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Date JUL 25 1980
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ICC Washington, D. C.

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July 24, 1980

Chicago and North Western Transportation Company
Reconstruction and Conditional Sale Financing
13% Conditional Sale Indebtedness Due July 1, 1992

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 Chicago and North Western Transportation Company are counterparts of the following:

New Number

(1) Reconstruction and Conditional Sale Agreement dated as of July 1, 1980, between Mercantile-Safe Deposit and Trust Company, as Agent, Chicago and North Western Transportation Company and The Connecticut Bank and Trust Company, as Trustee;

A

(2) Transfer Agreement dated as of July 1, 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 July 1, 1980, between Chicago and North Western Transportation Company and The Connecticut Bank and Trust Company, as Trustee;

C

(b) Assignment of Lease and Agreement dated

D next page

as of July 1, 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 July 1, 1980, between The Connecticut Bank and Trust Company, as Trustee, and Chicago and North Western Transportation 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:

Chicago and North Western Transportation Company
400 West Madison Street
Chicago, Illinois 60606

Vendor-Agent:

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

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

The equipment covered by the above documents consists of the following:

16 GP 7 locomotives, bearing Railroad Road Numbers CNW 1530, CNW 1536, CNW 1538, CNW 1542, CNW 1545, CNW 1557, CNW 1566, CNW 1571, CNW 1572, CNW 1575, CNW 1578, CNW 1589, CNW 1598, CNW 1626, CNW 1650 and CNW 1656 (to be renumbered CNW 4284-CNW 4299, both inclusive); and

4 GP 9 locomotives, bearing Railroad Road Numbers CNW 1748, CNW 1749, CNW 1764 and CNW 1768 (to be renumbered CNW 4546-CNW 4549, both inclusive).

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
As Agent for Chicago and North Western Transportation Company

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

Encl.

ZZ

Interstate Commerce Commission

Washington, D.C. 20423

7/25/80

OFFICE OF THE SECRETARY

Jacqueline 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 7/25/80 at 10:40am, and assigned recordation number(s). 12038, 12038-A, 12038-B, 12038-C & 12038-D

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

12038
RECORDATION NO. ..... Filed 1425

JUL 25 1980 10 40 AM

...ON

[CS&M Ref. 2043-985]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of July 1, 1980

Between

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

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Builder,

and

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

[Covering 20 Reconstructed Locomotives]

RECONSTRUCTION AND CONDITIONAL
SALE AGREEMENT

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Lessee's Consent and Agreement
EXHIBIT D--HULK PURCHASE AGREEMENT

* 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 July 1, 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"), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner").

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 Owner 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 sell security title in the Equipment upon completion of reconstruction to the Vendee. Beneficial ownership of the Hulks and the Equipment shall at all times be in the Vendee on behalf of the Owner, and nothing in this Agreement (except as provided in Article 15 hereