the straight line method without obtaining the consent of the Commissioner of Internal Revenue, (D) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of the asset depreciation range system of Treasury Regulation § 1.167(a)-11, (E) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of an asset depreciation period of 12 years, (F) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of a net salvage value of zero after the reduction permitted by section 167(f) of the Code and (G) that the entire Reconstruction Cost shall be treated as basis which is properly attributable to reconstruction after December 31, 1953, pursuant to section 167(c)(1) of the Code (the "ADR Deductions"); (ii) deductions with respect to interest payable on the CSA Indebtedness (the "Interest Deductions"); and (iii) investment credit pursuant to section 38 of the Code at least equal to 10% of the Reconstruction Cost in respect of each Unit (the "Investment Credit").

(2) It is further agreed by the parties hereto that they have assumed in their negotiation of the terms of the Participation Agreement, the RCSA and this Lease that (i) the Federal rate of tax imposed on taxable income of corporations in excess of $100,000 during the year 1980 is 46%, (ii) the applicable rate of tax imposed by any state or local taxing authority on the taxable income of the Owners in 1980 will be the same as that prevailing on March 1, 1980, (iii) for purposes of computing the ADR Deductions

with respect to the Units for the calendar year in which the Units were first placed in service, the Owners will be entitled to elect the half-year convention (including, as to each Unit, six months of depreciation for the calendar year in which the date of acceptance of such Unit occurs under this Lease), and (iv) for Federal income tax purposes, all amounts includible in the gross income of the Owners with respect to the Units and all deductions allowable to the Owners with respect to the Units will be treated as derived from or allocable to sources within the United States of America.

(3) The Lessee agrees that neither it nor any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing clauses (1) and (2) of this subsection (a) and that the Lessee and any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

(b) Representations and Warranties of Lessee.

(1) The Lessee represents and warrants that

(A) immediately upon delivery and acceptance of the Hulks under the RCSA and related documents, the Owners will be treated as the taxpayers for purposes of section 48(b)(1) of the Code and such taxpayers will be treated as having directed the reconstruction of the Hulks;

(B) the entire Reconstruction Cost of each Unit will constitute an investment in "new section 38 property" within the meaning of section 48(b) of the Code and will be deemed to have been placed into service by the Owners in the taxable year of the Owners during which the date of acceptance of such Unit occurs under this Lease;

(C) every Unit constitutes property the entire Reconstruction Cost of which qualifies for the Investment Credit under subpart B of Part IV, Subchapter A of the Code;

(D) the entire Reconstruction Cost of each Unit shall qualify as basis which is properly attributable to reconstruction (i) after December 31, 1953, as provided in section 167(c)(1) of the Code and (ii) after December 31, 1961, as provided in Section 48(b) of the Code;

(E) when each Unit is delivered and accepted under the RCSA and related documents, no other person will have claimed or intends to claim the Investment Credit or the ADR Deductions with respect thereto;

(F) at all times during the original term of this Lease and renewal periods thereof, the entire Reconstruction Cost will constitute a qualified investment in "section 38 property" within the meaning of Section 48(a) of the Code;

(G) at all times during the original term of this Lease and renewal periods thereof, the Owners will be entitled to treat, for Federal income tax purposes, each item of income, deduction and credit relating to all Units subject to the RCSA and this Lease as being derived from or allocable to sources within the United States of America.

(2) In the opinion of the Lessee, each Unit will have an estimated useful life of not less than 15 years and residual value at the end of the original lease term equal to at least 20 percent of the Purchase Price of such Unit and each Unit will be useful and usable by a party other than the Lessee at the end of the original term and capable of continued leasing and transfer to another party at that time and commercially feasible to do so.

(c) Indemnity for Acts, Omissions or Misrepresentations. (1) If by reason of any act of commission or omission, misrepresentation, breach of any agreement, covenant or warranty contained in this Lease or any other agreement relating to the reconstruction or lease of the Units on the part of the Lessee or any party referred to in clause (3) of subsection (a) of this Section 15 or by any sublessee or assignee of the Lessee, an Owner shall lose the right to claim, shall not claim (as the result of a good faith determination of tax counsel of General Electric Company (the "Tax Counsel") that such claim is not allowable),

shall suffer a disallowance of or shall be required to recapture all or any portion of its proportionate share of the Investment Credit, the Interest Deductions or the ADR Deductions (any such event is called a "Loss"), then the Lessee shall pay to such Owner as an indemnity, on the next succeeding rental payment date hereunder after written notice to the Lessee by the Owner of such Loss (or, if this Lease is terminatd, within 30 days after demand), and on each rental payment date thereafter during the remaining term of this Lease, such amount or amounts as shall cause such Owner's Net Economic Return to equal the Net Economic Return that would have been realized by such Owner if such Loss had not occurred.

(2) In the event that an Owner suffers a Loss and the Owner and the Lessee are unable to agree on the indemnity amount required to restore the Owner's Net Economic Return, as aforesaid, then the Lessee shall pay to such Owner, in lieu of the amount provided for in clause (1) of this subsection (c), such amount or amounts from time to time as, after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state, local or foreign government or taxing authority, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Owner from time to time as a result of any such Loss plus the amount of any interest, penalties or additions to tax payable as a result of any such Loss. If, as a result of a Loss, the aggregate Federal, state or local income taxes paid by an Owner for any taxable year shall be less than the amount of such taxes which would have been payable by such Owner had no such Loss occurred, then such Owner shall pay the Lessee the amount of such difference in taxes plus any additional tax benefits realized by such Owner as the result of such payment; provided, however, that such Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Owner pursuant to this clause (2) in respect of a Loss less (y) the amount of all prior payments by such Owner to the Lessee hereunder. The amount payable to an Owner pursuant to this clause (2) shall be paid within 30 days after receipt of a written demand therefor from such Owner accompanied by a written statement describing in reasonable detail such Loss and the computation of the amount so payable (but not prior to the earlier of (i) the filing of a return or the acceptance of an audit report in which such Loss is reflected and (ii) the payment of the additional income tax that becomes due as the result of the

Loss and, in the case of amounts which are being contested in accordance with subsection (d) of this Section 15, not prior to the time provided in subsection (d)). Any payment due to the Lessee from an Owner pursuant to this clause (2) shall be paid within 30 days after such Owner realized any such savings in its income taxes or additional tax benefits, as the case may be.

(3) If an Owner is required by the Internal Revenue Service to include in its gross income an amount in respect of any replacement, improvement and/or addition to any Unit or as the result of any action taken by the Lessee or any sublessee or assignee of the Lessee ("Capital Expenditures"), then the Lessee shall pay directly to such Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States of America, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Owner from time to time as a result of such Capital Expenditure plus the amount of any interest, penalties or additions to tax payable as a result of any such Capital Expenditure. If as a result of any such Capital Expenditure the aggregate Federal, state or local income taxes paid by an Owner for any taxable year shall be less than the amount of such taxes which would have been payable by such Owner had no such Capital Expenditure been made, then such Owner shall pay the Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Owner as a result of such payment; provided, however, that such Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Owner pursuant to this clause (3) in respect of any Capital Expenditures less (y) the amount of all prior payments by such Owner to the Lessee hereunder. The amount payable to an Owner pursuant to this clause (3) shall be paid within 30 days after receipt of a written demand therefor from such Owner (but not prior to payment by such Owner of the additional Federal, state or local income tax, as the case may be, which becomes due as a result of the said inclusion) accompanied by a written statement describing in reasonable detail such inclusion and the computation of the amount so payable. Any payment due to the Lessee from an Owner pursuant to this

clause (3) shall be paid within 30 days after such Owner realizes any such savings in its income taxes or additional tax benefits, as the case may be. The Lessee agrees to give each Owner, within 30 days after request therefor, written notice describing in reasonable detail Capital Expenditures made and specifying the cost thereof with respect to each Unit if such information is required in connection with an audit by the Internal Revenue Service of the tax returns of an Owner.

(d) Contest Provisions. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of an Owner for which the Lessee would be required to indemnify such Owner pursuant to subsection (c) of this Section 15 and the amount of the indemnity which the Lessee would be required to pay would exceed $100,000 then, if requested by the Lessee in a timely written request, such Owner shall request an opinion from Tax Counsel as to whether the basis in law and in fact in favor of allowance of the item proposed to be adjusted outweighs the basis in law and in fact to the contrary. If the opinion is to that effect and if the Lessee promptly requests such Owner to do so, such Owner shall contest the proposed adjustment; provided, however, that Tax Counsel shall determine in its sole and reasonable discretion the nature of all action to be taken to contest such proposed adjustment including (A) whether any action to contest such proposed adjustment shall initially be by way of judicial or administrative proceedings, or both, (B) whether any such proposed adjustment shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof, and (C) if such Owner shall undertake judicial action with respect to such proposed adjustment, the court or other judicial body before which such action shall be commenced. Such Owner shall have full control over any contest pursuant to this subsection (d) and shall not be obligated to appeal an adverse determination by any court. At any time, whether before or after commencing to take the action set forth in this subsection (d), an Owner may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify such Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

(2) An Owner shall not be required to take any action pursuant to this subsection (d) unless and until

the Lessee shall have agreed to indemnify such Owner in a manner reasonably satisfactory to such Owner for any liability or loss which such Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to such Owner on demand all costs and expenses which such Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner). If an Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to such Owner an amount equal to the sum on an after-tax basis of any tax, interest, penalties and additions to tax which are required to be paid. Upon receipt by an Owner of a refund of any amounts paid by it in respect of which amounts it shall have been paid an equivalent amount by the Lessee, such Owner shall pay to the Lessee the amount of such refund together with any interest received by it on such amount. The Lessee shall be obligated to pay to an Owner the amount specified in subsection (c) of this Section 15 promptly after such Owner has taken all the action that it has agreed in this Section 15 to take.

(e) Foreign Tax Credit Indemnity. If any item of income or deduction with respect to the Units shall not be treated as derived from or allocable to sources within the United States of America for a given taxable year (any such event is called a "Foreign Loss"), then the Lessee shall pay to an Owner as an indemnity, on the next succeeding rental payment date after written notice to the Lessee by such Owner, such amount which after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States of America shall equal the sum of (1) the excess of (x) the foreign tax credits which such Owner would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credit to which such Owner was limited as a result of such Foreign Loss and (2) the amount of any interest, penalties or additions to tax payable as a result of such Foreign Loss.

(f) Exceptions. Nothwithstanding the foregoing provisions, the Lessee shall not be required to indemnify the Owners with respect to any Loss or Foreign Loss that results solely and directly from (i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to Section 6 hereof; (ii) a

voluntary disposition by the Owners of their beneficial interest in any Unit, if such disposition (x) shall be the direct cause of such Loss or Foreign Loss with respect to such Unit, (y) shall occur at a time while no Event of Default (and no event that with notice or lapse of time or both would constitute and Event of Default) has occurred and is continuing, and (z) shall not be pursuant to the written consent of the Lessee; (iii) the failure of the Owners to claim the proper credit or deductions contemplated by subsection (a) of this Section 15, unless the Owners shall have been so advised by Tax Counsel; (iv) the failure of the Owners to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; or (v) any change in the Code, the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations which is not enacted or does not have an effective date on or prior to June 30, 1981.

(g) Records and Statements. The Lessee agrees to maintain sufficient records to verify the amount of income, deductions and credits in respect of the Units so as to provide each Owner with such data as may be required to confirm amounts covered by this Section.

(h) Recomputation of Casualty Value. If any amount is paid by the Lessee to an Owner pursuant to this Section 15, G. E. Credit shall recompute the Casualty Values with respect to the Units in accordance with the manner in which such Casualty Values were originally computed to reflect such payment, and an officer of G. E. Credit shall certify to the Lessee either that such Casualty Values as are set forth in this Lease do not require change or, as the case may be, the new Casualty Values necessary to reflect such payment, describing in reasonable detail the basis for computing such new Casualty Values. Upon such certification, any such new Casualty Values shall be substituted for the Casualty Values appearing in this Lease; provided, however, that such new Casualty Values shall not be less than the amounts required to enable the Lessor to satisfy its obligations under the RSCA.

(i) Additional Definitions. For purposes of this Section 15, the term "Owner" shall include G. E. Credit and Connell and shall also include any member of an affiliated group, within the meaning of section 1504 of the Code, of which an Owner is or may become a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(j) Survival of Indemnities. Notwithstanding any expiration or termination of this Lease, the liability of the Lessee to make indemnification payments pursuant to this Section 15 shall continue to exist until such indemnity payments are made by the Lessee.

(k) Payments. Any payments made pursuant to this Agreement shall be made directly to the Owner entitled thereto by wire transfer of immediately available funds to the account set forth in Section 2.01 of the Trust Agreement or to such other account or in such other manner as such Owner may direct.

(l) No Setoff. No payment required to be made by the Lessee pursuant to this Section 15 shall be subject to any right of setoff, counterclaim, defense, abatement, suspension, deferment or reduction, and the Lessee shall have no right to terminate its obligation under this Section 15 or to be released, relieved or discharged from any obligation or liability under this Section 15 for any reason whatsoever, except in accordance with the express terms hereof.

(m) Tax Indemnity Provisions Attach at Date of Execution. The provisions of this Section 15 shall apply from the time of execution of this Lease, the Participation Agreement and the RCSA whether or not the other provisions of this Lease come into effect.

Section 16. Interest on Overdue Rentals. The Lessee shall promptly pay an amount equal to interest at the rate of 14% per annum on any overdue rentals or other obligations hereunder for the period of time during which they are overdue, or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department;

(b) if to the Lessee, at 100 North Charles Street, Baltimore, Maryland 21201, attention of Senior Assistant Treasurer;

(c) if to the Vendor, at P. O. Box 2258, Two Hopkins Plaza, Baltimore, Maryland 21203, attention of Corporate Trust Department;

(d) if to the Owners, at the addresses specified in Section 2.02 of the Trust Agreement;

or addressed at such other address as any party shall hereafter furnish to the other parties in writing. Copies of each such notice shall be given to the Lessor and the Vendor.

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

Section 19. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto (unless the context shall otherwise require) but the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named. Whenever the term "Lessor" is used in this Lease, it shall also include the Owners and any assignee of the Owners.

Section 20. Execution. This Lease may be executed in several counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto. The schedules and the footnotes thereto annexed to this Lease are an integral part of this Lease and are incorporated herein by reference.

Section 21. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be

governed by the laws of the State of Ohio; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Section 22. Immunities; No Recourse; Severability. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owners hereunder (except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement), on account of this Lease or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

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

IN WITNESS WHEREOF, the parties hereto have caused

this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

[Corporate Seal]

Assistant Vice President and Treasurer

Attest:

Assistant Secretary

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President and the Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that such instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

[Notarial Seal] _____
Notary Public

My Commission expires

Lease of Railroad Equipment

SCHEDULE A

Specifications of the Equipment*

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999
48	--	30-Ton Steel Cupola Cabooses	CO 90200-90348

* Notwithstanding anything herein to the contrary, this Lease will only cover those Units that are reconstructed by the Lessee from Hulks delivered pursuant to the Hulk Purchase Agreement and that are accepted by the Lessor after June 30, 1980, and on or before March 15, 1981, under the RCSA and that have an aggregate Purchase Price not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Units covered by this Lease, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those Units covered by this Lease and to designate the particular Railroad Road Numbers thereof.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Casualty Payment Date	Percentage of Purchase Price
2/01/81	109.9847
6/30/81	113.2944
6/30/82	115.5204
6/30/83	112.0517
6/30/84	107.7237
6/30/85	98.2089
6/30/86	92.1478
6/30/87	77.7142
6/30/88	66.3669
6/30/89	49.4090
6/30/90	35.5475
6/30/91 (and for any applicable period, including any storage period, thereafter)	20.0000

Table 2

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

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	16.6784573
Fifth	11.1189715
Seventh	5.5594858

Lease of Railroad Equipment

SCHEDULE C

Rentals Due Pursuant to Funding Agreement

Date	Percentage of Purchase Price
12/30/80	4.8797
6/30/81	4.8797
12/30/81	4.8797
12/30/82	4.8454
12/30/83	4.5443
12/30/84	4.2040
12/30/85	3.8194
12/30/86	3.3849
12/30/87	2.6869
12/30/88	1.8983
12/30/89	1.0071

EXHIBIT C
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of March 15, 1980

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee,

and

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

ASSIGNMENT OF LEASE AND AGREEMENT dated as of March 15, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement").

The Lessor and the Vendor have entered into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with THE CHESAPEAKE AND OHIO RAILWAY COMPANY (the "Lessee"), in its capacity as builder, providing for the sale to the Lessor of the interest of the Vendor in such units of railroad equipment (the "Units") described in Schedule A thereto as are delivered to and accepted by the Lessor thereunder.

The Lessor and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing by the Lessor to the Lessee of the Units.

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

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

1. Assignment; Application of Payments. The Lessor hereby assigns to the Vendor, as collateral security for the payment and performance of the obligations of the Lessor under the RCSA, all the Lessor's right, title and

interest, powers, privileges, and other benefits under the Lease (and those inuring to the benefit of the Owners by reason of Section 19 of the Lease), including without limitation the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee pursuant to the provisions of the Lease, whether as rent, casualty payment, indemnity (except such amounts of indemnity payable to or receivable by the Owners pursuant to Section 15 of the Lease), liquidated damages, or otherwise (such moneys are called the "Payments"), and the right to make all waivers and agreements and to give all notices, consents and releases (subject to Section 12 hereof), to take all action upon the happening of an Event of Default specified in the Lease and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. Notwithstanding the foregoing, Payments shall not be deemed to include (i) payments made by the Lessee to the Lessor pursuant to Sections 5 and 8 and the second paragraph of Section 9 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to Article 5 of the RCSA or the obligation of the Lessee to indemnify the Vendor in its capacity as assignee of the Lease and except to the extent that the Lessor is obligated to pay and discharge claims, liens, charges or security interests under Paragraph 9 of this Assignment), and (ii) payments made by the Lessee to the Lessor in its individual capacity pursuant to Sections 5 and 8 of the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name or in the name of its nominee or in the name of the Lessor or as its attorney to demand, sue for and receive any and all sums to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the RCSA due and payable at the time such Payments are due and payable under the Lease, and so long as no event of default (or event which with notice or lapse of time or both could constitute an event of default) under the RCSA shall have occurred and be continuing, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, in Federal or other immediately available funds, not later than the first business day following receipt of

such balance. If the Vendor shall not receive any rental payment under Section 2 of the Lease when due, the Vendor shall promptly notify the Lessor and the Owners at the addresses set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the RCSA.

2. No Assumption of Lessor's Liabilities. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to or in any way affect or modify the liability of the Lessor under the Lease, it being agreed that all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee and its successors and assigns against and only against the Lessor or persons other than the Vendor.

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

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

(but including tax liens arising out of the receipt by or for the account of the Lessor of the rentals and other payments under the Lease and any other proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. Governing Law. This Assignment shall be governed by the laws of the State of Connecticut, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

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

13. Retained Rights of Lessor; Limitation of Liability. Notwithstanding any other provision of this Assignment (including but not limited to any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the RCSA or in any way limit the effect of the last paragraph of Article 3 of the RCSA or Article 21 of the RCSA, (b) so long as there is no event

of default under the RCSA, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the RCSA, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the RCSA, or empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to demand, sue for and receive any and all of such excess amounts, but shall not, and shall not have any power to, take any action under the second subparagraph (b) of Section 9 of the Lease without the prior written consent of the Vendor and (c) each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Assignment is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for wilful misconduct or gross negligence on the part of said Bank, or against the Owners hereunder (except pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) or on account of any representation, warranty, undertaking or agreement of said bank or the Owners, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it making claim hereunder may look to said Trust Estate for satisfaction of the same.

14. Execution. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto.

15. Headings. Section headings have been provided for convenience only and do not form part of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

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

[Corporate Seal]

by

_____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

The undersigned hereby consents to the foregoing Assignment of Lease and Agreement as of March 15, 1980.

GENERAL ELECTRIC CREDIT CORPORATION,

[Corporate Seal]

by

_____

Attest:

_____
Assistant Secretary

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

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

Notary Public

[Notarial Seal]

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

THE CHESAPEAKE AND OHIO RAILWAY COMPANY (the "Lessee"), the lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Assignment"), hereby acknowledges receipt of a copy of the Assignment and consents to all the terms and conditions of the Assignment and agrees that:

(1) it will pay all Payments (as defined in the Assignment) payable under the Lease directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Assignment, by 10:00 a.m. Baltimore time, on the date such payment is due, by bank wire transfer of immediately available funds to The Annapolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: C&O 3/15/80" (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) the Vendor shall be entitled to the benefits of and to receive and enforce performance of all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor and the Vendor shall not by virtue of the Assignment become subject to any liability or obligation under the Lease or otherwise; and

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

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

Dated as of March 15, 1980

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

[Corporate Seal]

by

Attest:

Assistant Vice President and Treasurer

Assistant Secretary

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

HULK PURCHASE AGREEMENT

Dated as of March 15, 1980

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee,

and

THE CHESAPEAKE AND OHIO RAILWAY COMPANY.

HULK PURCHASE AGREEMENT dated as of March 15, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Buyer") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners"), and THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Seller").

The Seller owns the used railroad equipment described in Annex I hereto (the "Hulks"). The Seller will sell the Hulks and the Buyer will purchase the Hulks for the Purchase Price set forth in Annex I hereto (the "Hulk Purchase Price"). The Hulks will be redelivered to the Seller for reconstruction in accordance with a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as agent (the "Agent") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), the Seller and the Buyer.

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

1. Delivery of Hulks. The Seller will from time to time deliver to the Buyer a bill or bills of sale (the "Bill of Sale"), setting forth the quantity, description, the Seller's identifying numbers and place of delivery of a group of Hulks and transferring title to such Hulks and warranting that at the date thereof the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by the Bill of Sale was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever. On or after the date of the Bill of Sale, the Seller will deliver the Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The Buyer hereby appoints the Seller (and any employee thereof designated by the Seller) as its agent for acceptance of the Hulks; provided, however,

that the Seller is not authorized to accept delivery of any Hulk (i) that is not economically fit for reconstruction in accordance with the specifications provided in the RCSA; (ii) after written notice from the Buyer that such authority has been terminated; or (iii) if the Purchase Price (as defined in the RCSA) of such Hulk when added to the Purchase Price of those Hulks previously accepted would exceed the Maximum Purchase Price specified in Article 3 of the RCSA. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before December 15, 1980.

2. Noncompleted Hulks. The Seller represents and warrants that it is economically feasible to reconstruct each Hulk delivered and accepted under this Agreement in accordance with the specifications provided in the RCSA. If, after delivery and acceptance of a Hulk, the Seller determines that it is not economically feasible to reconstruct such Hulk on or before March 15, 1981, in accordance with the specifications provided in the RCSA, it shall so certify to the Buyer. If any Hulks cannot be so reconstructed (the "Noncompleted Hulks"), the Seller agrees, as agent for the Buyer, to sell the Noncompleted Hulks to a party other than the Seller or any affiliate of the Seller, on or before May 15, 1981, at the highest cash price obtainable. On May 15, 1981, the Seller will pay to the Buyer the net proceeds from such sale (after retaining its reasonable reconstruction expenses incurred to such date plus reasonable overhead and profit). The Buyer agrees to furnish to the Seller all such bills of sale, without recourse or warranty, to enable the Seller to effect the sale of the Noncompleted Hulks for the account of the Buyer as aforesaid.

3. No Acceptance upon Default. Notwithstanding anything to the contrary contained herein, the Buyer shall have no obligation to accept any Hulk which is delivered hereunder after (i) any event of default as defined in Article 14 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 thereof) which with lapse of time, failure to take affirmative action and/or demand could constitute an event of default thereunder shall have occurred or (ii) the Buyer shall have delivered written notice to the Seller that any of the conditions contained in Paragraph 8 of the Participation Agreement have not been met or waived.

4. Payment of Purchase Price. The Buyer at the

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

Subject only to the conditions set forth in this Agreement and in Paragraph 8 of the Participation Agreement, the Buyer will pay the Hulk Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the RCSA or (ii) April 1, 1981, whichever is earlier.

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

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

time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer. As of the date of such delivery and acceptance, the Buyer shall be unconditionally obligated to purchase such Hulk, without any right to a reduction in or setoff against the price thereof by reason of any past, present or future claims against the Seller under this agreement, the RCSA, the Participation Agreement, the Lease (as defined in the Participation Agreement) or otherwise.

7. Exclusions. In the event that any Hulk is not delivered to the Buyer after the date of the Bill of Sale with respect thereto or in the event that any Hulk is not accepted as provided in the proviso to Article 1 hereof, the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

8. Representations of Seller. The Seller hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration. Annex I and the footnotes thereto are an integral part of this Agreement and are incorporated by reference herein.

9. Limitation of Buyer Liability. Notwithstanding anything herein to the contrary, each of the representations, warranties, undertakings and agreements herein made on the part of the Buyer are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owners hereunder (except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) on account of this Agreement or the Trust

Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Seller and by all persons claiming by, through or under the Seller.

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

11. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution hereof are the dates stated in the acknowledgments hereto.

12. Headings. Section headings have been provided for convenience only and do not form part of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

_____
Assistant Vice President
and Treasurer

[Corporate Seal]

Attest:

_____
Assistant Secretary

Receipt of an executed counterpart of the foregoing is hereby acknowledged as of March 15, 1980.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My Commission Expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that such instrument was this day signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission Expires

Hulk Purchase Agreement

ANNEX I*

Quantity	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total
507	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999	$ 5,669	$2,874,000
96	60-Ton Open Top Hopper Cars	CO 336000-336749	2,156	207,000
1131	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500	4,167	4,712,500
144	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999	4,472	644,000
69	85-Ton Open Top Hopper Cars	CO 85000-86999	10,870	750,000
48	30-Ton Steel Cupola Cabooses	CO 90200-90348	5,000	240,000

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* Notwithstanding anything herein to the contrary, this Agreement will only cover Hulks delivered by the Seller and reconstructed and accepted by the Buyer after June 30, 1980, and on or before March 15, 1981, having an aggregate Purchase Price when reconstructed not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

EXHIBIT E
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

FUNDING AGREEMENT

Dated as of March 15, 1980

Between

THE CHESAPEAKE & OHIO RAILWAY COMPANY,

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity
but solely as Trustee,

GENERAL ELECTRIC CREDIT CORPORATION

and

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

FUNDING AGREEMENT dated as of March 15, 1980, between THE CHESAPEAKE & OHIO RAILWAY COMPANY, a Virginia corporation (the "Lessee" or the "Builder"), THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Trustee"), and GENERAL ELECTRIC CREDIT CORPORATION, a New York corporation, and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (the "Owners").

The Owners are parties to a Trust Agreement dated as of the date hereof (the "Trust Agreement") with the Trustee providing for the authorization and direction of the Trustee, solely as Trustee under the Trust Agreement, to enter into certain agreements providing for the purchase by the Trustee of reconstructed railroad equipment (the "Units") pursuant to a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between Mercantile-Safe Deposit and Trust Company (the "Vendor"), the Builder and the Trustee and for the lease of the Units by the Trustee, as lessor, to the Lessee, as lessee, pursuant to a Lease of Railroad Equipment dated as of the date hereof (the "Lease") between the Lessee and the Trustee.

The Owners have severally agreed in the Trust Agreement to advance certain funds to the Trustee to permit the Trustee to pay a portion of the Purchase Price (as defined in the RCSA) of the Units.

The Builder will receive the balance of the Purchase Price of the Units with funds supplied by the investors (the "Investors") named in the Participation Agreement dated as of the date hereof (the "Participation Agreement") between the Lessee, the Vendor, the Owners, the Trustee and the Investors pursuant to the Participation Agreement and the RCSA.

The Owners will severally pay to the Trustee two days in advance of the date due certain payments necessary to discharge the Trustee's obligation under the RCSA on such dates.

In consideration of the agreements hereinafter

set forth, the parties hereto agree as follows:

SECTION 1. Agreement To Fund. So long as no Event of Default under the Lease has occurred, each of the Owners hereby severally and not jointly agrees to pay to the Trustee in the manner set forth herein at least two business days prior to each December 30, commencing December 30, 1980, to and including December 30, 1989, and on June 30, 1981 (each date at least two business days prior to each of said dates is called a "Funding Date"), an amount equal to its share of the obligation of the Trustee due under Article 3 of the RCSA on the Interest Payment Date (as defined in the RCSA) next following the Funding Date. Each Owner's share shall be the same as its proportionate interest specified in the Trust Agreement.

SECTION 2. Method of Funding. Payments made by each Owner shall be made in immediately available funds on the Funding Date.

SECTION 3. Application of Funds. The Trustee shall cause such funds so received to be advanced to the Vendor in immediately available funds on or before the Interest Payment Date under the RCSA next following the Funding Date in discharge of the obligation of the Trustee under Article 3 of the RCSA on such Interest Payment Date.

SECTION 4. Payment by Lessee upon Default. In the event that an Owner shall fail to pay or cause to be paid the amount set forth in Section 1 hereof with respect to any Funding Date (whether or not an Event of Default under the Lease has occurred) and such failure shall continue for two business days after telegraphic notice thereof from the Trustee, the Lessee shall make the payment to be made by the Lessee under the second paragraph of Section 2 of the Lease and may, upon notice in writing to the defaulting Owner and all of the other Owners, offset against the next following rental payment under the Lease (to the extent such payments are not required to discharge the principal of or interest on the CSA Indebtedness, as defined in the RCSA) an amount equal to the amount so paid by the Lessee plus interest thereon for six months at the rate of 13% per annum, to the extent legally enforceable. If after effecting such offset there remains any amount owing to the Lessee, each Owner shall promptly after receipt of notice from the Lessee pay its share of such amount to the Lessee, together with interest thereon at the rate of 13% per annum, to the extent legally enforceable.

SECTION 5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

SECTION 6. Effect of Assignment. Any assignment by an Owner of its interest in the Trust Estate (as defined in the Trust Agreement) shall not relieve such Owner of its obligations hereunder.

SECTION 7. Notices. Notices hereunder shall be sent in the manner and to the addresses of the parties set forth in the Participation Agreement.

SECTION 8. Cure Rights. Any Owner or combination of Owners may (but need not) cure the default of any defaulting Owner hereunder within 30 calendar days after receipt of notice of default from the Lessee as contemplated by Section 4.

SECTION 9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CHESAPEAKE & OHIO RAILWAY COMPANY,

by

_____

Assistant Vice President and Treasurer

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____

Authorized Officer

GENERAL ELECTRIC CREDIT CORPORATION,

by

_____

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

by

_____
Vice President

See F for #5

[CS&M Ref. 2043-981]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of March 15, 1980

Between

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

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
Builder,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee.

[Covering Reconstructed Cars]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

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* This Table of Contents has been provided for convenience only and does not affect any interpretation of this document.

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of March 15, 1980, between MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Builder"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners").

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (the "Hulks") from the Builder pursuant to a Hulk Purchase Agreement (the "Hulk Purchase Agreement") in substantially the form of Exhibit D hereto, and will cause the Hulks to be delivered to the Builder, who will cause the Hulks to be reconstructed into equipment (the "Equipment") in accordance with specifications of the Owners as described in Schedule A hereto. The Vendee will subject the Hulks to security title in favor of the Vendor pursuant to a Transfer Agreement (the "Transfer Agreement") in substantially the form of Exhibit A hereto for the purpose of securing the obligations of the Vendee hereunder. The Vendor will transfer security title in the Equipment upon completion of reconstruction back to the Vendee. Beneficial ownership of the Hulks and the Equipment shall at all times be in the Vendee on behalf of the Owners, and nothing in this Agreement shall be construed so as to deprive the Vendee and the Owners of such ownership.

The Vendee and the Builder are entering into a Lease of Railroad Equipment (the "Lease") in substantially the form of Exhibit B hereto, pursuant to which the Vendee is leasing the Equipment to the Builder, as lessee, subject to this Agreement, and the Vendee is assigning for security purposes certain of its rights under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") in substantially the form of Exhibit C hereto. The Owners have agreed to cause certain payments due to the Vendor hereunder to be made pursuant to a Funding Agreement (the

"Funding Agreement") in substantially the form of Exhibit E hereto. The rights acquired by the Vendor pursuant to this Agreement are acquired for the benefit of certain investors (the "Investors") in accordance with the Participation Agreement.

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1. Reconstruction and Sale. The Vendee will deliver the Hulks to the Builder immediately after the purchase thereof under the Hulk Purchase Agreement. Pursuant to this Agreement, the Builder will then cause the Hulks to be reconstructed into the Equipment as described in Schedule A hereto and will deliver the Equipment to the Vendee. The Vendee will accept delivery of and pay for the Equipment as hereinafter provided. Each unit of Equipment shall be standard gauge railroad equipment reconstructed in accordance with the specifications referred to in the Memorandum of Understanding between the Owners and the Builder dated as of March 31, 1980, and in accordance with such modifications thereof as may be agreed upon in writing by the parties thereto (such specifications and any modifications are by reference made a part of this Agreement as fully as though expressly set forth herein and are called the "Specifications"); provided, however, that at least 21% of the units of Equipment delivered pursuant hereto shall have roller bearings (rather than friction bearings). The Builder warrants to the Vendor and the Vendee that the design, quality and component parts of the Equipment will conform, on the date of delivery of each thereof, to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of the Equipment as of the date of such delivery.

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of Equipment to the Vendee at such point or points within the United States of America at such place or places designated from time to time by the Builder on or prior to March 15, 1981, freight charges, if any, prepaid. The Builder agrees not to tender for sale any Hulk under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if (A) the Builder does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following the commencement of reconstruction and in any event on or before December 31, 1980; (B) the Builder has received written notice from the Vendee or the Vendor (a) of the occurrence of any event of default (as defined in

Article 14 hereof) or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 hereof) which with lapse of time, failure to take affirmative action and/or demand could constitute an event of default hereunder shall have occurred, (b) that any of the conditions contained in Paragraph 7 or 8 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of the Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided; or (C) the Purchase Price (as defined in Article 3 hereof) of such Hulk when reconstructed, when added to the aggregate Purchase Price when reconstructed of all other Hulks which previously have been validly accepted under the Hulk Purchase Agreement, would cause the aggregate Purchase Price of all such Hulks to exceed the Maximum Purchase Price (as defined in Article 3 hereof).

The Builder's obligations pursuant to the preceding paragraph shall be absolute and unconditional, regardless of any events which might otherwise be deemed to constitute force majeure. In the event that the Builder fails to perform such obligations, and without limiting the rights and remedies of the parties hereto, Section 2 of the Hulk Purchase Agreement shall apply.

During reconstruction, including without limitation all phases of fabrication and assembly, the Hulks and all work thereon shall be subject to inspection and approval by the Owners. The Builder shall grant to the authorized inspectors of the Owners (who may be employees of the Builder) access to all portions of its plants where Hulks are being reconstructed. The Builder agrees to inspect all materials used in the reconstruction of the Equipment in accordance with its standard quality control practices. Upon completion of each unit or of a number of units of Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Builder) shall execute and deliver to the Builder a certificate of acceptance (the "Certificate of Acceptance") stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; provided, however, that the Builder shall not thereby be relieved of its warranties set forth in Article 12 hereof.

ARTICLE 3. Purchase Price and Payment. The cost

of the Hulks (the "Hulk Purchase Price") and the estimated base construction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto, as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost and the aggregate Hulk Purchase Price (the aggregate "Purchase Price") shall in no event exceed the aggregate Hulk Purchase Price and the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor. The Vendee, as agent for the Owners, shall be unconditionally obligated to pay the Hulk Purchase Price and Reconstruction Cost of each unit of Equipment validly delivered, accepted and reconstructed in accordance with the terms of this Agreement. For purposes of this Agreement, the term "Maximum Purchase Price" shall mean $27,081,854 less an amount equal to the aggregate Purchase Price as defined in the Reconstruction and Conditional Sale Agreement dated as of March 1, 1980 (the "RCSA-1"), between the Vendor, as agent, the Builder and The Connecticut Bank and Trust Company (as trustee for the owners thereunder) of the equipment settled for under RCSA-1.

For the purpose of settlement therefor, the Equipment shall be divided into not more than two groups (the "Groups") of units of Equipment unless the Vendee and the Builder shall otherwise agree. The parties hereto agree to comply with the schedule of closing dates (each such date is called a "Closing Date") set forth in Schedule B hereto; provided, however, that the Vendee, the Vendor and the Builder may agree on such other dates as occur before April 1, 1981 (the "Cut-Off Date"). The Group for which settlement shall be made on any Closing Date shall consist of such units of Equipment with respect to which the Builder shall have presented to the Vendee an invoice (addressed to the Vendor and approved as to price by the Vendee) and a Certificate or Certificates of Acceptance not more than 10 business days prior to such Closing Date; provided, however, that the aggregate Purchase Price of all units of Equipment to be settled for on a Closing Date shall not exceed an amount equal to 100/75.07 of the amounts available to the Vendor pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the CSA Indebtedness (the "Available Investors' Funds"). The Builder shall give the Vendee and the Vendor three days' prior written notice of any Closing Date. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland; Hartford, Connecticut; or New York, New York; are authorized or obligated to remain closed. If any Closing Date is not a business day, payment shall be made on the next succeeding business day.

Subject to Article 21 hereof, the Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of the aggregate Purchase Price of each Group, and hereby promises to pay the same (and the Builder is hereby constituted a third-party beneficiary of such obligation) in immediately available funds to the Vendor at such place as the Vendor may designate, as follows:

(a) in nine annual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to the lesser of (y) 75.07% of the aggregate Purchase Price of the units of Equipment in the Group for which settlement is then being made as set forth in the invoice or invoices therefor (the "Invoiced Purchase Prices") or (z) the Available Investors' Funds; and

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

The installments of the CSA Indebtedness shall be payable on each June 30, commencing June 30, 1982, to and including June 30, 1990, or, if any such date is not a business day, on the next succeeding business day (each such date is called a "Payment Date"). The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date upon which such CSA Indebtedness was incurred at the rate of 13% per annum, and such interest shall be payable, to the extent accrued, on December 30, 1980, and thereafter on June 30 and December 30 in each year, to and including June 30, 1990 (each such date is called an "Interest Payment Date"). The installments of principal and/or amounts of interest payable on each Date shall be calculated to be substantially in proportion to the amount and allocation of principal and interest set forth in Schedule C hereto (subject to the provisions of Article 6 hereof) and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Builder a payment schedule showing the respective amounts of principal and interest payable on each Interest Payment Date.

Interest under this Agreement shall be calculated on the basis of a 360-day year of 12 30-day months, except that interest due on December 30, 1980, shall be calculated on an actual elapsed day, 365-day year, basis.

The Vendee will pay interest at the rate of 14% per annum, to the extent legally enforceable (the "Penalty Rate"), upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

All payments provided for in this Agreement to be made by the Vendee shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall be made by bank wire transfer of Federal or other immediately available funds in the city where such payments are due not later than 10:00 a.m. Baltimore time on the date due. The Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due; provided, however, that the CSA Indebtedness may be prepaid as provided for in Article 6 hereof and the Vendee may also prepay all of the CSA Indebtedness, without penalty or premium, together with interest accrued to the date of payment, if an Event of Default shall have occurred under the Lease and the Vendor shall have given written notice to the Vendee that it intends to make a Declaration of Default (as defined in Article 14 hereof) and/or to terminate the Lease as provided in Article 14 hereof.

On the Closing Date with respect to each Group, an amount equal to the Invoiced Purchase Prices of such Group shall be paid in immediately available funds by the Vendor to the Builder from the proceeds of (y) the Available Investors' Funds and (z) the Down Payment payable by the Vendee pursuant to clause (b) of the third paragraph of this Article 3 against the obligation of the Vendee to pay to the Builder the Purchase Price with respect to such Group; provided that there shall have been delivered to the Vendor the following documents, in form and substance satisfactory to it and its special counsel:

(a) the Certificate or Certificates of Acceptance with respect to the Equipment in such Group;

(b) invoices of the Builder for the reconstruction of the Equipment in the Group and invoices of the Builder for the Hulks, accompanied by or having endorsed on such invoices or copies thereof the approval of the Vendee of the price stated therein and a certifi-

cation by the Builder that the Invoiced Purchase Prices have been calculated as provided in the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent car builder for comparable equipment; and

(c) an opinion of counsel for the Builder, dated as of such Closing Date, stating that (i) at the time of delivery of the Equipment in such Group on behalf of the Vendor to the Vendee hereunder, title to such Equipment was free of all claims, liens, security interests and other encumbrances of the Builder or of anyone claiming through the Builder; and (ii) as of such Closing Date, title to the Hulks from which such Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and other encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto, together with a favorable letter from Messrs. Wilmer & Pickering (or other outside counsel acceptable to the Vendor) with regard to a search of the Interstate Commerce Commission files in respect of the Hulks.

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

Notwithstanding any other provision of this Agreement (including but not limited to any provision of Articles 14 and 15 hereof), but not limiting the effect of Article 21 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of this Article 3, the interest payable on the CSA Indebtedness in accordance with the Funding Agreement and the obligations set forth in the proviso in the third paragraph of Article 11 hereof, shall not exceed an amount equal to and shall be payable only out of the "income and proceeds from the Equipment". As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 14 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such

event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 6 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon, due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall be required to discharge any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (A) amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were due and payable under the Lease or (B) amounts excluded from the Lease Assignment pursuant to the first paragraph of Section 1 thereof. "Income and proceeds from the Equipment" shall at all times also include any and all amounts received by the Vendee from the Owners under the Funding Agreement, whether or not on the date of receipt thereof any payments are due and payable hereunder. Notwithstanding anything to the contrary contained in Articles 14 and 15 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder or

to proceed against the Lessee under the Lease or the Consent.

ARTICLE 4. Title to Equipment. The Vendor hereby retains a security interest in the Hulks delivered to the Builder hereunder for reconstruction and shall continue to retain such security interest during the entire period that the Hulks are being reconstructed and thereafter in the Equipment until the Vendee shall have made all its payments under this Agreement in respect of the Equipment and shall have kept and performed all its agreements herein contained in respect thereof, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement, except for any additions, modifications and improvements which under the provisions of Section 8 of the Lease are owned by the Lessee.

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

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

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

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

In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 6 of the Lease), the Vendee shall, within 30 days after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all installments of principal and interest in respect of such unit to and including the Casualty Payment Date (as defined in Section 6 of the Lease) in respect thereof. On such Casualty Payment Date the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined) of such unit and shall file or cause to be filed with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date that such Casualty Value is paid (after the payment of the interest and principal due on such date) to prepay without penalty or premium the unpaid balance of the CSA Indebtedness with respect to such unit or units (in the manner provided in the second paragraph of Paragraph 11 of the Participation Agreement), and the Vendee will promptly furnish to the Vendor and the Builder a revised schedule of payments of principal and interest thereafter to be made in respect of the remaining units.

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

The Vendee will at all times prior to the payment of the full indebtedness in respect of the Purchase Price of

the Equipment, together with interest thereon and all other payments required hereby, cause to be carried and maintained insurance in respect of the Equipment as provided in the sixth paragraph of Section 6 of the Lease.

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

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

ARTICLE 7. Reports and Inspections. On or before November 30 in each year, commencing with the year 1981, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in Section 7 of the Lease.

ARTICLE 8. Marking of Equipment. The Vendee will cause each unit of Equipment to be kept numbered and marked as provided in Section 4 of the Lease.

Except as provided in Section 4 of the Lease, the Vendee will not allow any name to be placed on any unit of Equipment as a designation that might be interpreted as a claim of ownership.

ARTICLE 9. Compliance with Applicable Laws. During the term of this Agreement, the Vendee will comply

and will cause every lessee or user of the Equipment to comply in all respects (including without limitation the use, maintenance and operation of the Equipment) with all Applicable Laws (as defined in Section 8 of the Lease), and in the event that any Applicable Law requires any alteration, replacement or modification of or to any part on any unit of Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Builder may, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

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

The parties hereto acknowledge that the rights of the Builder (as lessee under the Lease) and its permitted assigns under the Lease shall be subordinate and junior in rank to the rights and shall be subject to the remedies of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

Subject to the provisions of the preceding paragraph of this Article 10, the Equipment may be used as provided in Section 11 of the Lease. Except as otherwise provided in the Lease, the Vendee may also lease the Equipment to any other railroad company with the prior written consent of the Vendor.

ARTICLE 11. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee, the Owners or their respective successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to any unit of Equipment or the Vendee's interests in the Lease or the payments due and to become due thereunder, or any part thereof, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by any appropriate legal proceedings in any reasonable manner and the nonpayment thereof does

not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor in the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of any such claim shall be secured by and under this Agreement.

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

The foregoing provisions of this Article 11 shall be subject to the limitations set forth in the last paragraph of Article 3 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee or the Owners or their respective successors and assigns (other than the Vendor) not arising out of the ownership of the Equipment or the transactions contemplated hereby (but including tax liens arising out of the rentals and other payments under the Lease and any other proceeds from the Equipment) which, if unpaid, might become a lien, charge, security interest or other encumbrance on or with respect to any unit of Equipment or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity or priority thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of counsel to the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 12. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, including without limitation strict or absolute liability in tort or by statute imposed, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of its security

interest in the Equipment, the ordering, acquisition, use, operation, condition, reconstruction, maintenance, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person or the transfer of its interest in the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the CSA Indebtedness and the release of the security interest in the Equipment, as provided in the last paragraph of Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

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

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

The Builder warrants that the Hulks will be reconstructed in accordance with the Specifications and standards set forth or referred to in Article 1 hereof and warrants that the Equipment will be free from defects in material or workmanship or design under normal use and service. The Builder hereby assigns and delivers to the Vendor and (subject to the rights of the Vendor under this Agreement) to the Vendee every claim, right and cause of action (to the extent legally possible without impairing any such claim, right or cause of action) which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee every such further assurance as may be reasonably requested more fully to effectuate the assignment and delivery thereof.

The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee from and against any and

all liability, including without limitation strict or absolute liability in tort or by statute imposed, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor and the Vendee because of the use in or about the construction or operation of the Equipment or the reconstruction of any of the Hulks of any design, article or material infringing or claimed to infringe on any patent or other right or arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of Equipment resulting in damage to property or injury or death to any person. The Vendor or the Vendee will give notice to the Builder of any claim as to which it has received actual written notice from which liability may be charged against the Builder under this paragraph.

The indemnities made in this Article 12 by the Builder shall not be modified, postponed or in any other way or in any manner reduced as a consequence of any action or inaction of the Owners in connection with, relating to or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Builder pursuant to this Agreement. Said indemnities shall in all events, and in addition to the agreements contained elsewhere in this Article 12, extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty, including without limitation any breach of warranty or breach of contract.

The warranties and indemnities contained or referred to in this Article 12 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of and be enforceable by the Vendee (in both its individual and fiduciary capacities), the Owners, the Vendor, the Investors, any lessor, lessee, assignee or transferee of this Agreement or of any units of Equipment.

ARTICLE 13. Assignments. Except as provided in this Agreement, the Hulk Purchase Agreement or the Trust Agreement, the Vendee will not transfer the right to possession of any unit of Equipment or sell, assign or otherwise dispose of its rights under this Agreement.

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

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

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

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for 10 days; or

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

to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under the Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, or in accordance with the provisions of 11 U.S.C. § 1168, within 60 days after the filing of such petition or the commencement of the case; or

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

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of Equipment and the Vendee shall, for more than 15 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right;

then at any time after the occurrence of such an event of default the Vendor may upon five days' prior written notice to the Vendee (such five-day period to commence on the day upon which the Vendee shall receive such written notice) and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, if such event of default shall be continuing, (i) cause the term of the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease) but without affecting the indemnities or other agreements of the Builder which by the provisions of the Lease survive the termination of its term and/or (ii) declare (a "Declaration of Default") the entire unpaid CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the Penalty Rate. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the limitations of Article 21 and the final paragraph of Article 3 hereof, wherever situated. The Vendee agrees to notify the Vendor promptly of any event of which an officer or employee in its corporate trust department has actual knowledge which constitutes or with notice or lapse of time or both could constitute an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is agreed by the Vendee that time is

of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

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

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

(a) forthwith and in the usual manner (including without limitation causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Builder or its affiliates as the Vendor reasonably may designate;

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

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by

the Builder or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

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

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

Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 15.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee and any other persons to whom the law may require notice of the time and place, may sell one or more of the units of Equipment, free from any and all claims of the Vendee or any other party claiming from, through or under the Vendee at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under this Agreement.

Any sale hereunder may be held at such place or places and at such time or times as the Vendor may specify, in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor or the Vendee may bid for and become the purchaser of any unit of Equipment so offered for sale. The Vendee shall be given written notice of such sale not less than 10 days prior thereto by

telegram or registered mail, addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Vendee to purchase or provide a purchaser within 10 days after notice of the proposed sale price at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 15), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

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

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the Penalty Rate and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and

shall, subject to the limitations of the last paragraph of Article 3 and in Article 21 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

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

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

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

ARTICLE 17. Filing. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be duly filed with the Interstate Commerce Commission; and the Vendee will from time to time perform any other act and will execute, deliver and file any and all further instruments required by law or reasonably

requested by the Vendor for the purpose of proper protection, to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing satisfactory to the Vendor.

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

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

ARTICLE 20. Notices. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its place of business at the following specified addresses:

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

(b) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with copy to the Owners at their respective addresses set forth in Section 2.02 of the Trust Agreement,

(c) to the Builder, at 100 North Charles Street, Baltimore, Maryland 21201, attention of Senior Assistant Treasurer,

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement or referred to herein against any person solely by reason that such person is an incorporator, stockholder, beneficiary, director or officer, past, present or future, of any party hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such persons (solely in such capacities) being forever released as a condition of and as consideration for the execution of this Agreement.

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

Notwithstanding anything herein to the contrary, each of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement) and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence on the part of said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable

against said bank or the Owners hereunder (except, with respect to each such party, in connection with the payment or discharge of taxes, claims, liens, charges or security interests claimed from, through or under such party or its successors and assigns pursuant to the proviso to the last paragraph of Article 11 of this Agreement and except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) on account of this Agreement or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of the said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and the Builder and by all persons claiming by, through or under the Vendor or the Builder.

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

ARTICLE 22. Governing Law. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303, and such additional rights arising out of the marking of the Equipment, if any, as shall be conferred by the laws of the several jurisdictions in which the Equipment is used.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto. The schedules and the footnotes thereto annexed to this Agreement are an integral part of this Agreement and are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as

of the date first set forth above.

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

by

[Corporate Seal]

Assistant Vice President

Attest:

Corporate Trust Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

Assistant Vice President and Treasurer

[Corporate Seal]

Attest:

Deputy Corporate ~~Assistant~~ Secretary

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

[Notarial Seal] Notary Public

My Commission expires

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

On this 7th day of April, 1980, before me personally appeared L. C. Kerr Jr., to me personally known, who, being by me duly sworn, says that he is Assistant Vice President & Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia 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.

H. Marlene Winchell
Notary Public

[Notarial Seal]

My Commission expires

H. MARLENE WINCHELL, Notary Public
State of Ohio, (Lorain)
My commission expires Nov. 24, 1984

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My Commission expires

Reconstruction and Conditional Sale Agreement

SCHEDULE A

Specifications of the Equipment*

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999	$ 5,669	$ 2,874,000	$ 7,130	$ 3,615,105	$12,799	$ 6,489,105
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749	2,156	207,000	7,784	747,222	9,940	954,222
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500	4,167	4,712,500	8,106	9,167,992	12,273	13,880,492

* Notwithstanding anything herein to the contrary, this Agreement will cover only those units of Equipment that are reconstructed by the Builder from Hulks delivered pursuant to the Hulk Purchase Agreement and that are accepted by the Vendee after June 30, 1980, and on or before March 15, 1981, and that have an aggregate Purchase Price not in excess of the Maximum Purchase Price (as defined in Article 3 of this Agreement). After delivery of all Equipment covered by this Agreement, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those units of Equipment covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999	$ 4,472	$ 644,000	$ 7,363	$ 1,060,228	$11,835	$ 1,704,228
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999	10,870	750,000	6,965	480,578	17,835	1,230,578
48	--	30-Ton Steel Cupola Cabooses	CO 90200-90348	5,000	240,000	20,381	978,288	25,381	1,218,288
1995					$9,427,500		$16,049,413		$25,476,913

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Closings

Date	Estimated Purchase Price
September 16, 1980	$12,011,346
December 16, 1980	12,011,347

Reconstruction and Conditional Sale Agreement

SCHEDULE C

Allocation Schedule of Each $1,000,000 of 13% CSA Indebtedness

Payment Date	Debt Service	Interest Payment	Principal Recovery	Ending Principal
12/30/80	$ *	$ *	$ -0-	$1,000,000.00
6/30/81	65,000.00*	65,000.00	-0-	1,000,000.00
12/30/81	65,000.00*	65,000.00	-0-	1,000,000.00
6/30/82	72,002.49	65,000.00	7,022.49	992,997.51
12/30/82	64,544.84*	64,544.84		992,997.51
6/30/83	126,263.21	64,544.84	61,718.37	931,279.14
12/30/83	60,533.14*	60,533.14		931,279.14
6/30/84	130,274.90	60,533.14	69,741.76	861,537.38
12/30/84	55,999.93*	55,999.93		861,537.38
6/30/85	134,808.11	55,999.93	78,808.18	782,729.20
12/30/85	50,877.40*	50,877.40		782,729.20
6/30/86	139,930.65	50,877.40	89,053.25	693,675.95
12/30/86	45,088.94*	45,088.94		693,675.95
6/30/87	188,120.90	45,088.94	143,031.96	550,643.99
12/30/87	35,791.86*	35,791.86		550,643.99
6/30/88	197,417.97	35,791.86	161,626.11	389,017.88
12/30/88	25,286.16*	25,286.16		389,017.88
6/30/89	207,923.67	25,286.16	182,637.51	206,380.37
12/30/89	13,414.72*	13,414.72		206,380.37
6/30/90	219,795.09	13,414.72	206,380.37	-0-
	$1,898,073.98	$898,073.98	$1,000,000.00	

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

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT
[CS&M Ref. 2043-981]

TRANSFER AGREEMENT

Dated as of March 15, 1980

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

Attention of Corporate Trust Department

We propose to acquire the used railroad equipment described in Annex I hereto (the "Hulks") from The Chesapeake and Ohio Railway Company (the "Builder") and desire to have such Hulks reconstructed. We hereby agree with you as follows:

1. In order to secure the interest of the Investors in the Hulks to be reconstructed and leased in accordance with the Participation Agreement dated as of the date hereof between the Builder, you, us and the other parties thereto, we hereby assign and transfer to you security title to the Hulks (WITHOUT ANY WARRANTIES, INCLUDING BUT NOT LIMITED TO WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP).

2. You will hold security title pursuant to the Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between you, the Builder and us, and you will take whatever action we reasonably require to provide that the Hulks are reconstructed pursuant thereto in accordance with the specifications referred to in Article 1 thereof. In accordance with the RCSA, we will cause the Hulks to be delivered to the Builder.

3. Upon completion of the reconstruction, the reconstructed Hulks will be delivered and conditionally sold by you to us in accordance with the RCSA.

4. If Hulks are excluded from the RCSA you shall

release and reassign to us your security interest in such Hulks, without warranty.

5. It is agreed that this Agreement and the RCSA are being entered into solely to permit you to effectuate the foregoing and your interest in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the owner of the same.

6. It is agreed that this Agreement may be executed by you and us in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute a single instrument. Annex I and the footnotes thereto are an integral part of this Agreement and are incorporated herein by reference.

7. It is agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in the Participation Agreement and the other agreements annexed to the Participation Agreement. It is further agreed, anything herein to the contrary notwithstanding, that each of the representations, warranties, undertakings and agreements herein made by us are made and intended not as our personal representations, warranties, undertakings and agreements in our individual capacity or for the purpose or with the intention of binding us personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in a Trust Agreement dated as of the date hereof between the Owners specified at the end of this Agreement and us (the "Trust Agreement")), and this Agreement is executed and delivered by us not in our own right but solely in the exercise of the powers expressly conferred upon us as trustee under the Trust Agreement; and except in the case of our gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against us on account of this Agreement or on account of any representation, warranty, undertaking or agreement by us herein, either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

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

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as trustee under a Trust Agreement dated as of the date hereof with General Electric Credit Corporation and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division), as Owners,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

by

_____
Authorized Officer

ACCEPTED:

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

by

_____
Assistant Vice President

TRANSFER AGREEMENT

ANNEX I*

Quantity	Description	Railroad Road Numbers
507	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	85-Ton Open Top Hopper Cars	CO 85000-86999
48	30-Ton Steel Cupola Cabooses	CO 90200-90348

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* Notwithstanding anything herein to the contrary, this Agreement will only cover Hulks delivered by the Builder and reconstructed and accepted by us after June 30, 1980, and on or before March 15, 1981, having an aggregate Purchase Price when reconstructed not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1980

Between

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee.

[Covering Reconstructed Cars]

LEASE OF RAILROAD EQUIPMENT

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* This Table of Contents has been provided for convenience only and does not affect any interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1980, between THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a trust agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION ("G. E. Credit") and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) ("Connell" and, with G. E. Credit, the Owners").

The Lessee and the Lessor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (said Trust Company, as Agent, together with the Investors for whom it is acting, being hereinafter called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Owners, the Lessor and said Investors, wherein the Vendor has agreed to sell to the Lessor its interest in the railroad equipment described in Schedule A thereto (the "Equipment") after it has been reconstructed (pursuant to the terms of the RCSA) from the hulks (the "Hulks") delivered to the Lessor pursuant to a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") between the Lessor and the Lessee.

The Lessee desires to lease all the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign certain rights in this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement attached to the Lease Assignment (the "Consent"). The Owners and the Lessee will agree with the Lessor to make certain payments due under the RCSA pursuant to a Funding Agreement dated as of the date hereof (the "Funding Agreement").

In consideration of the agreements hereinafter set forth, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the

rights and remedies of the Vendor under the RCSA:

Section 1. Delivery and Acceptance of Units. Subject to the rights of the Owners to inspect the Hulks and the Equipment as provided in the RCSA, the Lessor hereby appoints the Lessee (and any employee thereof designated by the Lessee) as its agent and the agent for the Owners for inspection and acceptance of the Units pursuant to the RCSA. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (the "Certificate of Acceptance"), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 10 consecutive annual payments, in arrears, payable on June 30 in each year, commencing June 30, 1982. The first five annual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 14.19997240% of the Purchase Price (as defined in the RCSA) of such Unit. The second five annual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 17.35460602% of the Purchase Price of such Unit.

If and to the extent that the Vendor shall not receive the funds due under the Funding Agreement on the dates due thereunder, the Lessee agrees to pay to the Lessor, as additional rental for each Unit subject to this Lease, on each such date an amount equal to the applicable basic lease rate therefor set forth in Schedule C hereto for such date multiplied by the Purchase Price of each such Unit, and the Lessee shall be entitled to an offset against the next following June 30 rental payment or payments (to the extent such payments are not required to satisfy the payment of principal and interest on the CSA Indebtedness, as defined in the RCSA) of an amount equal to the amount so paid by the Lessee plus interest thereon for six months at the rate of 13% per annum.

The Lessee and the Lessor agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted in the event that

(A) any change in the Internal Revenue Code of 1954 (the "Code"), the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations is enacted or has an effective date on or prior to June 30, 1981, or prior to such date any income tax regulations or published administrative or judicial interpretations of the Code are issued, the effect of which is to deny to the Owners the ability to put into practice with respect to this transaction any of the tax assumptions utilized by the Owners in originally evaluating this transaction, if such assumptions were reasonably consistent with industry practice at the time made; (B) the aggregate Reconstruction Cost (as defined in the RCSA) of the Units is more or less than 68.37% of the aggregate Purchase Price of the Units or the Lessor pays more than 24.93% of the Purchase Price of any Unit pursuant to clause (b) of the third paragraph of Article 3 of the RCSA; (C) less than 21% of the Units have roller bearings (rather than friction bearings); (D) any Closing Date is held on a date other than the date specified therefor in Schedule B of the RCSA; (E) the amount settled for on any Closing Date is different from the amount specified therefor in Schedule B of the RCSA; (F) any Unit is delivered and accepted after December 31, 1980; (G) the aggregate amount paid to the Lessor on the sale of noncompleted Hulks pursuant to Section 2 of the Hulk Purchase Agreement is less than the aggregate Purchase Price of such Units; (H) there is any deficiency payable in respect of Investments (as defined in the Participation Agreement) pursuant to the Participation Agreement; (I) Connell holds any interest in the CSA Indebtedness under PA-1 (as defined in the Participation Agreement) as Interim Investor thereunder after the Settlement Date under the RCSA; or (J) the PA-1 Owners expend funds to obtain a replacement Investor (pursuant to Paragraph 10 of PA-1). Any such adjustment shall be effective as of the first rental payment date following the event giving rise to such adjustment, and shall be made in such manner as will result, in the Owners' reasonable judgment, in preserving for the Owners both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owners had such event not occurred, based on the rates of Federal, state and local taxes on or measured by net income in effect from time to time and in all other respects based on the assumptions and methods of calculation utilized by the Owners in originally evaluating the transaction described in this Lease and related documents (the "Net Economic Return"). Notwithstanding the foregoing, the rentals payable and Casualty Value percentages will never be less than those amounts and percentages required to enable the Lessor to satisfy its obligations under the RCSA and to enable the Owners to satisfy the profit and positive cash flow requirements set forth in Section 4(6) of Rev. Proc. 75-21, 1975-1 C. B. 715, as such requirements may be modified or adjusted as of the applicable rental payment date. The Owners shall furnish the Lessee and the Vendor

prior to the effective date of any such adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

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

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including but not limited to abatements, reductions or setoffs due or alleged to be due to or by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Vendor or the Owners or otherwise (except as provided in the second paragraph of this Section 2); nor, except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate the lease of any of the Units, except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason

whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other immediately available funds no later than 10:00 a.m. Baltimore time in the city where such payments are due.

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

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

Section 4. Identification Marks. So long as this Lease shall remain in effect, the Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed by the Lessee in all public offices where this Lease and the RCSA shall have been filed and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing will protect the Vendor's and the Lessor's interests in such Units and that no other filing or giving of notice is necessary to protect the interests of the Vendor and the Lessor in such Units.

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

Section 5. Taxes. The Lessee agrees for the benefit of the Lessor and the Owners to pay and on written demand to indemnify and hold each Indemnitee (which for the purposes of this Section 5 shall mean the Lessor (in both its individual and fiduciary capacities), the Owners, the Trust Estate (as defined in the Trust Agreement) and any affiliate of any of them) harmless from all license and registration fees and all taxes (including income, gross receipts, franchise, sales, use, property, stamp and other taxes), assessments, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, additions to tax, fines or interest thereon (collectively, "taxes, fees or other charges"), imposed against any Indemnitee, the Lessee, any Unit or any part thereof by any Federal, state or local government or taxing authority in the United States of America or by any taxing authority or governmental subdivision of a foreign country upon or with respect to any Unit or any part thereof or upon the manufacture, purchase, ownership, delivery, leasing, possession, use, operation, sublease, return or other disposition thereof or upon the rentals, receipts or earnings arising therefrom or upon or with respect to this Lease or any other document contemplated in the Participation Agreement; excluding, however, (i) United States Federal income taxes imposed on the Owners, whether or not the Lessee is required to indemnify therefor pursuant to Section 15 hereof and (ii) any corporate franchise or doing business tax or tax, fee or charge on, based on or measured by the net income of either Owner, other than such tax as may be imposed by any taxing jurisdiction as a result of the use or operation of the Units by the Lessee within such jurisdiction and which would not otherwise be imposed but for such use or operation of the Units; further excluding, any taxes, fees or other charges on, based on or measured by any fees or compensation received by the Lessor for services rendered in connection with the transactions contemplated hereby; further excluding, any taxes, fees or other charges imposed on or for the account of any Indemnitee by reason of

any transfer of any interest in the Units or the Trust Estate voluntarily by such Indemnitee while no Event of Default shall have occurred and then be continuing; provided however, that there shall not be excluded any taxes, fees or other charges imposed by any jurisdiction on, based on or measured by net income resulting directly or indirectly (whether by inclusion of an item in gross income, disallowance of a credit against tax, disallowance of a deduction for depreciation or otherwise) from the Lessee's receipt of any payment by any manufacturer of any component of any Unit in satisfaction of a claim against such manufacturer with respect to any Unit under any warranty or indemnity provision of any purchase agreement, unless, and only to the extent that, any such tax, fee or other charge is being contested by the Lessee in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or any interest therein. The Lessee further agrees that any payment of indemnity hereunder shall include any amount necessary to hold the Indemnitee harmless on an after-tax basis from all taxes required to be paid by such Indemnitee with respect to such payment of indemnity under the laws of any Federal, state or local governmental or taxing authority in the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country; provided, however, that if any Indemnitee realizes a tax benefit by reason of such payment of indemnity (whether such tax benefit shall be by means of investment tax credit, depreciation deduction or otherwise), such Indemnitee shall pay the Lessee an amount equal to the sum of such tax benefit plus any tax benefit realized as the result of any payment made pursuant to this proviso, when, as, if and to the extent realized; but not before the Lessee shall have made all payments of indemnities to such Indemnitee theretofore required and then due and payable pursuant to this Section 5 and no Event of Default (or event which with notice or lapse of time or both would constitute an Event of Default) shall have occurred and be continuing. Each Indemnitee shall in good faith use reasonable efforts in filing its tax returns and in dealing with taxing authorities to seek and claim any such tax benefit.

The Lessee shall not be responsible under this Section for any tax upon or with respect to any Unit imposed with respect to any period following the return of such Unit (and after Lessee has fully complied with Section 13 with respect to such return) at the end of the term of this Lease or, except as otherwise specifically provided herein,

payment in full of the Casualty Value for such Unit in accordance with the provisions hereof.

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

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

In the event that the Lessee becomes liable for the payment or reimbursement of any taxes, fees or other charges pursuant to this Section 5 during the continuance of this Lease, such liability shall continue, notwithstanding the expiration of this Lease, until all such taxes, fees or other charges are paid or reimbursed by the Lessee.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances or furnish other evidence satifactory to the Lessor of the Lessee's performance of its duties under this Section 5. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions, including but not limited to information relating to the use of any Unit or Units outside the United States of America.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the <u>ad valorem</u> tax returns to be filed by the Lessee in

the applicable states or localities and that neither the Vendor nor the Lessor shall include the Units in any ad valorem tax returns filed by them in such states or localities.

The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to indemnification under this Section 5 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment and such imposition on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the Lessor would have had or been in had such imposition not been imposed.

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

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

accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit, and, subject to the next succeeding sentence, the Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to Section 13 hereof. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted under the RCSA on or prior to December 31, 1980. With respect to any Unit delivered and accepted after December 31, 1980, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Owners' after-tax rate of return and after-tax cash flow (based on the rates of Federal, state and local taxes on or measured by net income in effect from time to time and in all other respects based on the assumptions and methods of calculation utilized by the Owners in originally evaluating the transaction described in this Lease and related documents) will not be increased or decreased by reason thereof; provided, however, that the Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit as of the rental payment date immediately preceding such termination. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering such Casualty Occurrence or any component thereof at the best price obtainable on an "as is, where is, and with all faults" basis; provided, however, that, except in the case of the loss, theft or complete destruction of such Unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale and all payments made by other carriers to or for the account of the Lessee and attributable to the loss or destruction of such Unit, to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance that are satisfactory to the Lessor in respect of the Units at the time subject hereto and the use and operation thereof, including without limitation property insurance and public liability insurance, in such amounts and for such risks and with such insurance companies as are consistent with prudent industry practice, but in any event at least comparable to insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it; provided, however, that, in respect of property insurance, the Lessee may self-insure

any Unit to the extent that it self-insures similar equipment owned by it and as is consistent with prudent industry practice. The Lessee hereby assigns and transfers to the Lessor and the Vendor, as their interests may appear, 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 Units or the use and operation thereof as aforesaid; provided, however, if the Lessee fully complies with all the provisions of this Section 6 and the third paragraph of Section 8 hereof in respect of the risk insured against as to which such proceeds are paid and, if there is no Event of Default under Section 9 hereof, the Lessee shall be entitled to retain all such proceeds.

Section 7. Annual Reports. On or before November 30 in each year, commencing with the year 1981, the Lessee will cause to be furnished to the Lessor, the Owners and the Vendor an accurate statement as of the preceding June 30 showing the amount, description and numbers of all Units (a) then leased hereunder or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs, and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof have been preserved or replaced. The Lessor shall have the right (but not the obligation), at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States of America) at such reasonable times as the Lessor may request during the continuance of this Lease.

Section 8. Warranties; Compliance with Applicable Laws; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR

OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof or the return of all the Units as provided in Section 10 or 13 hereof, any Applicable Law requires any replacement, modification or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or the RCSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of

this paragraph shall be owned by the Lessor, and those made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owners and the Vendor from and against all losses, expenses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Hulk Purchase Agreement, or this Lease or any sublease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby or the occurrence of a default, an event of default or an Event of Default under any of such documents, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer by the Vendor of its interests in the Equipment pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee written notice of any claim or liability to be indemnified against hereunder promptly upon an officer or employee in the corporate trust department of the Lessor having received actual knowledge thereof. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and the Hulk Purchase Agreement; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the principal of or interest on the CSA Indebtedness or a guarantee of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to

the indemnified party sufficient to restore such party to the same position (after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income) that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The indemnities made by the Lessee in this Section 8 shall not be modified, abated, postponed or in any other way diminished or reduced as a consequence of any action or inaction of the Owners in connection with, relating to or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Lessee pursuant to the RCSA. In addition to the agreements contained elsewhere in this Section 8, said indemnities shall in all events extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty (including without limitation any breach of warranty or breach of contract) to anyone.

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

Section 9. Default. If during the continuance of this Lease any of the following events (an "Event of Default") shall occur:

(a) default shall be made in the payment of any amount provided for in Section 2, 6 or 12 hereof and such default shall continue for 10 days;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any interest therein or of the right to possession of any Unit and shall fail or refuse to cause such assignment or transfer to be canceled and to recover possession of such Unit within 15 days after written notice from the Lessor or the Vendor to the Lessee demanding the same;

(c) default shall be made in the observance or performance of any other covenant, condition and agreement on the part of the Lessee contained herein or in the

Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(d) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, or in accordance with the provisions of 11 U.S.C. § 1168, within 60 days after the filing of the petition or the commencement of the case;

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

(f) any of the Lessee's representations or warranties made in the Participation Agreement, herein or in any statement or certificate at any time given in writing pursuant hereto or thereto or in connection herewith or therewith shall be breached or found to be false or misleading in any material respect;

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

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including amounts sufficient to restore the Owners to the same net after-tax rate of return and after-tax cash position (after considering the effect of the receipt of such damages and amounts on their United States Federal income tax and state and local taxes or franchise taxes based on net income) that the Owners would have realized or would have been in had such breach not occurred; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents or employees enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee or its assigns to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value at the time of such

termination of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period (such present value to be computed in each case on the basis of a 6% per annum discount, compounded annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated); or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the net proceeds realizable upon the sale of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessee shall, if the Lessor shall so elect, pay the Lessor on the date of such sale (in addition to the amounts payable pursuant to Sections 5 and 8 hereof) as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale, in lieu of paying any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return or disposition of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax,

lien or other sum which in the judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within 10 days of notice thereof, together with interest thereon from the date of expenditure at the rate of 14% per annum or at the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities, whichever is greater.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law.

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

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

(a) forthwith and in the usual manner (including without limitation giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or its affiliates as the Lessor reasonably may designate;

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

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

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

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

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and if received by the Lessee shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.0482072% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

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

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

Subject to the terms of this Lease, the Lessee shall be entitled to the possession and use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, and to assign its

rights to the Units or to sublease the Units to any of its affiliates, but only upon and subject to all the terms and conditions of this Lease (including the last paragraph of this Section 11) and the RCSA; provided, however, that the Lessee shall in any such event remain primarily liable for all its obligations hereunder. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. Every such sublease shall be subject to the rights and remedies of the Vendor under the RCSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default or Event of Default thereunder or hereunder.

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

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

Section 12. Renewal Option; Duty to First Offer. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be, in respect of all but not less than all the Units then covered by this Lease for an additional two-year period commencing on the scheduled expiration of such term.

Each such extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except that (x) the amount of rentals shall be at Fair Market Rental (as hereinafter defined) payable, in arrears, in annual payments on the day such rentals were payable for the

Units in each year of the original term and (y) the Casualty Value of each Unit on the first day of such extended term shall be equal to the lesser of 30% of the Purchase Price of such Unit or the Fair Market Value (as hereinafter defined) of such Unit on such date and thereafter such Casualty Value shall be reduced on a straight line basis over the estimated remaining useful life of such Unit, all as determined by the procedures hereinafter established.

Fair Market Rental, Fair Market Value and estimated remaining useful life shall be agreed upon by the Lessor and the Lessee or determined as provided in the next paragraph. Fair Market Rental and Fair Market Value shall be equal in amount to the rental or sale value which would be obtained in an arm's-length transaction between an informed and willing lessee or vendee (other than a lessee currently in possession or a used equipment dealer) and an informed and willing lessor or vendor under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to Section 8 hereof; provided, however, that Fair Market Rental shall be determined as provided in this sentence on the basis of the term and other terms and conditions of the lease being considered. Fair Market Rental, Fair Market Value and estimated remaining useful life of the Units shall be determined upon the assumption that the Units shall have been maintained in accordance with the provisions of Section 6 hereof.

If after 45 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, either party to such determination may give written notice to the other requesting determination of Fair Market Rental, Fair Market Value or estimated remaining useful life by the following appraisal procedure, and the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within

35 business days after such notice is given, either party may apply to make such appointment to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, of the Units subject to the proposed extended lease term or sale within 90 days after appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental, Fair Market Value and estimated remaining useful life, unless these are agreed upon by the Lessor and the Lessee as provided for herein, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties at the expiration of the original or any extended term of this Lease, the Lessee shall be given written notice of such intention prior to the expiration of such term. The Lessee shall have the sole right and option to purchase all but not less than all the Units then subject to this Lease at the Fair Market Value of such Units. The Lessee shall exercise such purchase right by delivery to the Lessor of a written notice within 10 business days of receipt of notice from the Lessor, specifying a date of purchase not later than the later of 15 days after the date of delivery of such notice by the Lessee to the Lessor or 90 days after the expiration of such term of this Lease. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is

delivered to the Lessor until the date of such purchase. If the Lessee does not deliver such notice to the Lessor, all obligations of the Lessor under this paragraph shall terminate.

Section 13. Return of Units upon Expiration of Term. Upon the expiration of the original or any extended term of this Lease, the Lessee will, at its own expense, deliver the Units to the Lessor; provided, however, that if so instructed in writing by the Lessor at least 30 days prior to such expiration, the Lessee will, on or prior to the last business day of each consecutive calendar month following such expiration, deliver to the Lessor not more than 225 Units (or such other number as may be agreed to by the Lessor) under this Lease; provided further, however, that the Lessee shall incur no liability to the Lessor or to any person claiming by, through or under the Lessor if the Lessee is unable to deliver Units for delivery in each consecutive calendar month as a result of circumstances constituting force majeure. Any Units delivered to the Lessor pursuant to the preceding sentence shall be delivered upon such storage tracks of the Lessee as the Lessee may designate, and the Lessee shall permit the Lessor to store such Units on such tracks for a period not exceeding 150 days after delivery to such storage tracks, and shall transport the same, on a one-time basis per Unit at any time within such 150-day period, to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee until such time as such Unit shall have been delivered to such connecting carrier. Subsequent to the expiration of the term of this Lease and prior to delivery of any Unit to the Lessor, all terms and conditions of this Lease (other than term and the amount of rental and period of payment therefor) shall continue to apply to such Unit. If the Lessor gives to the Lessee the instruction referred to in the first proviso to the first sentence of this paragraph, then on the 10th day after delivery of the last Unit to be delivered to the Lessor as hereinabove provided or on the 270th day following expiration of the original or any extended term of this Lease, whichever shall first occur (the "Date of Payment"), the Lessee shall pay as rent to the Lessor for each Unit not so delivered to the Lessor upon such expiration a sum equal to one-twelfth of 50% of the average rental rate per Unit prevailing during the term or extended term of the Lease so expired, as the case may be, for each month (or part thereof) subsequent to such expiration and prior to such delivery. If any Unit is not returned by the Date of Payment, then the

Lessee shall continue to pay the monthly rent provided for in the preceding sentence with respect to such Unit, except that such rent shall be payable on the last business day of each month, to and including the month in which the Unit is returned. During any storage period provided for in this paragraph, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) be capable of being moved unloaded by the Lessee to any purchaser or subsequent lessee and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having competent jurisdiction the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof.

If the Lessor does not deliver the instructions referred to in the first sentence of the first paragraph of this Section 13, then in the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 90 days after the end of the term or any extended term of this Lease, the Lessee shall promptly pay to the Lessor an amount for each day after such 90-day period, equal to the greater of (i) all per diem, incentive per diem and mileage charges earned by such Unit (including, to the extent any Unit is used by the Lessee during this period, the per diem, incentive per diem and mileage charges that would have been payable by the Lessee to another carrier for a carrier car for each such day of use in revenue service) or (ii) 0.0482072% of the Purchase Price of such Unit. If the Lessor has not given the Lessee notice to transport any Unit to a connecting carrier for shipment within the 150-day storage period, the Lessor will pay to the Lessee for storage a reasonable storage rate for such Unit, beginning the first day after the 150-day storage period.

In the event that the Lessor elects, prior to the return of any Units or during the storage period provided

for in the preceding paragraph, to re-lease all or any of the Units to a third party, then upon written request from the Lessor to the Lessee, the Lessee agrees that, in order to keep such Units eligible for interchange, it will continue to lease such Units from the Lessor at a rental equal to the rental to be paid by such third party and will sublease such Units to such third party; provided, however, that such third party and the Lessor enter into an agreement reasonably satisfactory to the Lessee (A) to indemnify and hold harmless the Lessee from all liability and obligations arising under the Lease and such sublease (other than to pay to the Lessor an amount equal to any rental paid under such sublease) and (B) to reimburse the Lessee in full for all out-of-pocket costs and expenses connected with the continued lease and sublease of such Units, plus reasonable reimbursement for administrative costs relating directly thereto; provided further, however, that the Lessee shall not be obligated to enter into or carry out any such agreement to the extent that the Lessee is advised by counsel that such agreement would violate the provisions of any applicable law, rule or regulation, including without limitation rules and regulations of the Interstate Commerce Commission and the Association of American Railroads.

Section 14. Filing; Expenses. The Lessee will cause this Lease, the Lease Assignment, the Transfer Agreement (as defined in the Participation Agreement), the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing and refiling required of the Lessor under the RCSA and will from time to time perform any other act and will execute and file (and will refile whenever required) any and all further instruments or supplements required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Lease Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

Section 15. Income Tax Indemnity. (a) Assumptions. (1) The parties hereto agree that the Owners, as the beneficial

owners of each Unit, shall be entitled to such deductions, credits and other benefits as are provided by the Code and state and local taxing statutes to an owner of property, including without limitation (i) deductions for depreciation of each Unit under section 167 of the Code computed on the basis (A) that each such Unit will have a basis under section 167(g) of the Code at least equivalent to the Purchase Price in respect of such Unit, (B) with respect to the amount of the Reconstruction Cost, of the double-declining-balance method of depreciation authorized by section 167(b)(2) of the Code, switching to the sum-of-the-years-digits method of depreciation authorized by section 167(b)(3) of the Code when most beneficial to the Owners without obtaining the consent of the Commissioner of Internal Revenue in accordance with Treasury Regulation § 1.167(a)-11(c)(1)(iii), (C) with respect to the amount of the Hulk Purchase Price (as defined in the RCSA), of the 150 percent declining balance method authorized by Treasury Regulation § 1.167(a)-11(c)(1)(iv)(b)(2), switching to the straight line method without obtaining the consent of the Commissioner of Internal Revenue, (D) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of the asset depreciation range system of Treasury Regulation § 1.167(a)-11, (E) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of an asset depreciation period of 12 years, (F) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of a net salvage value of zero after the reduction permitted by section 167(f) of the Code and (G) that the entire Reconstruction Cost shall be treated as basis which is properly attributable to reconstruction after December 31, 1953, pursuant to section 167(c)(1) of the Code (the "ADR Deductions"); (ii) deductions with respect to interest payable on the CSA Indebtedness (the "Interest Deductions"); and (iii) investment credit pursuant to section 38 of the Code at least equal to 10% of the Reconstruction Cost in respect of each Unit (the "Investment Credit").

(2) It is further agreed by the parties hereto that they have assumed in their negotiation of the terms of the Participation Agreement, the RCSA and this Lease that (i) the Federal rate of tax imposed on taxable income of corporations in excess of $100,000 during the year 1980 is 46%, (ii) the applicable rate of tax imposed by any state or local taxing authority on the taxable income of the Owners in 1980 will be the same as that prevailing on March 1, 1980, (iii) for purposes of computing the ADR Deductions

with respect to the Units for the calendar year in which the Units were first placed in service, the Owners will be entitled to elect the half-year convention (including, as to each Unit, six months of depreciation for the calendar year in which the date of acceptance of such Unit occurs under this Lease), and (iv) for Federal income tax purposes, all amounts includible in the gross income of the Owners with respect to the Units and all deductions allowable to the Owners with respect to the Units will be treated as derived from or allocable to sources within the United States of America.

(3) The Lessee agrees that neither it nor any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing clauses (1) and (2) of this subsection (a) and that the Lessee and any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

(b) Representations and Warranties of Lessee.

(1) The Lessee represents and warrants that

(A) immediately upon delivery and acceptance of the Hulks under the RCSA and related documents, the Owners will be treated as the taxpayers for purposes of section 48(b)(1) of the Code and such taxpayers will be treated as having directed the reconstruction of the Hulks;

(B) the entire Reconstruction Cost of each Unit will constitute an investment in "new section 38 property" within the meaning of section 48(b) of the Code and will be deemed to have been placed into service by the Owners in the taxable year of the Owners during which the date of acceptance of such Unit occurs under this Lease;

(C) every Unit constitutes property the entire Reconstruction Cost of which qualifies for the Investment Credit under subpart B of Part IV, Subchapter A of the Code;

(D) the entire Reconstruction Cost of each Unit shall qualify as basis which is properly attributable to reconstruction (i) after December 31, 1953, as provided in section 167(c)(1) of the Code and (ii) after December 31, 1961, as provided in Section 48(b) of the Code;

(E) when each Unit is delivered and accepted under the RCSA and related documents, no other person will have claimed or intends to claim the Investment Credit or the ADR Deductions with respect thereto;

(F) at all times during the original term of this Lease and renewal periods thereof, the entire Reconstruction Cost will constitute a qualified investment in "section 38 property" within the meaning of Section 48(a) of the Code;

(G) at all times during the original term of this Lease and renewal periods thereof, the Owners will be entitled to treat, for Federal income tax purposes, each item of income, deduction and credit relating to all Units subject to the RCSA and this Lease as being derived from or allocable to sources within the United States of America.

(2) In the opinion of the Lessee, each Unit will have an estimated useful life of not less than 15 years and residual value at the end of the original lease term equal to at least 20 percent of the Purchase Price of such Unit and each Unit will be useful and usable by a party other than the Lessee at the end of the original term and capable of continued leasing and transfer to another party at that time and commercially feasible to do so.

(c) Indemnity for Acts, Omissions or Misrepresentations. (1) If by reason of any act of commission or omission, misrepresentation, breach of any agreement, covenant or warranty contained in this Lease or any other agreement relating to the reconstruction or lease of the Units on the part of the Lessee or any party referred to in clause (3) of subsection (a) of this Section 15 or by any sublessee or assignee of the Lessee, an Owner shall lose the right to claim, shall not claim (as the result of a good faith determination of tax counsel of General Electric Company (the "Tax Counsel") that such claim is not allowable),

shall suffer a disallowance of or shall be required to recapture all or any portion of its proportionate share of the Investment Credit, the Interest Deductions or the ADR Deductions (any such event is called a "Loss"), then the Lessee shall pay to such Owner as an indemnity, on the next succeeding rental payment date hereunder after written notice to the Lessee by the Owner of such Loss (or, if this Lease is terminatd, within 30 days after demand), and on each rental payment date thereafter during the remaining term of this Lease, such amount or amounts as shall cause such Owner's Net Economic Return to equal the Net Economic Return that would have been realized by such Owner if such Loss had not occurred.

(2) In the event that an Owner suffers a Loss and the Owner and the Lessee are unable to agree on the indemnity amount required to restore the Owner's Net Economic Return, as aforesaid, then the Lessee shall pay to such Owner, in lieu of the amount provided for in clause (1) of this subsection (c), such amount or amounts from time to time as, after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state, local or foreign government or taxing authority, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Owner from time to time as a result of any such Loss plus the amount of any interest, penalties or additions to tax payable as a result of any such Loss. If, as a result of a Loss, the aggregate Federal, state or local income taxes paid by an Owner for any taxable year shall be less than the amount of such taxes which would have been payable by such Owner had no such Loss occurred, then such Owner shall pay the Lessee the amount of such difference in taxes plus any additional tax benefits realized by such Owner as the result of such payment; provided, however, that such Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Owner pursuant to this clause (2) in respect of a Loss less (y) the amount of all prior payments by such Owner to the Lessee hereunder. The amount payable to an Owner pursuant to this clause (2) shall be paid within 30 days after receipt of a written demand therefor from such Owner accompanied by a written statement describing in reasonable detail such Loss and the computation of the amount so payable (but not prior to the earlier of (i) the filing of a return or the acceptance of an audit report in which such Loss is reflected and (ii) the payment of the additional income tax that becomes due as the result of the

Loss and, in the case of amounts which are being contested in accordance with subsection (d) of this Section 15, not prior to the time provided in subsection (d)). Any payment due to the Lessee from an Owner pursuant to this clause (2) shall be paid within 30 days after such Owner realized any such savings in its income taxes or additional tax benefits, as the case may be.

(3) If an Owner is required by the Internal Revenue Service to include in its gross income an amount in respect of any replacement, improvement and/or addition to any Unit or as the result of any action taken by the Lessee or any sublessee or assignee of the Lessee ("Capital Expenditures"), then the Lessee shall pay directly to such Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States of America, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Owner from time to time as a result of such Capital Expenditure plus the amount of any interest, penalties or additions to tax payable as a result of any such Capital Expenditure. If as a result of any such Capital Expenditure the aggregate Federal, state or local income taxes paid by an Owner for any taxable year shall be less than the amount of such taxes which would have been payable by such Owner had no such Capital Expenditure been made, then such Owner shall pay the Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Owner as a result of such payment; provided, however, that such Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Owner pursuant to this clause (3) in respect of any Capital Expenditures less (y) the amount of all prior payments by such Owner to the Lessee hereunder. The amount payable to an Owner pursuant to this clause (3) shall be paid within 30 days after receipt of a written demand therefor from such Owner (but not prior to payment by such Owner of the additional Federal, state or local income tax, as the case may be, which becomes due as a result of the said inclusion) accompanied by a written statement describing in reasonable detail such inclusion and the computation of the amount so payable. Any payment due to the Lessee from an Owner pursuant to this

clause (3) shall be paid within 30 days after such Owner realizes any such savings in its income taxes or additional tax benefits, as the case may be. The Lessee agrees to give each Owner, within 30 days after request therefor, written notice describing in reasonable detail Capital Expenditures made and specifying the cost thereof with respect to each Unit if such information is required in connection with an audit by the Internal Revenue Service of the tax returns of an Owner.

(d) Contest Provisions. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of an Owner for which the Lessee would be required to indemnify such Owner pursuant to subsection (c) of this Section 15 and the amount of the indemnity which the Lessee would be required to pay would exceed $100,000 then, if requested by the Lessee in a timely written request, such Owner shall request an opinion from Tax Counsel as to whether the basis in law and in fact in favor of allowance of the item proposed to be adjusted outweighs the basis in law and in fact to the contrary. If the opinion is to that effect and if the Lessee promptly requests such Owner to do so, such Owner shall contest the proposed adjustment; provided, however, that Tax Counsel shall determine in its sole and reasonable discretion the nature of all action to be taken to contest such proposed adjustment including (A) whether any action to contest such proposed adjustment shall initially be by way of judicial or administrative proceedings, or both, (B) whether any such proposed adjustment shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof, and (C) if such Owner shall undertake judicial action with respect to such proposed adjustment, the court or other judicial body before which such action shall be commenced. Such Owner shall have full control over any contest pursuant to this subsection (d) and shall not be obligated to appeal an adverse determination by any court. At any time, whether before or after commencing to take the action set forth in this subsection (d), an Owner may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify such Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

(2) An Owner shall not be required to take any action pursuant to this subsection (d) unless and until

the Lessee shall have agreed to indemnify such Owner in a manner reasonably satisfactory to such Owner for any liability or loss which such Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to such Owner on demand all costs and expenses which such Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner). If an Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to such Owner an amount equal to the sum on an after-tax basis of any tax, interest, penalties and additions to tax which are required to be paid. Upon receipt by an Owner of a refund of any amounts paid by it in respect of which amounts it shall have been paid an equivalent amount by the Lessee, such Owner shall pay to the Lessee the amount of such refund together with any interest received by it on such amount. The Lessee shall be obligated to pay to an Owner the amount specified in subsection (c) of this Section 15 promptly after such Owner has taken all the action that it has agreed in this Section 15 to take.

(e) Foreign Tax Credit Indemnity. If any item of income or deduction with respect to the Units shall not be treated as derived from or allocable to sources within the United States of America for a given taxable year (any such event is called a "Foreign Loss"), then the Lessee shall pay to an Owner as an indemnity, on the next succeeding rental payment date after written notice to the Lessee by such Owner, such amount which after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States of America shall equal the sum of (1) the excess of (x) the foreign tax credits which such Owner would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credit to which such Owner was limited as a result of such Foreign Loss and (2) the amount of any interest, penalties or additions to tax payable as a result of such Foreign Loss.

(f) Exceptions. Nothwithstanding the foregoing provisions, the Lessee shall not be required to indemnify the Owners with respect to any Loss or Foreign Loss that results solely and directly from (i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to Section 6 hereof; (ii) a

voluntary disposition by the Owners of their beneficial interest in any Unit, if such disposition (x) shall be the direct cause of such Loss or Foreign Loss with respect to such Unit, (y) shall occur at a time while no Event of Default (and no event that with notice or lapse of time or both would constitute and Event of Default) has occurred and is continuing, and (z) shall not be pursuant to the written consent of the Lessee; (iii) the failure of the Owners to claim the proper credit or deductions contemplated by subsection (a) of this Section 15, unless the Owners shall have been so advised by Tax Counsel; (iv) the failure of the Owners to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; or (v) any change in the Code, the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations which is not enacted or does not have an effective date on or prior to June 30, 1981.

(g) Records and Statements. The Lessee agrees to maintain sufficient records to verify the amount of income, deductions and credits in respect of the Units so as to provide each Owner with such data as may be required to confirm amounts covered by this Section.

(h) Recomputation of Casualty Value. If any amount is paid by the Lessee to an Owner pursuant to this Section 15, G. E. Credit shall recompute the Casualty Values with respect to the Units in accordance with the manner in which such Casualty Values were originally computed to reflect such payment, and an officer of G. E. Credit shall certify to the Lessee either that such Casualty Values as are set forth in this Lease do not require change or, as the case may be, the new Casualty Values necessary to reflect such payment, describing in reasonable detail the basis for computing such new Casualty Values. Upon such certification, any such new Casualty Values shall be substituted for the Casualty Values appearing in this Lease; provided, however, that such new Casualty Values shall not be less than the amounts required to enable the Lessor to satisfy its obligations under the RSCA.

(i) Additional Definitions. For purposes of this Section 15, the term "Owner" shall include G. E. Credit and Connell and shall also include any member of an affiliated group, within the meaning of section 1504 of the Code, of which an Owner is or may become a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(j) Survival of Indemnities. Notwithstanding any expiration or termination of this Lease, the liability of the Lessee to make indemnification payments pursuant to this Section 15 shall continue to exist until such indemnity payments are made by the Lessee.

(k) Payments. Any payments made pursuant to this Agreement shall be made directly to the Owner entitled thereto by wire transfer of immediately available funds to the account set forth in Section 2.01 of the Trust Agreement or to such other account or in such other manner as such Owner may direct.

(l) No Setoff. No payment required to be made by the Lessee pursuant to this Section 15 shall be subject to any right of setoff, counterclaim, defense, abatement, suspension, deferment or reduction, and the Lessee shall have no right to terminate its obligation under this Section 15 or to be released, relieved or discharged from any obligation or liability under this Section 15 for any reason whatsoever, except in accordance with the express terms hereof.

(m) Tax Indemnity Provisions Attach at Date of Execution. The provisions of this Section 15 shall apply from the time of execution of this Lease, the Participation Agreement and the RCSA whether or not the other provisions of this Lease come into effect.

Section 16. Interest on Overdue Rentals. The Lessee shall promptly pay an amount equal to interest at the rate of 14% per annum on any overdue rentals or other obligations hereunder for the period of time during which they are overdue, or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department;

(b) if to the Lessee, at 100 North Charles Street, Baltimore, Maryland 21201, attention of Senior Assistant Treasurer;

(c) if to the Vendor, at P. O. Box 2258, Two Hopkins Plaza, Baltimore, Maryland 21203, attention of Corporate Trust Department;

(d) if to the Owners, at the addresses specified in Section 2.02 of the Trust Agreement;

or addressed at such other address as any party shall hereafter furnish to the other parties in writing. Copies of each such notice shall be given to the Lessor and the Vendor.

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

Section 19. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto (unless the context shall otherwise require) but the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named. Whenever the term "Lessor" is used in this Lease, it shall also include the Owners and any assignee of the Owners.

Section 20. Execution. This Lease may be executed in several counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto. The schedules and the footnotes thereto annexed to this Lease are an integral part of this Lease and are incorporated herein by reference.

Section 21. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be

governed by the laws of the State of Ohio; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Section 22. Immunities; No Recourse; Severability. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owners hereunder (except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement), on account of this Lease or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

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

IN WITNESS WHEREOF, the parties hereto have caused

this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

_____
Assistant Vice President and Treasurer

[Corporate Seal]

Attest:

_____
Assistant Secretary

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President and the Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that such instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

[Notarial Seal] _____
Notary Public

My Commission expires

Lease of Railroad Equipment

SCHEDULE A

Specifications of the Equipment*

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999
48	--	30-Ton Steel Cupola Cabooses	CO 90200-90348

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* Notwithstanding anything herein to the contrary, this Lease will only cover those Units that are reconstructed by the Lessee from Hulks delivered pursuant to the Hulk Purchase Agreement and that are accepted by the Lessor after June 30, 1980, and on or before March 15, 1981, under the RCSA and that have an aggregate Purchase Price not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Units covered by this Lease, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those Units covered by this Lease and to designate the particular Railroad Road Numbers thereof.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Casualty Payment Date		Percentage of Purchase Price
2/01/81		109.9847
6/30/81		113.2944
6/30/82		115.5204
6/30/83		112.0517
6/30/84		107.7237
6/30/85		98.2089
6/30/86		92.1478
6/30/87		77.7142
6/30/88		66.3669
6/30/89		49.4090
6/30/90		35.5475
6/30/91	(and for any applicable period, including any storage period, thereafter)	20.0000

Table 2

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

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	16.6784573
Fifth	11.1189715
Seventh	5.5594858

Lease of Railroad Equipment

SCHEDULE C

Rentals Due Pursuant to Funding Agreement

Date	Percentage of Purchase Price
12/30/80	4.8797
6/30/81	4.8797
12/30/81	4.8797
12/30/82	4.8454
12/30/83	4.5443
12/30/84	4.2040
12/30/85	3.8194
12/30/86	3.3849
12/30/87	2.6869
12/30/88	1.8983
12/30/89	1.0071

EXHIBIT C
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of March 15, 1980

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee,

and

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

ASSIGNMENT OF LEASE AND AGREEMENT dated as of March 15, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement").

The Lessor and the Vendor have entered into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with THE CHESAPEAKE AND OHIO RAILWAY COMPANY (the "Lessee"), in its capacity as builder, providing for the sale to the Lessor of the interest of the Vendor in such units of railroad equipment (the "Units") described in Schedule A thereto as are delivered to and accepted by the Lessor thereunder.

The Lessor and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing by the Lessor to the Lessee of the Units.

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

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

1. Assignment; Application of Payments. The Lessor hereby assigns to the Vendor, as collateral security for the payment and performance of the obligations of the Lessor under the RCSA, all the Lessor's right, title and

interest, powers, privileges, and other benefits under the Lease (and those inuring to the benefit of the Owners by reason of Section 19 of the Lease), including without limitation the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee pursuant to the provisions of the Lease, whether as rent, casualty payment, indemnity (except such amounts of indemnity payable to or receivable by the Owners pursuant to Section 15 of the Lease), liquidated damages, or otherwise (such moneys are called the "Payments"), and the right to make all waivers and agreements and to give all notices, consents and releases (subject to Section 12 hereof), to take all action upon the happening of an Event of Default specified in the Lease and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. Notwithstanding the foregoing, Payments shall not be deemed to include (i) payments made by the Lessee to the Lessor pursuant to Sections 5 and 8 and the second paragraph of Section 9 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to Article 5 of the RCSA or the obligation of the Lessee to indemnify the Vendor in its capacity as assignee of the Lease and except to the extent that the Lessor is obligated to pay and discharge claims, liens, charges or security interests under Paragraph 9 of this Assignment), and (ii) payments made by the Lessee to the Lessor in its individual capacity pursuant to Sections 5 and 8 of the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name or in the name of its nominee or in the name of the Lessor or as its attorney to demand, sue for and receive any and all sums to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the RCSA due and payable at the time such Payments are due and payable under the Lease, and so long as no event of default (or event which with notice or lapse of time or both could constitute an event of default) under the RCSA shall have occurred and be continuing, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, in Federal or other immediately available funds, not later than the first business day following receipt of

such balance. If the Vendor shall not receive any rental payment under Section 2 of the Lease when due, the Vendor shall promptly notify the Lessor and the Owners at the addresses set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the RCSA.

2. No Assumption of Lessor's Liabilities. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to or in any way affect or modify the liability of the Lessor under the Lease, it being agreed that all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee and its successors and assigns against and only against the Lessor or persons other than the Vendor.

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

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

5. Termination of Assignment. Upon the full discharge and satisfaction of all the Lessor's obligations under the RCSA and the Participation Agreement (without giving effect to any limitations of liability contained therein), this Assignment and all rights herein assigned to the Vendor shall terminate, and all right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

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

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

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

9. Liens. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than those created by the RCSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the RCSA or the Lease

(but including tax liens arising out of the receipt by or for the account of the Lessor of the rentals and other payments under the Lease and any other proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. Governing Law. This Assignment shall be governed by the laws of the State of Connecticut, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

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

13. Retained Rights of Lessor; Limitation of Liability. Notwithstanding any other provision of this Assignment (including but not limited to any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the RCSA or in any way limit the effect of the last paragraph of Article 3 of the RCSA or Article 21 of the RCSA, (b) so long as there is no event

of default under the RCSA, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the RCSA, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the RCSA, or empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to demand, sue for and receive any and all of such excess amounts, but shall not, and shall not have any power to, take any action under the second subparagraph (b) of Section 9 of the Lease without the prior written consent of the Vendor and (c) each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Assignment is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for wilful misconduct or gross negligence on the part of said Bank, or against the Owners hereunder (except pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) or on account of any representation, warranty, undertaking or agreement of said bank or the Owners, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it making claim hereunder may look to said Trust Estate for satisfaction of the same.

14. Execution. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto.

15. Headings. Section headings have been provided for convenience only and do not form part of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

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

[Corporate Seal]

by

_____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

The undersigned hereby consents to the foregoing Assignment of Lease and Agreement as of March 15, 1980.

GENERAL ELECTRIC CREDIT CORPORATION,

[Corporate Seal]

by

_____

Attest:

_____
Assistant Secretary

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

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

Notary Public

[Notarial Seal]

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

THE CHESAPEAKE AND OHIO RAILWAY COMPANY (the "Lessee"), the lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Assignment"), hereby acknowledges receipt of a copy of the Assignment and consents to all the terms and conditions of the Assignment and agrees that:

(1) it will pay all Payments (as defined in the Assignment) payable under the Lease directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Assignment, by 10:00 a.m. Baltimore time, on the date such payment is due, by bank wire transfer of immediately available funds to The Annapolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: C&O 3/15/80" (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) the Vendor shall be entitled to the benefits of and to receive and enforce performance of all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor and the Vendor shall not by virtue of the Assignment become subject to any liability or obligation under the Lease or otherwise; and

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

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

Dated as of March 15, 1980

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

[Corporate Seal]

by

Attest:

Assistant Vice President and Treasurer

Assistant Secretary

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

HULK PURCHASE AGREEMENT

Dated as of March 15, 1980

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee,

and

THE CHESAPEAKE AND OHIO RAILWAY COMPANY.

HULK PURCHASE AGREEMENT dated as of March 15, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Buyer") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners"), and THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Seller").

The Seller owns the used railroad equipment described in Annex I hereto (the "Hulks"). The Seller will sell the Hulks and the Buyer will purchase the Hulks for the Purchase Price set forth in Annex I hereto (the "Hulk Purchase Price"). The Hulks will be redelivered to the Seller for reconstruction in accordance with a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as agent (the "Agent") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), the Seller and the Buyer.

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

1. Delivery of Hulks. The Seller will from time to time deliver to the Buyer a bill or bills of sale (the "Bill of Sale"), setting forth the quantity, description, the Seller's identifying numbers and place of delivery of a group of Hulks and transferring title to such Hulks and warranting that at the date thereof the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by the Bill of Sale was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever. On or after the date of the Bill of Sale, the Seller will deliver the Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The Buyer hereby appoints the Seller (and any employee thereof designated by the Seller) as its agent for acceptance of the Hulks; provided, however,

that the Seller is not authorized to accept delivery of any Hulk (i) that is not economically fit for reconstruction in accordance with the specifications provided in the RCSA; (ii) after written notice from the Buyer that such authority has been terminated; or (iii) if the Purchase Price (as defined in the RCSA) of such Hulk when added to the Purchase Price of those Hulks previously accepted would exceed the Maximum Purchase Price specified in Article 3 of the RCSA. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before December 15, 1980.

2. Noncompleted Hulks. The Seller represents and warrants that it is economically feasible to reconstruct each Hulk delivered and accepted under this Agreement in accordance with the specifications provided in the RCSA. If, after delivery and acceptance of a Hulk, the Seller determines that it is not economically feasible to reconstruct such Hulk on or before March 15, 1981, in accordance with the specifications provided in the RCSA, it shall so certify to the Buyer. If any Hulks cannot be so reconstructed (the "Noncompleted Hulks"), the Seller agrees, as agent for the Buyer, to sell the Noncompleted Hulks to a party other than the Seller or any affiliate of the Seller, on or before May 15, 1981, at the highest cash price obtainable. On May 15, 1981, the Seller will pay to the Buyer the net proceeds from such sale (after retaining its reasonable reconstruction expenses incurred to such date plus reasonable overhead and profit). The Buyer agrees to furnish to the Seller all such bills of sale, without recourse or warranty, to enable the Seller to effect the sale of the Noncompleted Hulks for the account of the Buyer as aforesaid.

3. No Acceptance upon Default. Notwithstanding anything to the contrary contained herein, the Buyer shall have no obligation to accept any Hulk which is delivered hereunder after (i) any event of default as defined in Article 14 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 thereof) which with lapse of time, failure to take affirmative action and/or demand could constitute an event of default thereunder shall have occurred or (ii) the Buyer shall have delivered written notice to the Seller that any of the conditions contained in Paragraph 8 of the Participation Agreement have not been met or waived.

4. Payment of Purchase Price. The Buyer at the

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

Subject only to the conditions set forth in this Agreement and in Paragraph 8 of the Participation Agreement, the Buyer will pay the Hulk Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the RCSA or (ii) April 1, 1981, whichever is earlier.

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

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

time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer. As of the date of such delivery and acceptance, the Buyer shall be unconditionally obligated to purchase such Hulk, without any right to a reduction in or setoff against the price thereof by reason of any past, present or future claims against the Seller under this agreement, the RCSA, the Participation Agreement, the Lease (as defined in the Participation Agreement) or otherwise.

7. Exclusions. In the event that any Hulk is not delivered to the Buyer after the date of the Bill of Sale with respect thereto or in the event that any Hulk is not accepted as provided in the proviso to Article 1 hereof, the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

8. Representations of Seller. The Seller hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration. Annex I and the footnotes thereto are an integral part of this Agreement and are incorporated by reference herein.

9. Limitation of Buyer Liability. Notwithstanding anything herein to the contrary, each of the representations, warranties, undertakings and agreements herein made on the part of the Buyer are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owners hereunder (except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) on account of this Agreement or the Trust

Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Seller and by all persons claiming by, through or under the Seller.

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

11. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution hereof are the dates stated in the acknowledgments hereto.

12. Headings. Section headings have been provided for convenience only and do not form part of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

_____
Assistant Vice President
and Treasurer

[Corporate Seal]

Attest:

_____
Assistant Secretary

Receipt of an executed counterpart of the foregoing is hereby acknowledged as of March 15, 1980.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My Commission Expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that such instrument was this day signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission Expires

Hulk Purchase Agreement

ANNEX I*

Quantity	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total
507	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999	$ 5,669	$2,874,000
96	60-Ton Open Top Hopper Cars	CO 336000-336749	2,156	207,000
1131	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500	4,167	4,712,500
144	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999	4,472	644,000
69	85-Ton Open Top Hopper Cars	CO 85000-86999	10,870	750,000
48	30-Ton Steel Cupola Cabooses	CO 90200-90348	5,000	240,000

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* Notwithstanding anything herein to the contrary, this Agreement will only cover Hulks delivered by the Seller and reconstructed and accepted by the Buyer after June 30, 1980, and on or before March 15, 1981, having an aggregate Purchase Price when reconstructed not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

EXHIBIT E
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

FUNDING AGREEMENT

Dated as of March 15, 1980

Between

THE CHESAPEAKE & OHIO RAILWAY COMPANY,

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity
but solely as Trustee,

GENERAL ELECTRIC CREDIT CORPORATION

and

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

FUNDING AGREEMENT dated as of March 15, 1980, between THE CHESAPEAKE & OHIO RAILWAY COMPANY, a Virginia corporation (the "Lessee" or the "Builder"), THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Trustee"), and GENERAL ELECTRIC CREDIT CORPORATION, a New York corporation, and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (the "Owners").

The Owners are parties to a Trust Agreement dated as of the date hereof (the "Trust Agreement") with the Trustee providing for the authorization and direction of the Trustee, solely as Trustee under the Trust Agreement, to enter into certain agreements providing for the purchase by the Trustee of reconstructed railroad equipment (the "Units") pursuant to a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between Mercantile-Safe Deposit and Trust Company (the "Vendor"), the Builder and the Trustee and for the lease of the Units by the Trustee, as lessor, to the Lessee, as lessee, pursuant to a Lease of Railroad Equipment dated as of the date hereof (the "Lease") between the Lessee and the Trustee.

The Owners have severally agreed in the Trust Agreement to advance certain funds to the Trustee to permit the Trustee to pay a portion of the Purchase Price (as defined in the RCSA) of the Units.

The Builder will receive the balance of the Purchase Price of the Units with funds supplied by the investors (the "Investors") named in the Participation Agreement dated as of the date hereof (the "Participation Agreement") between the Lessee, the Vendor, the Owners, the Trustee and the Investors pursuant to the Participation Agreement and the RCSA.

The Owners will severally pay to the Trustee two days in advance of the date due certain payments necessary to discharge the Trustee's obligation under the RCSA on such dates.

In consideration of the agreements hereinafter

set forth, the parties hereto agree as follows:

SECTION 1. Agreement To Fund. So long as no Event of Default under the Lease has occurred, each of the Owners hereby severally and not jointly agrees to pay to the Trustee in the manner set forth herein at least two business days prior to each December 30, commencing December 30, 1980, to and including December 30, 1989, and on June 30, 1981 (each date at least two business days prior to each of said dates is called a "Funding Date"), an amount equal to its share of the obligation of the Trustee due under Article 3 of the RCSA on the Interest Payment Date (as defined in the RCSA) next following the Funding Date. Each Owner's share shall be the same as its proportionate interest specified in the Trust Agreement.

SECTION 2. Method of Funding. Payments made by each Owner shall be made in immediately available funds on the Funding Date.

SECTION 3. Application of Funds. The Trustee shall cause such funds so received to be advanced to the Vendor in immediately available funds on or before the Interest Payment Date under the RCSA next following the Funding Date in discharge of the obligation of the Trustee under Article 3 of the RCSA on such Interest Payment Date.

SECTION 4. Payment by Lessee upon Default. In the event that an Owner shall fail to pay or cause to be paid the amount set forth in Section 1 hereof with respect to any Funding Date (whether or not an Event of Default under the Lease has occurred) and such failure shall continue for two business days after telegraphic notice thereof from the Trustee, the Lessee shall make the payment to be made by the Lessee under the second paragraph of Section 2 of the Lease and may, upon notice in writing to the defaulting Owner and all of the other Owners, offset against the next following rental payment under the Lease (to the extent such payments are not required to discharge the principal of or interest on the CSA Indebtedness, as defined in the RCSA) an amount equal to the amount so paid by the Lessee plus interest thereon for six months at the rate of 13% per annum, to the extent legally enforceable. If after effecting such offset there remains any amount owing to the Lessee, each Owner shall promptly after receipt of notice from the Lessee pay its share of such amount to the Lessee, together with interest thereon at the rate of 13% per annum, to the extent legally enforceable.

SECTION 5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

SECTION 6. Effect of Assignment. Any assignment by an Owner of its interest in the Trust Estate (as defined in the Trust Agreement) shall not relieve such Owner of its obligations hereunder.

SECTION 7. Notices. Notices hereunder shall be sent in the manner and to the addresses of the parties set forth in the Participation Agreement.

SECTION 8. Cure Rights. Any Owner or combination of Owners may (but need not) cure the default of any defaulting Owner hereunder within 30 calendar days after receipt of notice of default from the Lessee as contemplated by Section 4.

SECTION 9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CHESAPEAKE & OHIO RAILWAY COMPANY,

by

_____

Assistant Vice President and Treasurer

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____

Authorized Officer

GENERAL ELECTRIC CREDIT CORPORATION,

by

_____

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

by

_____
Vice President

[CS&M Ref. 2043-981]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of March 15, 1980

Between

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

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
Builder,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee.

[Covering Reconstructed Cars]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

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EXHIBIT E--FUNDING AGREEMENT

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* This Table of Contents has been provided for convenience only and does not affect any interpretation of this document.

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT dated as of March 15, 1980, between MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Builder"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners").

The Vendee proposes to acquire all right, title and interest in certain railroad equipment (the "Hulks") from the Builder pursuant to a Hulk Purchase Agreement (the "Hulk Purchase Agreement") in substantially the form of Exhibit D hereto, and will cause the Hulks to be delivered to the Builder, who will cause the Hulks to be reconstructed into equipment (the "Equipment") in accordance with specifications of the Owners as described in Schedule A hereto. The Vendee will subject the Hulks to security title in favor of the Vendor pursuant to a Transfer Agreement (the "Transfer Agreement") in substantially the form of Exhibit A hereto for the purpose of securing the obligations of the Vendee hereunder. The Vendor will transfer security title in the Equipment upon completion of reconstruction back to the Vendee. Beneficial ownership of the Hulks and the Equipment shall at all times be in the Vendee on behalf of the Owners, and nothing in this Agreement shall be construed so as to deprive the Vendee and the Owners of such ownership.

The Vendee and the Builder are entering into a Lease of Railroad Equipment (the "Lease") in substantially the form of Exhibit B hereto, pursuant to which the Vendee is leasing the Equipment to the Builder, as lessee, subject to this Agreement, and the Vendee is assigning for security purposes certain of its rights under the Lease to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") in substantially the form of Exhibit C hereto. The Owners have agreed to cause certain payments due to the Vendor hereunder to be made pursuant to a Funding Agreement (the

"Funding Agreement") in substantially the form of Exhibit E hereto. The rights acquired by the Vendor pursuant to this Agreement are acquired for the benefit of certain investors (the "Investors") in accordance with the Participation Agreement.

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1. Reconstruction and Sale. The Vendee will deliver the Hulks to the Builder immediately after the purchase thereof under the Hulk Purchase Agreement. Pursuant to this Agreement, the Builder will then cause the Hulks to be reconstructed into the Equipment as described in Schedule A hereto and will deliver the Equipment to the Vendee. The Vendee will accept delivery of and pay for the Equipment as hereinafter provided. Each unit of Equipment shall be standard gauge railroad equipment reconstructed in accordance with the specifications referred to in the Memorandum of Understanding between the Owners and the Builder dated as of March 31, 1980, and in accordance with such modifications thereof as may be agreed upon in writing by the parties thereto (such specifications and any modifications are by reference made a part of this Agreement as fully as though expressly set forth herein and are called the "Specifications"); provided, however, that at least 21% of the units of Equipment delivered pursuant hereto shall have roller bearings (rather than friction bearings). The Builder warrants to the Vendor and the Vendee that the design, quality and component parts of the Equipment will conform, on the date of delivery of each thereof, to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of the Equipment as of the date of such delivery.

ARTICLE 2. Inspection and Delivery. The Builder will deliver the units of Equipment to the Vendee at such point or points within the United States of America at such place or places designated from time to time by the Builder on or prior to March 15, 1981, freight charges, if any, prepaid. The Builder agrees not to tender for sale any Hulk under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if (A) the Builder does not reasonably anticipate that such Hulk will be fully reconstructed within 90 days following the commencement of reconstruction and in any event on or before December 31, 1980; (B) the Builder has received written notice from the Vendee or the Vendor (a) of the occurrence of any event of default (as defined in

Article 14 hereof) or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 hereof) which with lapse of time, failure to take affirmative action and/or demand could constitute an event of default hereunder shall have occurred, (b) that any of the conditions contained in Paragraph 7 or 8 of the Participation Agreement have not been met or waived or (c) that the Vendee is no longer obligated under the terms of the Hulk Purchase Agreement to accept delivery of and to pay for any additional Hulks thereunder for any of the reasons therein provided; or (C) the Purchase Price (as defined in Article 3 hereof) of such Hulk when reconstructed, when added to the aggregate Purchase Price when reconstructed of all other Hulks which previously have been validly accepted under the Hulk Purchase Agreement, would cause the aggregate Purchase Price of all such Hulks to exceed the Maximum Purchase Price (as defined in Article 3 hereof).

The Builder's obligations pursuant to the preceding paragraph shall be absolute and unconditional, regardless of any events which might otherwise be deemed to constitute force majeure. In the event that the Builder fails to perform such obligations, and without limiting the rights and remedies of the parties hereto, Section 2 of the Hulk Purchase Agreement shall apply.

During reconstruction, including without limitation all phases of fabrication and assembly, the Hulks and all work thereon shall be subject to inspection and approval by the Owners. The Builder shall grant to the authorized inspectors of the Owners (who may be employees of the Builder) access to all portions of its plants where Hulks are being reconstructed. The Builder agrees to inspect all materials used in the reconstruction of the Equipment in accordance with its standard quality control practices. Upon completion of each unit or of a number of units of Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Builder) shall execute and deliver to the Builder a certificate of acceptance (the "Certificate of Acceptance") stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 8 hereof; provided, however, that the Builder shall not thereby be relieved of its warranties set forth in Article 12 hereof.

ARTICLE 3. Purchase Price and Payment. The cost

of the Hulks (the "Hulk Purchase Price") and the estimated base construction cost per unit of the Equipment are set forth in Schedule A hereto. The term "Reconstruction Cost" as used herein shall mean the base reconstruction cost per unit set forth in Schedule A hereto, as increased or decreased by agreement among the Builder, the Vendor and the Vendee, but the aggregate Reconstruction Cost and the aggregate Hulk Purchase Price (the aggregate "Purchase Price") shall in no event exceed the aggregate Hulk Purchase Price and the actual cost to the Builder of doing the reconstruction work plus a reasonable overhead and profit factor. The Vendee, as agent for the Owners, shall be unconditionally obligated to pay the Hulk Purchase Price and Reconstruction Cost of each unit of Equipment validly delivered, accepted and reconstructed in accordance with the terms of this Agreement. For purposes of this Agreement, the term "Maximum Purchase Price" shall mean $27,081,854 less an amount equal to the aggregate Purchase Price as defined in the Reconstruction and Conditional Sale Agreement dated as of March 1, 1980 (the "RCSA-1"), between the Vendor, as agent, the Builder and The Connecticut Bank and Trust Company (as trustee for the owners thereunder) of the equipment settled for under RCSA-1.

For the purpose of settlement therefor, the Equipment shall be divided into not more than two groups (the "Groups") of units of Equipment unless the Vendee and the Builder shall otherwise agree. The parties hereto agree to comply with the schedule of closing dates (each such date is called a "Closing Date") set forth in Schedule B hereto; provided, however, that the Vendee, the Vendor and the Builder may agree on such other dates as occur before April 1, 1981 (the "Cut-Off Date"). The Group for which settlement shall be made on any Closing Date shall consist of such units of Equipment with respect to which the Builder shall have presented to the Vendee an invoice (addressed to the Vendor and approved as to price by the Vendee) and a Certificate or Certificates of Acceptance not more than 10 business days prior to such Closing Date; provided, however, that the aggregate Purchase Price of all units of Equipment to be settled for on a Closing Date shall not exceed an amount equal to 100/75.07 of the amounts available to the Vendor pursuant to the terms of the Participation Agreement to make payments on such Closing Date in amounts equal to the CSA Indebtedness (the "Available Investors' Funds"). The Builder shall give the Vendee and the Vendor three days' prior written notice of any Closing Date. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland; Hartford, Connecticut; or New York, New York; are authorized or obligated to remain closed. If any Closing Date is not a business day, payment shall be made on the next succeeding business day.

Subject to Article 21 hereof, the Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of the aggregate Purchase Price of each Group, and hereby promises to pay the same (and the Builder is hereby constituted a third-party beneficiary of such obligation) in immediately available funds to the Vendor at such place as the Vendor may designate, as follows:

(a) in nine annual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to the lesser of (y) 75.07% of the aggregate Purchase Price of the units of Equipment in the Group for which settlement is then being made as set forth in the invoice or invoices therefor (the "Invoiced Purchase Prices") or (z) the Available Investors' Funds; and

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

The installments of the CSA Indebtedness shall be payable on each June 30, commencing June 30, 1982, to and including June 30, 1990, or, if any such date is not a business day, on the next succeeding business day (each such date is called a "Payment Date"). The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date upon which such CSA Indebtedness was incurred at the rate of 13% per annum, and such interest shall be payable, to the extent accrued, on December 30, 1980, and thereafter on June 30 and December 30 in each year, to and including June 30, 1990 (each such date is called an "Interest Payment Date"). The installments of principal and/or amounts of interest payable on each Date shall be calculated to be substantially in proportion to the amount and allocation of principal and interest set forth in Schedule C hereto (subject to the provisions of Article 6 hereof) and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. Promptly following the earlier of the last Closing Date or the Cut-Off Date, the Vendee will furnish to the Vendor and the Builder a payment schedule showing the respective amounts of principal and interest payable on each Interest Payment Date.

Interest under this Agreement shall be calculated on the basis of a 360-day year of 12 30-day months, except that interest due on December 30, 1980, shall be calculated on an actual elapsed day, 365-day year, basis.

The Vendee will pay interest at the rate of 14% per annum, to the extent legally enforceable (the "Penalty Rate"), upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

All payments provided for in this Agreement to be made by the Vendee shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall be made by bank wire transfer of Federal or other immediately available funds in the city where such payments are due not later than 10:00 a.m. Baltimore time on the date due. The Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due; provided, however, that the CSA Indebtedness may be prepaid as provided for in Article 6 hereof and the Vendee may also prepay all of the CSA Indebtedness, without penalty or premium, together with interest accrued to the date of payment, if an Event of Default shall have occurred under the Lease and the Vendor shall have given written notice to the Vendee that it intends to make a Declaration of Default (as defined in Article 14 hereof) and/or to terminate the Lease as provided in Article 14 hereof.

On the Closing Date with respect to each Group, an amount equal to the Invoiced Purchase Prices of such Group shall be paid in immediately available funds by the Vendor to the Builder from the proceeds of (y) the Available Investors' Funds and (z) the Down Payment payable by the Vendee pursuant to clause (b) of the third paragraph of this Article 3 against the obligation of the Vendee to pay to the Builder the Purchase Price with respect to such Group; provided that there shall have been delivered to the Vendor the following documents, in form and substance satisfactory to it and its special counsel:

(a) the Certificate or Certificates of Acceptance with respect to the Equipment in such Group;

(b) invoices of the Builder for the reconstruction of the Equipment in the Group and invoices of the Builder for the Hulks, accompanied by or having endorsed on such invoices or copies thereof the approval of the Vendee of the price stated therein and a certifi-

cation by the Builder that the Invoiced Purchase Prices have been calculated as provided in the first paragraph of this Article 3 and do not exceed the prices that would be charged by an independent car builder for comparable equipment; and

(c) an opinion of counsel for the Builder, dated as of such Closing Date, stating that (i) at the time of delivery of the Equipment in such Group on behalf of the Vendor to the Vendee hereunder, title to such Equipment was free of all claims, liens, security interests and other encumbrances of the Builder or of anyone claiming through the Builder; and (ii) as of such Closing Date, title to the Hulks from which such Equipment in such Group were reconstructed was vested in the Vendee and was free of all claims, liens, security interests and other encumbrances of any nature whatsoever except for those arising under this Agreement or the Exhibits hereto, together with a favorable letter from Messrs. Wilmer & Pickering (or other outside counsel acceptable to the Vendor) with regard to a search of the Interstate Commerce Commission files in respect of the Hulks.

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

Notwithstanding any other provision of this Agreement (including but not limited to any provision of Articles 14 and 15 hereof), but not limiting the effect of Article 21 hereof, the Vendor agrees that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under this Agreement, with the exception only of the payments to be made pursuant to subparagraph (b) of the third paragraph of this Article 3, the interest payable on the CSA Indebtedness in accordance with the Funding Agreement and the obligations set forth in the proviso in the third paragraph of Article 11 hereof, shall not exceed an amount equal to and shall be payable only out of the "income and proceeds from the Equipment". As used herein, the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 14 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee at any time after any such

event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 6 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under Section 9 or any other provision of the Lease and (b) any and all payments or proceeds received by the Vendee under the Lease or received by the Vendee for or with respect to the Equipment as the result of the sale, lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee and as shall be required to discharge the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon, due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall be required to discharge any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (A) amounts referred to in the foregoing clauses (a) and (b) which were received by the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were due and payable under the Lease or (B) amounts excluded from the Lease Assignment pursuant to the first paragraph of Section 1 thereof. "Income and proceeds from the Equipment" shall at all times also include any and all amounts received by the Vendee from the Owners under the Funding Agreement, whether or not on the date of receipt thereof any payments are due and payable hereunder. Notwithstanding anything to the contrary contained in Articles 14 and 15 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this paragraph. It is further agreed that nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment as provided for herein for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder or

to proceed against the Lessee under the Lease or the Consent.

ARTICLE 4. Title to Equipment. The Vendor hereby retains a security interest in the Hulks delivered to the Builder hereunder for reconstruction and shall continue to retain such security interest during the entire period that the Hulks are being reconstructed and thereafter in the Equipment until the Vendee shall have made all its payments under this Agreement in respect of the Equipment and shall have kept and performed all its agreements herein contained in respect thereof, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease. Any and all additions, modifications and improvements to the Hulks and the Equipment, and any and all parts installed on and additions and replacements made to any unit of the Hulks prior to their delivery and acceptance hereunder shall constitute accessions thereto and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement, except for any additions, modifications and improvements which under the provisions of Section 8 of the Lease are owned by the Lessee.

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

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

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

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

In the event that any unit of the Equipment shall suffer a Casualty Occurrence (as defined in Section 6 of the Lease), the Vendee shall, within 30 days after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. Notwithstanding any such Casualty Occurrence, the Vendee shall continue making payment of all installments of principal and interest in respect of such unit to and including the Casualty Payment Date (as defined in Section 6 of the Lease) in respect thereof. On such Casualty Payment Date the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined) of such unit and shall file or cause to be filed with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied on the date that such Casualty Value is paid (after the payment of the interest and principal due on such date) to prepay without penalty or premium the unpaid balance of the CSA Indebtedness with respect to such unit or units (in the manner provided in the second paragraph of Paragraph 11 of the Participation Agreement), and the Vendee will promptly furnish to the Vendor and the Builder a revised schedule of payments of principal and interest thereafter to be made in respect of the remaining units.

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

The Vendee will at all times prior to the payment of the full indebtedness in respect of the Purchase Price of

the Equipment, together with interest thereon and all other payments required hereby, cause to be carried and maintained insurance in respect of the Equipment as provided in the sixth paragraph of Section 6 of the Lease.

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

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

ARTICLE 7. Reports and Inspections. On or before November 30 in each year, commencing with the year 1981, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in Section 7 of the Lease.

ARTICLE 8. Marking of Equipment. The Vendee will cause each unit of Equipment to be kept numbered and marked as provided in Section 4 of the Lease.

Except as provided in Section 4 of the Lease, the Vendee will not allow any name to be placed on any unit of Equipment as a designation that might be interpreted as a claim of ownership.

ARTICLE 9. Compliance with Applicable Laws. During the term of this Agreement, the Vendee will comply

and will cause every lessee or user of the Equipment to comply in all respects (including without limitation the use, maintenance and operation of the Equipment) with all Applicable Laws (as defined in Section 8 of the Lease), and in the event that any Applicable Law requires any alteration, replacement or modification of or to any part on any unit of Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Builder may, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

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

The parties hereto acknowledge that the rights of the Builder (as lessee under the Lease) and its permitted assigns under the Lease shall be subordinate and junior in rank to the rights and shall be subject to the remedies of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

Subject to the provisions of the preceding paragraph of this Article 10, the Equipment may be used as provided in Section 11 of the Lease. Except as otherwise provided in the Lease, the Vendee may also lease the Equipment to any other railroad company with the prior written consent of the Vendor.

ARTICLE 11. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee, the Owners or their respective successors or assigns which, if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to any unit of Equipment or the Vendee's interests in the Lease or the payments due and to become due thereunder, or any part thereof, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by any appropriate legal proceedings in any reasonable manner and the nonpayment thereof does

not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor in the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of any such claim shall be secured by and under this Agreement.

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

The foregoing provisions of this Article 11 shall be subject to the limitations set forth in the last paragraph of Article 3 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee or the Owners or their respective successors and assigns (other than the Vendor) not arising out of the ownership of the Equipment or the transactions contemplated hereby (but including tax liens arising out of the rentals and other payments under the Lease and any other proceeds from the Equipment) which, if unpaid, might become a lien, charge, security interest or other encumbrance on or with respect to any unit of Equipment or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity or priority thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of counsel to the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 12. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, including without limitation strict or absolute liability in tort or by statute imposed, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of its security

interest in the Equipment, the ordering, acquisition, use, operation, condition, reconstruction, maintenance, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person or the transfer of its interest in the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the CSA Indebtedness and the release of the security interest in the Equipment, as provided in the last paragraph of Article 4 hereof, or the termination of this Agreement in any manner whatsoever.

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

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

The Builder warrants that the Hulks will be reconstructed in accordance with the Specifications and standards set forth or referred to in Article 1 hereof and warrants that the Equipment will be free from defects in material or workmanship or design under normal use and service. The Builder hereby assigns and delivers to the Vendor and (subject to the rights of the Vendor under this Agreement) to the Vendee every claim, right and cause of action (to the extent legally possible without impairing any such claim, right or cause of action) which the Builder has or hereafter shall have against any party who shall perform any of the reconstruction of the Hulks and the Builder agrees to execute and deliver to the Vendor and the Vendee every such further assurance as may be reasonably requested more fully to effectuate the assignment and delivery thereof.

The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee from and against any and

all liability, including without limitation strict or absolute liability in tort or by statute imposed, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor and the Vendee because of the use in or about the construction or operation of the Equipment or the reconstruction of any of the Hulks of any design, article or material infringing or claimed to infringe on any patent or other right or arising out of any accident or tort in connection with the reconstruction, operation, use, condition, possession or storage by the Builder of any of the Hulks or any unit of Equipment resulting in damage to property or injury or death to any person. The Vendor or the Vendee will give notice to the Builder of any claim as to which it has received actual written notice from which liability may be charged against the Builder under this paragraph.

The indemnities made in this Article 12 by the Builder shall not be modified, postponed or in any other way or in any manner reduced as a consequence of any action or inaction of the Owners in connection with, relating to or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Builder pursuant to this Agreement. Said indemnities shall in all events, and in addition to the agreements contained elsewhere in this Article 12, extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty, including without limitation any breach of warranty or breach of contract.

The warranties and indemnities contained or referred to in this Article 12 and in any other Articles hereof and all other covenants and obligations of the Builder contained in this Agreement shall inure to the benefit of and be enforceable by the Vendee (in both its individual and fiduciary capacities), the Owners, the Vendor, the Investors, any lessor, lessee, assignee or transferee of this Agreement or of any units of Equipment.

ARTICLE 13. Assignments. Except as provided in this Agreement, the Hulk Purchase Agreement or the Trust Agreement, the Vendee will not transfer the right to possession of any unit of Equipment or sell, assign or otherwise dispose of its rights under this Agreement.

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

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

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

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder and such default shall continue for 10 days; or

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

to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under the Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, or in accordance with the provisions of 11 U.S.C. § 1168, within 60 days after the filing of such petition or the commencement of the case; or

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

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of Equipment and the Vendee shall, for more than 15 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right;

then at any time after the occurrence of such an event of default the Vendor may upon five days' prior written notice to the Vendee (such five-day period to commence on the day upon which the Vendee shall receive such written notice) and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, if such event of default shall be continuing, (i) cause the term of the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease) but without affecting the indemnities or other agreements of the Builder which by the provisions of the Lease survive the termination of its term and/or (ii) declare (a "Declaration of Default") the entire unpaid CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the Penalty Rate. Upon a Declaration of Default, subject to Article 3 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the limitations of Article 21 and the final paragraph of Article 3 hereof, wherever situated. The Vendee agrees to notify the Vendor promptly of any event of which an officer or employee in its corporate trust department has actual knowledge which constitutes or with notice or lapse of time or both could constitute an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is agreed by the Vendee that time is

of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

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

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

(a) forthwith and in the usual manner (including without limitation causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Builder or its affiliates as the Vendor reasonably may designate;

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

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by

the Builder or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

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

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

Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 15.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee and any other persons to whom the law may require notice of the time and place, may sell one or more of the units of Equipment, free from any and all claims of the Vendee or any other party claiming from, through or under the Vendee at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under this Agreement.

Any sale hereunder may be held at such place or places and at such time or times as the Vendor may specify, in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor or the Vendee may bid for and become the purchaser of any unit of Equipment so offered for sale. The Vendee shall be given written notice of such sale not less than 10 days prior thereto by

telegram or registered mail, addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Vendee to purchase or provide a purchaser within 10 days after notice of the proposed sale price at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 15), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

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

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the provisions of the last paragraph of Article 3 hereof, pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment, at the Penalty Rate and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and

shall, subject to the limitations of the last paragraph of Article 3 and in Article 21 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

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

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

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

ARTICLE 17. Filing. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be duly filed with the Interstate Commerce Commission; and the Vendee will from time to time perform any other act and will execute, deliver and file any and all further instruments required by law or reasonably

requested by the Vendor for the purpose of proper protection, to the satisfaction of special counsel for the Vendor, of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing satisfactory to the Vendor.

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

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

ARTICLE 20. Notices. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at its place of business at the following specified addresses:

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

(b) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with copy to the Owners at their respective addresses set forth in Section 2.02 of the Trust Agreement,

(c) to the Builder, at 100 North Charles Street, Baltimore, Maryland 21201, attention of Senior Assistant Treasurer,

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

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

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement or referred to herein against any person solely by reason that such person is an incorporator, stockholder, beneficiary, director or officer, past, present or future, of any party hereto, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such persons (solely in such capacities) being forever released as a condition of and as consideration for the execution of this Agreement.

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

Notwithstanding anything herein to the contrary, each of the representations, warranties, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement) and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence on the part of said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable

against said bank or the Owners hereunder (except, with respect to each such party, in connection with the payment or discharge of taxes, claims, liens, charges or security interests claimed from, through or under such party or its successors and assigns pursuant to the proviso to the last paragraph of Article 11 of this Agreement and except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) on account of this Agreement or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of the said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and the Builder and by all persons claiming by, through or under the Vendor or the Builder.

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

ARTICLE 22. Governing Law. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Connecticut; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303, and such additional rights arising out of the marking of the Equipment, if any, as shall be conferred by the laws of the several jurisdictions in which the Equipment is used.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto. The schedules and the footnotes thereto annexed to this Agreement are an integral part of this Agreement and are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as

of the date first set forth above.

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

by

[Corporate Seal]

Assistant Vice President

Attest:

Corporate Trust Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

Assistant Vice President and Treasurer

[Corporate Seal]

Attest:

Assistant Secretary

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

[Notarial Seal] _____
Notary Public

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President & Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia 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.

[Notarial Seal] _____
Notary Public

My Commission expires

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

On this 7th day of April 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is F. W. KAWAM VICE PRESIDENT of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

Barbara S. Kacich
Notary Public

[Notarial Seal]

My Commission expires

BARBARA S. KACICH
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1982

Reconstruction and Conditional Sale Agreement

SCHEDULE A

Specifications of the Equipment*

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999	$ 5,669	$ 2,874,000	$ 7,130	$ 3,615,105	$12,799	$ 6,489,105
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749	2,156	207,000	7,784	747,222	9,940	954,222
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500	4,167	4,712,500	8,106	9,167,992	12,273	13,880,492

* Notwithstanding anything herein to the contrary, this Agreement will cover only those units of Equipment that are reconstructed by the Builder from Hulks delivered pursuant to the Hulk Purchase Agreement and that are accepted by the Vendee after June 30, 1980, and on or before March 15, 1981, and that have an aggregate Purchase Price not in excess of the Maximum Purchase Price (as defined in Article 3 of this Agreement). After delivery of all Equipment covered by this Agreement, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those units of Equipment covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Base Reconstruction Cost Per Unit	Base Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999	$ 4,472	$ 644,000	$ 7,363	$ 1,060,228	$11,835	$ 1,704,228
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999	10,870	750,000	6,965	480,578	17,835	1,230,578
48	—	30-Ton Steel Cupola Cabooses	CO 90200-90348	5,000	240,000	20,381	978,288	25,381	1,218,288
1995					$9,427,500		$16,049,413		$25,476,913

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Closings

Date	Estimated Purchase Price
September 16, 1980	$12,011,346
December 16, 1980	12,011,347

Reconstruction and Conditional Sale Agreement

SCHEDULE C

Allocation Schedule of Each $1,000,000 of 13% CSA Indebtedness

Payment Date	Debt Service	Interest Payment	Principal Recovery	Ending Principal
12/30/80	$ *	$ *	$ -0-	$1,000,000.00
6/30/81	65,000.00*	65,000.00	-0-	1,000,000.00
12/30/81	65,000.00*	65,000.00	-0-	1,000,000.00
6/30/82	72,002.49	65,000.00	7,022.49	992,997.51
12/30/82	64,544.84*	64,544.84		992,997.51
6/30/83	126,263.21	64,544.84	61,718.37	931,279.14
12/30/83	60,533.14*	60,533.14		931,279.14
6/30/84	130,274.90	60,533.14	69,741.76	861,537.38
12/30/84	55,999.93*	55,999.93		861,537.38
6/30/85	134,808.11	55,999.93	78,808.18	782,729.20
12/30/85	50,877.40*	50,877.40		782,729.20
6/30/86	139,930.65	50,877.40	89,053.25	693,675.95
12/30/86	45,088.94*	45,088.94		693,675.95
6/30/87	188,120.90	45,088.94	143,031.96	550,643.99
12/30/87	35,791.86*	35,791.86		550,643.99
6/30/88	197,417.97	35,791.86	161,626.11	389,017.88
12/30/88	25,286.16*	25,286.16		389,017.88
6/30/89	207,923.67	25,286.16	182,637.51	206,380.37
12/30/89	13,414.72*	13,414.72		206,380.37
6/30/90	219,795.09	13,414.72	206,380.37	-0-
	$1,898,073.98	$898,073.98	$1,000,000.00	

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

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT
[CS&M Ref. 2043-981]

TRANSFER AGREEMENT

Dated as of March 15, 1980

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

Attention of Corporate Trust Department

We propose to acquire the used railroad equipment described in Annex I hereto (the "Hulks") from The Chesapeake and Ohio Railway Company (the "Builder") and desire to have such Hulks reconstructed. We hereby agree with you as follows:

1. In order to secure the interest of the Investors in the Hulks to be reconstructed and leased in accordance with the Participation Agreement dated as of the date hereof between the Builder, you, us and the other parties thereto, we hereby assign and transfer to you security title to the Hulks (WITHOUT ANY WARRANTIES, INCLUDING BUT NOT LIMITED TO WARRANTIES AS TO TITLE, FITNESS, MERCHANTABILITY OR WORKMANSHIP).

2. You will hold security title pursuant to the Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between you, the Builder and us, and you will take whatever action we reasonably require to provide that the Hulks are reconstructed pursuant thereto in accordance with the specifications referred to in Article 1 thereof. In accordance with the RCSA, we will cause the Hulks to be delivered to the Builder.

3. Upon completion of the reconstruction, the reconstructed Hulks will be delivered and conditionally sold by you to us in accordance with the RCSA.

4. If Hulks are excluded from the RCSA you shall

release and reassign to us your security interest in such Hulks, without warranty.

5. It is agreed that this Agreement and the RCSA are being entered into solely to permit you to effectuate the foregoing and your interest in the Hulks, in present form or as reconstructed, is a security interest and that we shall at all times be the owner of the same.

6. It is agreed that this Agreement may be executed by you and us in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute a single instrument. Annex I and the footnotes thereto are an integral part of this Agreement and are incorporated herein by reference.

7. It is agreed that we shall have no personal liability under this Agreement, our obligations being solely as set forth in the Participation Agreement and the other agreements annexed to the Participation Agreement. It is further agreed, anything herein to the contrary notwithstanding, that each of the representations, warranties, undertakings and agreements herein made by us are made and intended not as our personal representations, warranties, undertakings and agreements in our individual capacity or for the purpose or with the intention of binding us personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in a Trust Agreement dated as of the date hereof between the Owners specified at the end of this Agreement and us (the "Trust Agreement")), and this Agreement is executed and delivered by us not in our own right but solely in the exercise of the powers expressly conferred upon us as trustee under the Trust Agreement; and except in the case of our gross negligence or wilful misconduct, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against us on account of this Agreement or on account of any representation, warranty, undertaking or agreement by us herein, either expressed or implied, all such personal liability, if any, being expressly waived and released by you and by all persons claiming by, through or under you.

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

Very truly yours,

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as trustee under a Trust Agreement dated as of the date hereof with General Electric Credit Corporation and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division), as Owners,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

by

_____
Authorized Officer

ACCEPTED:

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

by

_____
Assistant Vice President

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

_____
Notary Public

[Notarial Seal]

My commission expires

TRANSFER AGREEMENT

ANNEX I*

Quantity	Description	Railroad Road Numbers
507	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	85-Ton Open Top Hopper Cars	CO 85000-86999
48	30-Ton Steel Cupola Cabooses	CO 90200-90348

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* Notwithstanding anything herein to the contrary, this Agreement will only cover Hulks delivered by the Builder and reconstructed and accepted by us after June 30, 1980, and on or before March 15, 1981, having an aggregate Purchase Price when reconstructed not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1980

Between

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee.

[Covering Reconstructed Cars]

LEASE OF RAILROAD EQUIPMENT

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* This Table of Contents has been provided for convenience only and does not affect any interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1980, between THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a trust agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION ("G. E. Credit") and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) ("Connell" and, with G. E. Credit, the Owners").

The Lessee and the Lessor are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (said Trust Company, as Agent, together with the Investors for whom it is acting, being hereinafter called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Owners, the Lessor and said Investors, wherein the Vendor has agreed to sell to the Lessor its interest in the railroad equipment described in Schedule A thereto (the "Equipment") after it has been reconstructed (pursuant to the terms of the RCSA) from the hulks (the "Hulks") delivered to the Lessor pursuant to a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement") between the Lessor and the Lessee.

The Lessee desires to lease all the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign certain rights in this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent thereto pursuant to the Consent and Agreement attached to the Lease Assignment (the "Consent"). The Owners and the Lessee will agree with the Lessor to make certain payments due under the RCSA pursuant to a Funding Agreement dated as of the date hereof (the "Funding Agreement").

In consideration of the agreements hereinafter set forth, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the

rights and remedies of the Vendor under the RCSA:

Section 1. Delivery and Acceptance of Units. Subject to the rights of the Owners to inspect the Hulks and the Equipment as provided in the RCSA, the Lessor hereby appoints the Lessee (and any employee thereof designated by the Lessee) as its agent and the agent for the Owners for inspection and acceptance of the Units pursuant to the RCSA. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (the "Certificate of Acceptance"), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 10 consecutive annual payments, in arrears, payable on June 30 in each year, commencing June 30, 1982. The first five annual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 14.19997240% of the Purchase Price (as defined in the RCSA) of such Unit. The second five annual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 17.35460602% of the Purchase Price of such Unit.

If and to the extent that the Vendor shall not receive the funds due under the Funding Agreement on the dates due thereunder, the Lessee agrees to pay to the Lessor, as additional rental for each Unit subject to this Lease, on each such date an amount equal to the applicable basic lease rate therefor set forth in Schedule C hereto for such date multiplied by the Purchase Price of each such Unit, and the Lessee shall be entitled to an offset against the next following June 30 rental payment or payments (to the extent such payments are not required to satisfy the payment of principal and interest on the CSA Indebtedness, as defined in the RCSA) of an amount equal to the amount so paid by the Lessee plus interest thereon for six months at the rate of 13% per annum.

The Lessee and the Lessor agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted in the event that

(A) any change in the Internal Revenue Code of 1954 (the "Code"), the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations is enacted or has an effective date on or prior to June 30, 1981, or prior to such date any income tax regulations or published administrative or judicial interpretations of the Code are issued, the effect of which is to deny to the Owners the ability to put into practice with respect to this transaction any of the tax assumptions utilized by the Owners in originally evaluating this transaction, if such assumptions were reasonably consistent with industry practice at the time made; (B) the aggregate Reconstruction Cost (as defined in the RCSA) of the Units is more or less than 68.37% of the aggregate Purchase Price of the Units or the Lessor pays more than 24.93% of the Purchase Price of any Unit pursuant to clause (b) of the third paragraph of Article 3 of the RCSA; (C) less than 21% of the Units have roller bearings (rather than friction bearings); (D) any Closing Date is held on a date other than the date specified therefor in Schedule B of the RCSA; (E) the amount settled for on any Closing Date is different from the amount specified therefor in Schedule B of the RCSA; (F) any Unit is delivered and accepted after December 31, 1980; (G) the aggregate amount paid to the Lessor on the sale of noncompleted Hulks pursuant to Section 2 of the Hulk Purchase Agreement is less than the aggregate Purchase Price of such Units; (H) there is any deficiency payable in respect of Investments (as defined in the Participation Agreement) pursuant to the Participation Agreement; (I) Connell holds any interest in the CSA Indebtedness under PA-1 (as defined in the Participation Agreement) as Interim Investor thereunder after the Settlement Date under the RCSA; or (J) the PA-1 Owners expend funds to obtain a replacement Investor (pursuant to Paragraph 10 of PA-1). Any such adjustment shall be effective as of the first rental payment date following the event giving rise to such adjustment, and shall be made in such manner as will result, in the Owners' reasonable judgment, in preserving for the Owners both the after-tax rate of return and the after-tax cash flow that would have been realized by the Owners had such event not occurred, based on the rates of Federal, state and local taxes on or measured by net income in effect from time to time and in all other respects based on the assumptions and methods of calculation utilized by the Owners in originally evaluating the transaction described in this Lease and related documents (the "Net Economic Return"). Notwithstanding the foregoing, the rentals payable and Casualty Value percentages will never be less than those amounts and percentages required to enable the Lessor to satisfy its obligations under the RCSA and to enable the Owners to satisfy the profit and positive cash flow requirements set forth in Section 4(6) of Rev. Proc. 75-21, 1975-1 C. B. 715, as such requirements may be modified or adjusted as of the applicable rental payment date. The Owners shall furnish the Lessee and the Vendor

prior to the effective date of any such adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

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

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including but not limited to abatements, reductions or setoffs due or alleged to be due to or by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Vendor or the Owners or otherwise (except as provided in the second paragraph of this Section 2); nor, except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, any prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate the lease of any of the Units, except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason

whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other immediately available funds no later than 10:00 a.m. Baltimore time in the city where such payments are due.

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

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

Section 4. Identification Marks. So long as this Lease shall remain in effect, the Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed by the Lessee in all public offices where this Lease and the RCSA shall have been filed and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing will protect the Vendor's and the Lessor's interests in such Units and that no other filing or giving of notice is necessary to protect the interests of the Vendor and the Lessor in such Units.

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

Section 5. Taxes. The Lessee agrees for the benefit of the Lessor and the Owners to pay and on written demand to indemnify and hold each Indemnitee (which for the purposes of this Section 5 shall mean the Lessor (in both its individual and fiduciary capacities), the Owners, the Trust Estate (as defined in the Trust Agreement) and any affiliate of any of them) harmless from all license and registration fees and all taxes (including income, gross receipts, franchise, sales, use, property, stamp and other taxes), assessments, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, additions to tax, fines or interest thereon (collectively, "taxes, fees or other charges"), imposed against any Indemnitee, the Lessee, any Unit or any part thereof by any Federal, state or local government or taxing authority in the United States of America or by any taxing authority or governmental subdivision of a foreign country upon or with respect to any Unit or any part thereof or upon the manufacture, purchase, ownership, delivery, leasing, possession, use, operation, sublease, return or other disposition thereof or upon the rentals, receipts or earnings arising therefrom or upon or with respect to this Lease or any other document contemplated in the Participation Agreement; excluding, however, (i) United States Federal income taxes imposed on the Owners, whether or not the Lessee is required to indemnify therefor pursuant to Section 15 hereof and (ii) any corporate franchise or doing business tax or tax, fee or charge on, based on or measured by the net income of either Owner, other than such tax as may be imposed by any taxing jurisdiction as a result of the use or operation of the Units by the Lessee within such jurisdiction and which would not otherwise be imposed but for such use or operation of the Units; further excluding, any taxes, fees or other charges on, based on or measured by any fees or compensation received by the Lessor for services rendered in connection with the transactions contemplated hereby; further excluding, any taxes, fees or other charges imposed on or for the account of any Indemnitee by reason of

any transfer of any interest in the Units or the Trust Estate voluntarily by such Indemnitee while no Event of Default shall have occurred and then be continuing; provided however, that there shall not be excluded any taxes, fees or other charges imposed by any jurisdiction on, based on or measured by net income resulting directly or indirectly (whether by inclusion of an item in gross income, disallowance of a credit against tax, disallowance of a deduction for depreciation or otherwise) from the Lessee's receipt of any payment by any manufacturer of any component of any Unit in satisfaction of a claim against such manufacturer with respect to any Unit under any warranty or indemnity provision of any purchase agreement, unless, and only to the extent that, any such tax, fee or other charge is being contested by the Lessee in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or any interest therein. The Lessee further agrees that any payment of indemnity hereunder shall include any amount necessary to hold the Indemnitee harmless on an after-tax basis from all taxes required to be paid by such Indemnitee with respect to such payment of indemnity under the laws of any Federal, state or local governmental or taxing authority in the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country; provided, however, that if any Indemnitee realizes a tax benefit by reason of such payment of indemnity (whether such tax benefit shall be by means of investment tax credit, depreciation deduction or otherwise), such Indemnitee shall pay the Lessee an amount equal to the sum of such tax benefit plus any tax benefit realized as the result of any payment made pursuant to this proviso, when, as, if and to the extent realized; but not before the Lessee shall have made all payments of indemnities to such Indemnitee theretofore required and then due and payable pursuant to this Section 5 and no Event of Default (or event which with notice or lapse of time or both would constitute an Event of Default) shall have occurred and be continuing. Each Indemnitee shall in good faith use reasonable efforts in filing its tax returns and in dealing with taxing authorities to seek and claim any such tax benefit.

The Lessee shall not be responsible under this Section for any tax upon or with respect to any Unit imposed with respect to any period following the return of such Unit (and after Lessee has fully complied with Section 13 with respect to such return) at the end of the term of this Lease or, except as otherwise specifically provided herein,

payment in full of the Casualty Value for such Unit in accordance with the provisions hereof.

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

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

In the event that the Lessee becomes liable for the payment or reimbursement of any taxes, fees or other charges pursuant to this Section 5 during the continuance of this Lease, such liability shall continue, notwithstanding the expiration of this Lease, until all such taxes, fees or other charges are paid or reimbursed by the Lessee.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances or furnish other evidence satifactory to the Lessor of the Lessee's performance of its duties under this Section 5. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions, including but not limited to information relating to the use of any Unit or Units outside the United States of America.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the _ad valorem_ tax returns to be filed by the Lessee in

the applicable states or localities and that neither the Vendor nor the Lessor shall include the Units in any ad valorem tax returns filed by them in such states or localities.

The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to indemnification under this Section 5 shall be an amount sufficient to restore the Lessor to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment and such imposition on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the Lessor would have had or been in had such imposition not been imposed.

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

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

accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit, and, subject to the next succeeding sentence, the Lessee shall pay all costs of removal of such Unit and of freight to the place designated pursuant to Section 13 hereof. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted under the RCSA on or prior to December 31, 1980. With respect to any Unit delivered and accepted after December 31, 1980, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Owners' after-tax rate of return and after-tax cash flow (based on the rates of Federal, state and local taxes on or measured by net income in effect from time to time and in all other respects based on the assumptions and methods of calculation utilized by the Owners in originally evaluating the transaction described in this Lease and related documents) will not be increased or decreased by reason thereof; provided, however, that the Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit as of the rental payment date immediately preceding such termination. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering such Casualty Occurrence or any component thereof at the best price obtainable on an "as is, where is, and with all faults" basis; provided, however, that, except in the case of the loss, theft or complete destruction of such Unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale and all payments made by other carriers to or for the account of the Lessee and attributable to the loss or destruction of such Unit, to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

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

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance that are satisfactory to the Lessor in respect of the Units at the time subject hereto and the use and operation thereof, including without limitation property insurance and public liability insurance, in such amounts and for such risks and with such insurance companies as are consistent with prudent industry practice, but in any event at least comparable to insurance coverage carried by the Lessee in respect of similar equipment owned or leased by it; provided, however, that, in respect of property insurance, the Lessee may self-insure

any Unit to the extent that it self-insures similar equipment owned by it and as is consistent with prudent industry practice. The Lessee hereby assigns and transfers to the Lessor and the Vendor, as their interests may appear, 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 Units or the use and operation thereof as aforesaid; provided, however, if the Lessee fully complies with all the provisions of this Section 6 and the third paragraph of Section 8 hereof in respect of the risk insured against as to which such proceeds are paid and, if there is no Event of Default under Section 9 hereof, the Lessee shall be entitled to retain all such proceeds.

Section 7. Annual Reports. On or before November 30 in each year, commencing with the year 1981, the Lessee will cause to be furnished to the Lessor, the Owners and the Vendor an accurate statement as of the preceding June 30 showing the amount, description and numbers of all Units (a) then leased hereunder or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs, and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof have been preserved or replaced. The Lessor shall have the right (but not the obligation), at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States of America) at such reasonable times as the Lessor may request during the continuance of this Lease.

Section 8. Warranties; Compliance with Applicable Laws; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR

OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof or the return of all the Units as provided in Section 10 or 13 hereof, any Applicable Law requires any replacement, modification or addition of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or the RCSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of

this paragraph shall be owned by the Lessor, and those made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owners and the Vendor from and against all losses, expenses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Hulk Purchase Agreement, or this Lease or any sublease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby or the occurrence of a default, an event of default or an Event of Default under any of such documents, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer by the Vendor of its interests in the Equipment pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee written notice of any claim or liability to be indemnified against hereunder promptly upon an officer or employee in the corporate trust department of the Lessor having received actual knowledge thereof. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and the Hulk Purchase Agreement; <u>provided</u>, <u>however</u>, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the principal of or interest on the CSA Indebtedness or a guarantee of the residual value of any Unit. The amount the Lessee shall be required to pay with respect to any of its obligations under this paragraph shall include a payment to

the indemnified party sufficient to restore such party to the same position (after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income) that the indemnified party would have been in had the liability or expense indemnified against not been incurred.

The indemnities made by the Lessee in this Section 8 shall not be modified, abated, postponed or in any other way diminished or reduced as a consequence of any action or inaction of the Owners in connection with, relating to or arising out of the rights (whether or not exercised) of any such party to inspect or approve the reconstruction to be performed by the Lessee pursuant to the RCSA. In addition to the agreements contained elsewhere in this Section 8, said indemnities shall in all events extend to and apply to any allegation against any indemnified party that it has been negligent, either actively or passively, or is guilty of a breach of other duty (including without limitation any breach of warranty or breach of contract) to anyone.

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

Section 9. Default. If during the continuance of this Lease any of the following events (an "Event of Default") shall occur:

(a) default shall be made in the payment of any amount provided for in Section 2, 6 or 12 hereof and such default shall continue for 10 days;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any interest therein or of the right to possession of any Unit and shall fail or refuse to cause such assignment or transfer to be canceled and to recover possession of such Unit within 15 days after written notice from the Lessor or the Vendor to the Lessee demanding the same;

(c) default shall be made in the observance or performance of any other covenant, condition and agreement on the part of the Lessee contained herein or in the

Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(d) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, or in accordance with the provisions of 11 U.S.C. § 1168, within 60 days after the filing of the petition or the commencement of the case;

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

(f) any of the Lessee's representations or warranties made in the Participation Agreement, herein or in any statement or certificate at any time given in writing pursuant hereto or thereto or in connection herewith or therewith shall be breached or found to be false or misleading in any material respect;

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

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof, including amounts sufficient to restore the Owners to the same net after-tax rate of return and after-tax cash position (after considering the effect of the receipt of such damages and amounts on their United States Federal income tax and state and local taxes or franchise taxes based on net income) that the Owners would have realized or would have been in had such breach not occurred; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents or employees enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee or its assigns to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value at the time of such

termination of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period (such present value to be computed in each case on the basis of a 6% per annum discount, compounded annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated); or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the net proceeds realizable upon the sale of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessee shall, if the Lessor shall so elect, pay the Lessor on the date of such sale (in addition to the amounts payable pursuant to Sections 5 and 8 hereof) as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale, in lieu of paying any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return or disposition of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax,

lien or other sum which in the judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within 10 days of notice thereof, together with interest thereon from the date of expenditure at the rate of 14% per annum or at the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities, whichever is greater.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law.

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

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

(a) forthwith and in the usual manner (including without limitation giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or its affiliates as the Lessor reasonably may designate;

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

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

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

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

The Lessee hereby waives any and all claims against the Vendor or the Lessor and their agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and if received by the Lessee shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.0482072% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

rights to the Units or to sublease the Units to any of its affiliates, but only upon and subject to all the terms and conditions of this Lease (including the last paragraph of this Section 11) and the RCSA; provided, however, that the Lessee shall in any such event remain primarily liable for all its obligations hereunder. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. Every such sublease shall be subject to the rights and remedies of the Vendor under the RCSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default or Event of Default thereunder or hereunder.

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

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

Section 12. Renewal Option; Duty to First Offer. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be, in respect of all but not less than all the Units then covered by this Lease for an additional two-year period commencing on the scheduled expiration of such term.

Each such extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except that (x) the amount of rentals shall be at Fair Market Rental (as hereinafter defined) payable, in arrears, in annual payments on the day such rentals were payable for the

Units in each year of the original term and (y) the Casualty Value of each Unit on the first day of such extended term shall be equal to the lesser of 30% of the Purchase Price of such Unit or the Fair Market Value (as hereinafter defined) of such Unit on such date and thereafter such Casualty Value shall be reduced on a straight line basis over the estimated remaining useful life of such Unit, all as determined by the procedures hereinafter established.

Fair Market Rental, Fair Market Value and estimated remaining useful life shall be agreed upon by the Lessor and the Lessee or determined as provided in the next paragraph. Fair Market Rental and Fair Market Value shall be equal in amount to the rental or sale value which would be obtained in an arm's-length transaction between an informed and willing lessee or vendee (other than a lessee currently in possession or a used equipment dealer) and an informed and willing lessor or vendor under no compulsion to lease or sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental or sale value but there shall be excluded any rental value or sale value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to Section 8 hereof; provided, however, that Fair Market Rental shall be determined as provided in this sentence on the basis of the term and other terms and conditions of the lease being considered. Fair Market Rental, Fair Market Value and estimated remaining useful life of the Units shall be determined upon the assumption that the Units shall have been maintained in accordance with the provisions of Section 6 hereof.

If after 45 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, either party to such determination may give written notice to the other requesting determination of Fair Market Rental, Fair Market Value or estimated remaining useful life by the following appraisal procedure, and the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within

35 business days after such notice is given, either party may apply to make such appointment to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine Fair Market Rental, Fair Market Value or estimated remaining useful life, as the case may be, of the Units subject to the proposed extended lease term or sale within 90 days after appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of a single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental, Fair Market Value and estimated remaining useful life, unless these are agreed upon by the Lessor and the Lessee as provided for herein, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties at the expiration of the original or any extended term of this Lease, the Lessee shall be given written notice of such intention prior to the expiration of such term. The Lessee shall have the sole right and option to purchase all but not less than all the Units then subject to this Lease at the Fair Market Value of such Units. The Lessee shall exercise such purchase right by delivery to the Lessor of a written notice within 10 business days of receipt of notice from the Lessor, specifying a date of purchase not later than the later of 15 days after the date of delivery of such notice by the Lessee to the Lessor or 90 days after the expiration of such term of this Lease. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is

delivered to the Lessor until the date of such purchase. If the Lessee does not deliver such notice to the Lessor, all obligations of the Lessor under this paragraph shall terminate.

Section 13. Return of Units upon Expiration of Term. Upon the expiration of the original or any extended term of this Lease, the Lessee will, at its own expense, deliver the Units to the Lessor; provided, however, that if so instructed in writing by the Lessor at least 30 days prior to such expiration, the Lessee will, on or prior to the last business day of each consecutive calendar month following such expiration, deliver to the Lessor not more than 225 Units (or such other number as may be agreed to by the Lessor) under this Lease; provided further, however, that the Lessee shall incur no liability to the Lessor or to any person claiming by, through or under the Lessor if the Lessee is unable to deliver Units for delivery in each consecutive calendar month as a result of circumstances constituting force majeure. Any Units delivered to the Lessor pursuant to the preceding sentence shall be delivered upon such storage tracks of the Lessee as the Lessee may designate, and the Lessee shall permit the Lessor to store such Units on such tracks for a period not exceeding 150 days after delivery to such storage tracks, and shall transport the same, on a one-time basis per Unit at any time within such 150-day period, to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee until such time as such Unit shall have been delivered to such connecting carrier. Subsequent to the expiration of the term of this Lease and prior to delivery of any Unit to the Lessor, all terms and conditions of this Lease (other than term and the amount of rental and period of payment therefor) shall continue to apply to such Unit. If the Lessor gives to the Lessee the instruction referred to in the first proviso to the first sentence of this paragraph, then on the 10th day after delivery of the last Unit to be delivered to the Lessor as hereinabove provided or on the 270th day following expiration of the original or any extended term of this Lease, whichever shall first occur (the "Date of Payment"), the Lessee shall pay as rent to the Lessor for each Unit not so delivered to the Lessor upon such expiration a sum equal to one-twelfth of 50% of the average rental rate per Unit prevailing during the term or extended term of the Lease so expired, as the case may be, for each month (or part thereof) subsequent to such expiration and prior to such delivery. If any Unit is not returned by the Date of Payment, then the

Lessee shall continue to pay the monthly rent provided for in the preceding sentence with respect to such Unit, except that such rent shall be payable on the last business day of each month, to and including the month in which the Unit is returned. During any storage period provided for in this paragraph, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) be capable of being moved unloaded by the Lessee to any purchaser or subsequent lessee and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having competent jurisdiction the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof.

If the Lessor does not deliver the instructions referred to in the first sentence of the first paragraph of this Section 13, then in the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 90 days after the end of the term or any extended term of this Lease, the Lessee shall promptly pay to the Lessor an amount for each day after such 90-day period, equal to the greater of (i) all per diem, incentive per diem and mileage charges earned by such Unit (including, to the extent any Unit is used by the Lessee during this period, the per diem, incentive per diem and mileage charges that would have been payable by the Lessee to another carrier for a carrier car for each such day of use in revenue service) or (ii) 0.0482072% of the Purchase Price of such Unit. If the Lessor has not given the Lessee notice to transport any Unit to a connecting carrier for shipment within the 150-day storage period, the Lessor will pay to the Lessee for storage a reasonable storage rate for such Unit, beginning the first day after the 150-day storage period.

In the event that the Lessor elects, prior to the return of any Units or during the storage period provided

for in the preceding paragraph, to re-lease all or any of the Units to a third party, then upon written request from the Lessor to the Lessee, the Lessee agrees that, in order to keep such Units eligible for interchange, it will continue to lease such Units from the Lessor at a rental equal to the rental to be paid by such third party and will sublease such Units to such third party; provided, however, that such third party and the Lessor enter into an agreement reasonably satisfactory to the Lessee (A) to indemnify and hold harmless the Lessee from all liability and obligations arising under the Lease and such sublease (other than to pay to the Lessor an amount equal to any rental paid under such sublease) and (B) to reimburse the Lessee in full for all out-of-pocket costs and expenses connected with the continued lease and sublease of such Units, plus reasonable reimbursement for administrative costs relating directly thereto; provided further, however, that the Lessee shall not be obligated to enter into or carry out any such agreement to the extent that the Lessee is advised by counsel that such agreement would violate the provisions of any applicable law, rule or regulation, including without limitation rules and regulations of the Interstate Commerce Commission and the Association of American Railroads.

Section 14. Filing; Expenses. The Lessee will cause this Lease, the Lease Assignment, the Transfer Agreement (as defined in the Participation Agreement), the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing and refiling required of the Lessor under the RCSA and will from time to time perform any other act and will execute and file (and will refile whenever required) any and all further instruments or supplements required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Lease Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

Section 15. Income Tax Indemnity. (a) Assumptions. (1) The parties hereto agree that the Owners, as the beneficial

owners of each Unit, shall be entitled to such deductions, credits and other benefits as are provided by the Code and state and local taxing statutes to an owner of property, including without limitation (i) deductions for depreciation of each Unit under section 167 of the Code computed on the basis (A) that each such Unit will have a basis under section 167(g) of the Code at least equivalent to the Purchase Price in respect of such Unit, (B) with respect to the amount of the Reconstruction Cost, of the double-declining-balance method of depreciation authorized by section 167(b)(2) of the Code, switching to the sum-of-the-years-digits method of depreciation authorized by section 167(b)(3) of the Code when most beneficial to the Owners without obtaining the consent of the Commissioner of Internal Revenue in accordance with Treasury Regulation § 1.167(a)-11(c)(1)(iii), (C) with respect to the amount of the Hulk Purchase Price (as defined in the RCSA), of the 150 percent declining balance method authorized by Treasury Regulation § 1.167(a)-11(c)(1)(iv)(b)(2), switching to the straight line method without obtaining the consent of the Commissioner of Internal Revenue, (D) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of the asset depreciation range system of Treasury Regulation § 1.167(a)-11, (E) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of an asset depreciation period of 12 years, (F) with respect to both the Hulk Purchase Price and the Reconstruction Cost, of a net salvage value of zero after the reduction permitted by section 167(f) of the Code and (G) that the entire Reconstruction Cost shall be treated as basis which is properly attributable to reconstruction after December 31, 1953, pursuant to section 167(c)(1) of the Code (the "ADR Deductions"); (ii) deductions with respect to interest payable on the CSA Indebtedness (the "Interest Deductions"); and (iii) investment credit pursuant to section 38 of the Code at least equal to 10% of the Reconstruction Cost in respect of each Unit (the "Investment Credit").

(2) It is further agreed by the parties hereto that they have assumed in their negotiation of the terms of the Participation Agreement, the RCSA and this Lease that (i) the Federal rate of tax imposed on taxable income of corporations in excess of $100,000 during the year 1980 is 46%, (ii) the applicable rate of tax imposed by any state or local taxing authority on the taxable income of the Owners in 1980 will be the same as that prevailing on March 1, 1980, (iii) for purposes of computing the ADR Deductions

with respect to the Units for the calendar year in which the Units were first placed in service, the Owners will be entitled to elect the half-year convention (including, as to each Unit, six months of depreciation for the calendar year in which the date of acceptance of such Unit occurs under this Lease), and (iv) for Federal income tax purposes, all amounts includible in the gross income of the Owners with respect to the Units and all deductions allowable to the Owners with respect to the Units will be treated as derived from or allocable to sources within the United States of America.

(3) The Lessee agrees that neither it nor any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing clauses (1) and (2) of this subsection (a) and that the Lessee and any corporation controlled by it, in control of it or under common control with it, directly or indirectly, will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

(b) Representations and Warranties of Lessee.
(1) The Lessee represents and warrants that

(A) immediately upon delivery and acceptance of the Hulks under the RCSA and related documents, the Owners will be treated as the taxpayers for purposes of section 48(b)(1) of the Code and such taxpayers will be treated as having directed the reconstruction of the Hulks;

(B) the entire Reconstruction Cost of each Unit will constitute an investment in "new section 38 property" within the meaning of section 48(b) of the Code and will be deemed to have been placed into service by the Owners in the taxable year of the Owners during which the date of acceptance of such Unit occurs under this Lease;

(C) every Unit constitutes property the entire Reconstruction Cost of which qualifies for the Investment Credit under subpart B of Part IV, Subchapter A of the Code;

(D) the entire Reconstruction Cost of each Unit shall qualify as basis which is properly attributable to reconstruction (i) after December 31, 1953, as provided in section 167(c)(1) of the Code and (ii) after December 31, 1961, as provided in Section 48(b) of the Code;

(E) when each Unit is delivered and accepted under the RCSA and related documents, no other person will have claimed or intends to claim the Investment Credit or the ADR Deductions with respect thereto;

(F) at all times during the original term of this Lease and renewal periods thereof, the entire Reconstruction Cost will constitute a qualified investment in "section 38 property" within the meaning of Section 48(a) of the Code;

(G) at all times during the original term of this Lease and renewal periods thereof, the Owners will be entitled to treat, for Federal income tax purposes, each item of income, deduction and credit relating to all Units subject to the RCSA and this Lease as being derived from or allocable to sources within the United States of America.

(2) In the opinion of the Lessee, each Unit will have an estimated useful life of not less than 15 years and residual value at the end of the original lease term equal to at least 20 percent of the Purchase Price of such Unit and each Unit will be useful and usable by a party other than the Lessee at the end of the original term and capable of continued leasing and transfer to another party at that time and commercially feasible to do so.

(c) Indemnity for Acts, Omissions or Misrepresentations. (1) If by reason of any act of commission or omission, misrepresentation, breach of any agreement, covenant or warranty contained in this Lease or any other agreement relating to the reconstruction or lease of the Units on the part of the Lessee or any party referred to in clause (3) of subsection (a) of this Section 15 or by any sublessee or assignee of the Lessee, an Owner shall lose the right to claim, shall not claim (as the result of a good faith determination of tax counsel of General Electric Company (the "Tax Counsel") that such claim is not allowable),

shall suffer a disallowance of or shall be required to recapture all or any portion of its proportionate share of the Investment Credit, the Interest Deductions or the ADR Deductions (any such event is called a "Loss"), then the Lessee shall pay to such Owner as an indemnity, on the next succeeding rental payment date hereunder after written notice to the Lessee by the Owner of such Loss (or, if this Lease is terminatd, within 30 days after demand), and on each rental payment date thereafter during the remaining term of this Lease, such amount or amounts as shall cause such Owner's Net Economic Return to equal the Net Economic Return that would have been realized by such Owner if such Loss had not occurred.

(2) In the event that an Owner suffers a Loss and the Owner and the Lessee are unable to agree on the indemnity amount required to restore the Owner's Net Economic Return, as aforesaid, then the Lessee shall pay to such Owner, in lieu of the amount provided for in clause (1) of this subsection (c), such amount or amounts from time to time as, after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state, local or foreign government or taxing authority, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Owner from time to time as a result of any such Loss plus the amount of any interest, penalties or additions to tax payable as a result of any such Loss. If, as a result of a Loss, the aggregate Federal, state or local income taxes paid by an Owner for any taxable year shall be less than the amount of such taxes which would have been payable by such Owner had no such Loss occurred, then such Owner shall pay the Lessee the amount of such difference in taxes plus any additional tax benefits realized by such Owner as the result of such payment; provided, however, that such Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Owner pursuant to this clause (2) in respect of a Loss less (y) the amount of all prior payments by such Owner to the Lessee hereunder. The amount payable to an Owner pursuant to this clause (2) shall be paid within 30 days after receipt of a written demand therefor from such Owner accompanied by a written statement describing in reasonable detail such Loss and the computation of the amount so payable (but not prior to the earlier of (i) the filing of a return or the acceptance of an audit report in which such Loss is reflected and (ii) the payment of the additional income tax that becomes due as the result of the

Loss and, in the case of amounts which are being contested in accordance with subsection (d) of this Section 15, not prior to the time provided in subsection (d)). Any payment due to the Lessee from an Owner pursuant to this clause (2) shall be paid within 30 days after such Owner realized any such savings in its income taxes or additional tax benefits, as the case may be.

(3) If an Owner is required by the Internal Revenue Service to include in its gross income an amount in respect of any replacement, improvement and/or addition to any Unit or as the result of any action taken by the Lessee or any sublessee or assignee of the Lessee ("Capital Expenditures"), then the Lessee shall pay directly to such Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States of America, shall be equal to the sum of the aggregate additional Federal, state or local income taxes payable by such Owner from time to time as a result of such Capital Expenditure plus the amount of any interest, penalties or additions to tax payable as a result of any such Capital Expenditure. If as a result of any such Capital Expenditure the aggregate Federal, state or local income taxes paid by an Owner for any taxable year shall be less than the amount of such taxes which would have been payable by such Owner had no such Capital Expenditure been made, then such Owner shall pay the Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Owner as a result of such payment; provided, however, that such Owner shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (x) the amount of all prior payments by the Lessee to such Owner pursuant to this clause (3) in respect of any Capital Expenditures less (y) the amount of all prior payments by such Owner to the Lessee hereunder. The amount payable to an Owner pursuant to this clause (3) shall be paid within 30 days after receipt of a written demand therefor from such Owner (but not prior to payment by such Owner of the additional Federal, state or local income tax, as the case may be, which becomes due as a result of the said inclusion) accompanied by a written statement describing in reasonable detail such inclusion and the computation of the amount so payable. Any payment due to the Lessee from an Owner pursuant to this

clause (3) shall be paid within 30 days after such Owner realizes any such savings in its income taxes or additional tax benefits, as the case may be. The Lessee agrees to give each Owner, within 30 days after request therefor, written notice describing in reasonable detail Capital Expenditures made and specifying the cost thereof with respect to each Unit if such information is required in connection with an audit by the Internal Revenue Service of the tax returns of an Owner.

(d) Contest Provisions. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of an Owner for which the Lessee would be required to indemnify such Owner pursuant to subsection (c) of this Section 15 and the amount of the indemnity which the Lessee would be required to pay would exceed $100,000 then, if requested by the Lessee in a timely written request, such Owner shall request an opinion from Tax Counsel as to whether the basis in law and in fact in favor of allowance of the item proposed to be adjusted outweighs the basis in law and in fact to the contrary. If the opinion is to that effect and if the Lessee promptly requests such Owner to do so, such Owner shall contest the proposed adjustment; provided, however, that Tax Counsel shall determine in its sole and reasonable discretion the nature of all action to be taken to contest such proposed adjustment including (A) whether any action to contest such proposed adjustment shall initially be by way of judicial or administrative proceedings, or both, (B) whether any such proposed adjustment shall be contested by resisting payment thereof or by paying the same and seeking a refund thereof, and (C) if such Owner shall undertake judicial action with respect to such proposed adjustment, the court or other judicial body before which such action shall be commenced. Such Owner shall have full control over any contest pursuant to this subsection (d) and shall not be obligated to appeal an adverse determination by any court. At any time, whether before or after commencing to take the action set forth in this subsection (d), an Owner may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify such Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

(2) An Owner shall not be required to take any action pursuant to this subsection (d) unless and until

the Lessee shall have agreed to indemnify such Owner in a manner reasonably satisfactory to such Owner for any liability or loss which such Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to such Owner on demand all costs and expenses which such Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner). If an Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to such Owner an amount equal to the sum on an after-tax basis of any tax, interest, penalties and additions to tax which are required to be paid. Upon receipt by an Owner of a refund of any amounts paid by it in respect of which amounts it shall have been paid an equivalent amount by the Lessee, such Owner shall pay to the Lessee the amount of such refund together with any interest received by it on such amount. The Lessee shall be obligated to pay to an Owner the amount specified in subsection (c) of this Section 15 promptly after such Owner has taken all the action that it has agreed in this Section 15 to take.

(e) Foreign Tax Credit Indemnity. If any item of income or deduction with respect to the Units shall not be treated as derived from or allocable to sources within the United States of America for a given taxable year (any such event is called a "Foreign Loss"), then the Lessee shall pay to an Owner as an indemnity, on the next succeeding rental payment date after written notice to the Lessee by such Owner, such amount which after deduction of all taxes required to be paid by such Owner in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States of America shall equal the sum of (1) the excess of (x) the foreign tax credits which such Owner would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credit to which such Owner was limited as a result of such Foreign Loss and (2) the amount of any interest, penalties or additions to tax payable as a result of such Foreign Loss.

(f) Exceptions. Nothwithstanding the foregoing provisions, the Lessee shall not be required to indemnify the Owners with respect to any Loss or Foreign Loss that results solely and directly from (i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to Section 6 hereof; (ii) a

voluntary disposition by the Owners of their beneficial interest in any Unit, if such disposition (x) shall be the direct cause of such Loss or Foreign Loss with respect to such Unit, (y) shall occur at a time while no Event of Default (and no event that with notice or lapse of time or both would constitute and Event of Default) has occurred and is continuing, and (z) shall not be pursuant to the written consent of the Lessee; (iii) the failure of the Owners to claim the proper credit or deductions contemplated by subsection (a) of this Section 15, unless the Owners shall have been so advised by Tax Counsel; (iv) the failure of the Owners to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; or (v) any change in the Code, the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations which is not enacted or does not have an effective date on or prior to June 30, 1981.

(g) Records and Statements. The Lessee agrees to maintain sufficient records to verify the amount of income, deductions and credits in respect of the Units so as to provide each Owner with such data as may be required to confirm amounts covered by this Section.

(h) Recomputation of Casualty Value. If any amount is paid by the Lessee to an Owner pursuant to this Section 15, G. E. Credit shall recompute the Casualty Values with respect to the Units in accordance with the manner in which such Casualty Values were originally computed to reflect such payment, and an officer of G. E. Credit shall certify to the Lessee either that such Casualty Values as are set forth in this Lease do not require change or, as the case may be, the new Casualty Values necessary to reflect such payment, describing in reasonable detail the basis for computing such new Casualty Values. Upon such certification, any such new Casualty Values shall be substituted for the Casualty Values appearing in this Lease; provided, however, that such new Casualty Values shall not be less than the amounts required to enable the Lessor to satisfy its obligations under the RSCA.

(i) Additional Definitions. For purposes of this Section 15, the term "Owner" shall include G. E. Credit and Connell and shall also include any member of an affiliated group, within the meaning of section 1504 of the Code, of which an Owner is or may become a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

(j) Survival of Indemnities. Notwithstanding any expiration or termination of this Lease, the liability of the Lessee to make indemnification payments pursuant to this Section 15 shall continue to exist until such indemnity payments are made by the Lessee.

(k) Payments. Any payments made pursuant to this Agreement shall be made directly to the Owner entitled thereto by wire transfer of immediately available funds to the account set forth in Section 2.01 of the Trust Agreement or to such other account or in such other manner as such Owner may direct.

(l) No Setoff. No payment required to be made by the Lessee pursuant to this Section 15 shall be subject to any right of setoff, counterclaim, defense, abatement, suspension, deferment or reduction, and the Lessee shall have no right to terminate its obligation under this Section 15 or to be released, relieved or discharged from any obligation or liability under this Section 15 for any reason whatsoever, except in accordance with the express terms hereof.

(m) Tax Indemnity Provisions Attach at Date of Execution. The provisions of this Section 15 shall apply from the time of execution of this Lease, the Participation Agreement and the RCSA whether or not the other provisions of this Lease come into effect.

Section 16. Interest on Overdue Rentals. The Lessee shall promptly pay an amount equal to interest at the rate of 14% per annum on any overdue rentals or other obligations hereunder for the period of time during which they are overdue, or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department;

(b) if to the Lessee, at 100 North Charles Street, Baltimore, Maryland 21201, attention of Senior Assistant Treasurer;

(c) if to the Vendor, at P. O. Box 2258, Two Hopkins Plaza, Baltimore, Maryland 21203, attention of Corporate Trust Department;

(d) if to the Owners, at the addresses specified in Section 2.02 of the Trust Agreement;

or addressed at such other address as any party shall hereafter furnish to the other parties in writing. Copies of each such notice shall be given to the Lessor and the Vendor.

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

Section 19. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto (unless the context shall otherwise require) but the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named. Whenever the term "Lessor" is used in this Lease, it shall also include the Owners and any assignee of the Owners.

Section 20. Execution. This Lease may be executed in several counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto. The schedules and the footnotes thereto annexed to this Lease are an integral part of this Lease and are incorporated herein by reference.

Section 21. Governing Law. The terms of this Lease and all rights and obligations hereunder shall be

governed by the laws of the State of Ohio; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Section 22. Immunities; No Recourse; Severability. Notwithstanding anything herein to the contrary, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement); and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owners hereunder (except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement), on account of this Lease or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee.

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

IN WITNESS WHEREOF, the parties hereto have caused

this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

_____
Assistant Vice President and Treasurer

[Corporate Seal]

Attest:

_____
Assistant Secretary

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____
Authorized Officer

[Corporate Seal]

Attest:

_____
Authorized Officer

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President and the Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that such instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

[Notarial Seal] _____
Notary Public

My Commission expires

Lease of Railroad Equipment

SCHEDULE A

Specifications of the Equipment*

Quantity	AAR Mechanical Designation	Description	Railroad Road Numbers
507	XL	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999
96	HM	60-Ton Open Top Hopper Cars	CO 336000-336749
1131	HT	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500
144	HT	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999
69	HT	85-Ton Open Top Hopper Cars	CO 85000-86999
48	--	30-Ton Steel Cupola Cabooses	CO 90200-90348

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* Notwithstanding anything herein to the contrary, this Lease will only cover those Units that are reconstructed by the Lessee from Hulks delivered pursuant to the Hulk Purchase Agreement and that are accepted by the Lessor after June 30, 1980, and on or before March 15, 1981, under the RCSA and that have an aggregate Purchase Price not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Units covered by this Lease, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those Units covered by this Lease and to designate the particular Railroad Road Numbers thereof.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

Casualty Payment Date	Percentage of Purchase Price
2/01/81	109.9847
6/30/81	113.2944
6/30/82	115.5204
6/30/83	112.0517
6/30/84	107.7237
6/30/85	98.2089
6/30/86	92.1478
6/30/87	77.7142
6/30/88	66.3669
6/30/89	49.4090
6/30/90	35.5475
6/30/91 (and for any applicable period, including any storage period, thereafter)	20.0000

Table 2

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

Anniversary of Delivery and Acceptance	Percentage of Reconstruction Cost
Third	16.6784573
Fifth	11.1189715
Seventh	5.5594858

Lease of Railroad Equipment

SCHEDULE C

Rentals Due Pursuant to Funding Agreement

Date	Percentage of Purchase Price
12/30/80	4.8797
6/30/81	4.8797
12/30/81	4.8797
12/30/82	4.8454
12/30/83	4.5443
12/30/84	4.2040
12/30/85	3.8194
12/30/86	3.3849
12/30/87	2.6869
12/30/88	1.8983
12/30/89	1.0071

EXHIBIT C
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of March 15, 1980

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee,

and

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

ASSIGNMENT OF LEASE AND AGREEMENT dated as of March 15, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, not in its individual capacity but solely as Agent (the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement").

The Lessor and the Vendor have entered into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") with THE CHESAPEAKE AND OHIO RAILWAY COMPANY (the "Lessee"), in its capacity as builder, providing for the sale to the Lessor of the interest of the Vendor in such units of railroad equipment (the "Units") described in Schedule A thereto as are delivered to and accepted by the Lessor thereunder.

The Lessor and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing by the Lessor to the Lessee of the Units.

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

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

1. Assignment; Application of Payments. The Lessor hereby assigns to the Vendor, as collateral security for the payment and performance of the obligations of the Lessor under the RCSA, all the Lessor's right, title and

interest, powers, privileges, and other benefits under the Lease (and those inuring to the benefit of the Owners by reason of Section 19 of the Lease), including without limitation the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee pursuant to the provisions of the Lease, whether as rent, casualty payment, indemnity (except such amounts of indemnity payable to or receivable by the Owners pursuant to Section 15 of the Lease), liquidated damages, or otherwise (such moneys are called the "Payments"), and the right to make all waivers and agreements and to give all notices, consents and releases (subject to Section 12 hereof), to take all action upon the happening of an Event of Default specified in the Lease and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. Notwithstanding the foregoing, Payments shall not be deemed to include (i) payments made by the Lessee to the Lessor pursuant to Sections 5 and 8 and the second paragraph of Section 9 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to Article 5 of the RCSA or the obligation of the Lessee to indemnify the Vendor in its capacity as assignee of the Lease and except to the extent that the Lessor is obligated to pay and discharge claims, liens, charges or security interests under Paragraph 9 of this Assignment), and (ii) payments made by the Lessee to the Lessor in its individual capacity pursuant to Sections 5 and 8 of the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name or in the name of its nominee or in the name of the Lessor or as its attorney to demand, sue for and receive any and all sums to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the RCSA due and payable at the time such Payments are due and payable under the Lease, and so long as no event of default (or event which with notice or lapse of time or both could constitute an event of default) under the RCSA shall have occurred and be continuing, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, in Federal or other immediately available funds, not later than the first business day following receipt of

such balance. If the Vendor shall not receive any rental payment under Section 2 of the Lease when due, the Vendor shall promptly notify the Lessor and the Owners at the addresses set forth in the Lease; provided, however, that the failure of the Vendor to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the RCSA.

2. No Assumption of Lessor's Liabilities. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to or in any way affect or modify the liability of the Lessor under the Lease, it being agreed that all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee and its successors and assigns against and only against the Lessor or persons other than the Vendor.

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

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

5. Termination of Assignment. Upon the full discharge and satisfaction of all the Lessor's obligations under the RCSA and the Participation Agreement (without giving effect to any limitations of liability contained therein), this Assignment and all rights herein assigned to the Vendor shall terminate, and all right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

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

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

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

9. Liens. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than those created by the RCSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the RCSA or the Lease

(but including tax liens arising out of the receipt by or for the account of the Lessor of the rentals and other payments under the Lease and any other proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

10. Governing Law. This Assignment shall be governed by the laws of the State of Connecticut, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

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

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

13. Retained Rights of Lessor; Limitation of Liability. Notwithstanding any other provision of this Assignment (including but not limited to any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), (a) the terms of this Assignment shall not impose any obligations on the Lessor in addition to the obligations of the Lessor under the Lease or under the RCSA or in any way limit the effect of the last paragraph of Article 3 of the RCSA or Article 21 of the RCSA, (b) so long as there is no event

of default under the RCSA, and to the extent that the Vendor does not seek to receive and collect any Payments under the Lease in excess of the amounts required to discharge the obligations of the Lessor under the RCSA, the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the RCSA, or empower the Vendor in any way to waive or release the Lessee's obligation to pay such excess amounts, and the Lessor shall continue to be empowered to demand, sue for and receive any and all of such excess amounts, but shall not, and shall not have any power to, take any action under the second subparagraph (b) of Section 9 of the Lease without the prior written consent of the Vendor and (c) each and all of the warranties, representations, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Assignment is executed and delivered by said bank solely in the exercise of the powers expressly conferred upon said bank as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank, except for wilful misconduct or gross negligence on the part of said Bank, or against the Owners hereunder (except pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) or on account of any representation, warranty, undertaking or agreement of said bank or the Owners, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it making claim hereunder may look to said Trust Estate for satisfaction of the same.

14. Execution. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first set forth above, the actual dates of execution are the dates stated in the acknowledgments hereto.

15. Headings. Section headings have been provided for convenience only and do not form part of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

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

[Corporate Seal]

by

_____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

The undersigned hereby consents to the foregoing Assignment of Lease and Agreement as of March 15, 1980.

GENERAL ELECTRIC CREDIT CORPORATION,

[Corporate Seal]

by

_____

Attest:

_____
Assistant Secretary

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

by

_____
Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

Notary Public

[Notarial Seal]

My Commission expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking 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.

Notary Public

[Notarial Seal]

My Commission expires

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

HULK PURCHASE AGREEMENT

Dated as of March 15, 1980

Between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but
solely as Trustee,

and

THE CHESAPEAKE AND OHIO RAILWAY COMPANY.

HULK PURCHASE AGREEMENT dated as of March 15, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Buyer") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with GENERAL ELECTRIC CREDIT CORPORATION and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division) (the "Owners"), and THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (the "Seller").

The Seller owns the used railroad equipment described in Annex I hereto (the "Hulks"). The Seller will sell the Hulks and the Buyer will purchase the Hulks for the Purchase Price set forth in Annex I hereto (the "Hulk Purchase Price"). The Hulks will be redelivered to the Seller for reconstruction in accordance with a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as agent (the "Agent") under a Participation Agreement dated as of the date hereof (the "Participation Agreement"), the Seller and the Buyer.

In consideration of the agreements hereinafter set forth, the parties hereto agree as follows:

1. Delivery of Hulks. The Seller will from time to time deliver to the Buyer a bill or bills of sale (the "Bill of Sale"), setting forth the quantity, description, the Seller's identifying numbers and place of delivery of a group of Hulks and transferring title to such Hulks and warranting that at the date thereof the Seller had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by the Bill of Sale was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever. On or after the date of the Bill of Sale, the Seller will deliver the Hulks in such group or groups to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Seller. The Buyer hereby appoints the Seller (and any employee thereof designated by the Seller) as its agent for acceptance of the Hulks; provided, however,

that the Seller is not authorized to accept delivery of any Hulk (i) that is not economically fit for reconstruction in accordance with the specifications provided in the RCSA; (ii) after written notice from the Buyer that such authority has been terminated; or (iii) if the Purchase Price (as defined in the RCSA) of such Hulk when added to the Purchase Price of those Hulks previously accepted would exceed the Maximum Purchase Price specified in Article 3 of the RCSA. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before December 15, 1980.

2. Noncompleted Hulks. The Seller represents and warrants that it is economically feasible to reconstruct each Hulk delivered and accepted under this Agreement in accordance with the specifications provided in the RCSA. If, after delivery and acceptance of a Hulk, the Seller determines that it is not economically feasible to reconstruct such Hulk on or before March 15, 1981, in accordance with the specifications provided in the RCSA, it shall so certify to the Buyer. If any Hulks cannot be so reconstructed (the "Noncompleted Hulks"), the Seller agrees, as agent for the Buyer, to sell the Noncompleted Hulks to a party other than the Seller or any affiliate of the Seller, on or before May 15, 1981, at the highest cash price obtainable. On May 15, 1981, the Seller will pay to the Buyer the net proceeds from such sale (after retaining its reasonable reconstruction expenses incurred to such date plus reasonable overhead and profit). The Buyer agrees to furnish to the Seller all such bills of sale, without recourse or warranty, to enable the Seller to effect the sale of the Noncompleted Hulks for the account of the Buyer as aforesaid.

3. No Acceptance upon Default. Notwithstanding anything to the contrary contained herein, the Buyer shall have no obligation to accept any Hulk which is delivered hereunder after (i) any event of default as defined in Article 14 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subparagraphs (c) and (d) of Article 14 thereof) which with lapse of time, failure to take affirmative action and/or demand could constitute an event of default thereunder shall have occurred or (ii) the Buyer shall have delivered written notice to the Seller that any of the conditions contained in Paragraph 8 of the Participation Agreement have not been met or waived.

4. Payment of Purchase Price. The Buyer at the

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

Subject only to the conditions set forth in this Agreement and in Paragraph 8 of the Participation Agreement, the Buyer will pay the Hulk Purchase Price of each Hulk delivered and accepted as aforesaid to the Seller either on (i) the Closing Date relating to such Hulk fixed as provided in the RCSA or (ii) April 1, 1981, whichever is earlier.

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

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

time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer. As of the date of such delivery and acceptance, the Buyer shall be unconditionally obligated to purchase such Hulk, without any right to a reduction in or setoff against the price thereof by reason of any past, present or future claims against the Seller under this agreement, the RCSA, the Participation Agreement, the Lease (as defined in the Participation Agreement) or otherwise.

7. Exclusions. In the event that any Hulk is not delivered to the Buyer after the date of the Bill of Sale with respect thereto or in the event that any Hulk is not accepted as provided in the proviso to Article 1 hereof, the Buyer will assign to the Seller, without warranty of any kind, whatever right, title and interest the Buyer may then have in such Hulk and such Hulk shall thereafter be excluded from the provisions of this Agreement.

8. Representations of Seller. The Seller hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration. Annex I and the footnotes thereto are an integral part of this Agreement and are incorporated by reference herein.

9. Limitation of Buyer Liability. Notwithstanding anything herein to the contrary, each of the representations, warranties, undertakings and agreements herein made on the part of the Buyer are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement), and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owners hereunder (except, with respect to the Owners, pursuant to Section 1.03 and the last paragraph of Section 5.01 of the Trust Agreement) on account of this Agreement or the Trust

Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owners hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Seller and by all persons claiming by, through or under the Seller.

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

11. Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution hereof are the dates stated in the acknowledgments hereto.

12. Headings. Section headings have been provided for convenience only and do not form part of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

[Corporate Seal]

by

_____
Authorized Officer

Attest:

_____
Authorized Officer

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,

by

_____
Assistant Vice President
and Treasurer

[Corporate Seal]

Attest:

_____
Assistant Secretary

Receipt of an executed counterpart of the foregoing is hereby acknowledged as of March 15, 1980.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking 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.

_____
Notary Public

[Notarial Seal]

My Commission Expires

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

On this day of 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is Assistant Vice President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that such instrument was this day signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission Expires

Hulk Purchase Agreement

ANNEX I*

Quantity	Description	Railroad Road Numbers	Hulk Purchase Price Per Unit	Hulk Purchase Price Total
507	50' Box Cars	CO 22001-22249 CO 22250-22649 CO 23000-23324 CO 27750-28999	$ 5,669	$2,874,000
96	60-Ton Open Top Hopper Cars	CO 336000-336749	2,156	207,000
1131	70-Ton Open Top Hopper Cars	CO 103000-103999 CO 110000-115241 CO 150000-151999 BO 10000-15249 WM 70001-71500 WM 72001-72400 WM 80001-80500	4,167	4,712,500
144	80-Ton Open Top Hopper Cars	CO 152000-153998 CO 154009-155985 BO 152000-153999 BO 154000-155999	4,472	644,000
69	85-Ton Open Top Hopper Cars	CO 85000-86999	10,870	750,000
48	30-Ton Steel Cupola Cabooses	CO 90200-90348	5,000	240,000

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* Notwithstanding anything herein to the contrary, this Agreement will only cover Hulks delivered by the Seller and reconstructed and accepted by the Buyer after June 30, 1980, and on or before March 15, 1981, having an aggregate Purchase Price when reconstructed not in excess of the Maximum Purchase Price specified in Article 3 of the RCSA. After delivery of all Hulks covered by this Agreement, this Annex I will be amended to describe only those Hulks covered by this Agreement and to designate the particular Railroad Road Numbers thereof.

EXHIBIT E
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-981]

FUNDING AGREEMENT

Dated as of March 15, 1980

Between

THE CHESAPEAKE & OHIO RAILWAY COMPANY,

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity
but solely as Trustee,

GENERAL ELECTRIC CREDIT CORPORATION

and

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

FUNDING AGREEMENT dated as of March 15, 1980, between THE CHESAPEAKE & OHIO RAILWAY COMPANY, a Virginia corporation (the "Lessee" or the "Builder"), THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as trustee (the "Trustee"), and GENERAL ELECTRIC CREDIT CORPORATION, a New York corporation, and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (the "Owners").

The Owners are parties to a Trust Agreement dated as of the date hereof (the "Trust Agreement") with the Trustee providing for the authorization and direction of the Trustee, solely as Trustee under the Trust Agreement, to enter into certain agreements providing for the purchase by the Trustee of reconstructed railroad equipment (the "Units") pursuant to a Reconstruction and Conditional Sale Agreement dated as of the date hereof (the "RCSA") between Mercantile-Safe Deposit and Trust Company (the "Vendor"), the Builder and the Trustee and for the lease of the Units by the Trustee, as lessor, to the Lessee, as lessee, pursuant to a Lease of Railroad Equipment dated as of the date hereof (the "Lease") between the Lessee and the Trustee.

The Owners have severally agreed in the Trust Agreement to advance certain funds to the Trustee to permit the Trustee to pay a portion of the Purchase Price (as defined in the RCSA) of the Units.

The Builder will receive the balance of the Purchase Price of the Units with funds supplied by the investors (the "Investors") named in the Participation Agreement dated as of the date hereof (the "Participation Agreement") between the Lessee, the Vendor, the Owners, the Trustee and the Investors pursuant to the Participation Agreement and the RCSA.

The Owners will severally pay to the Trustee two days in advance of the date due certain payments necessary to discharge the Trustee's obligation under the RCSA on such dates.

In consideration of the agreements hereinafter

set forth, the parties hereto agree as follows:

SECTION 1. Agreement To Fund. So long as no Event of Default under the Lease has occurred, each of the Owners hereby severally and not jointly agrees to pay to the Trustee in the manner set forth herein at least two business days prior to each December 30, commencing December 30, 1980, to and including December 30, 1989, and on June 30, 1981 (each date at least two business days prior to each of said dates is called a "Funding Date"), an amount equal to its share of the obligation of the Trustee due under Article 3 of the RCSA on the Interest Payment Date (as defined in the RCSA) next following the Funding Date. Each Owner's share shall be the same as its proportionate interest specified in the Trust Agreement.

SECTION 2. Method of Funding. Payments made by each Owner shall be made in immediately available funds on the Funding Date.

SECTION 3. Application of Funds. The Trustee shall cause such funds so received to be advanced to the Vendor in immediately available funds on or before the Interest Payment Date under the RCSA next following the Funding Date in discharge of the obligation of the Trustee under Article 3 of the RCSA on such Interest Payment Date.

SECTION 4. Payment by Lessee upon Default. In the event that an Owner shall fail to pay or cause to be paid the amount set forth in Section 1 hereof with respect to any Funding Date (whether or not an Event of Default under the Lease has occurred) and such failure shall continue for two business days after telegraphic notice thereof from the Trustee, the Lessee shall make the payment to be made by the Lessee under the second paragraph of Section 2 of the Lease and may, upon notice in writing to the defaulting Owner and all of the other Owners, offset against the next following rental payment under the Lease (to the extent such payments are not required to discharge the principal of or interest on the CSA Indebtedness, as defined in the RCSA) an amount equal to the amount so paid by the Lessee plus interest thereon for six months at the rate of 13% per annum, to the extent legally enforceable. If after effecting such offset there remains any amount owing to the Lessee, each Owner shall promptly after receipt of notice from the Lessee pay its share of such amount to the Lessee, together with interest thereon at the rate of 13% per annum, to the extent legally enforceable.

SECTION 5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

SECTION 6. Effect of Assignment. Any assignment by an Owner of its interest in the Trust Estate (as defined in the Trust Agreement) shall not relieve such Owner of its obligations hereunder.

SECTION 7. Notices. Notices hereunder shall be sent in the manner and to the addresses of the parties set forth in the Participation Agreement.

SECTION 8. Cure Rights. Any Owner or combination of Owners may (but need not) cure the default of any defaulting Owner hereunder within 30 calendar days after receipt of notice of default from the Lessee as contemplated by Section 4.

SECTION 9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

THE CHESAPEAKE & OHIO RAILWAY COMPANY,

by

_____

Assistant Vice President and Treasurer

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee,

by

_____

Authorized Officer

GENERAL ELECTRIC CREDIT CORPORATION,

by

_____

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

by

_____
Vice President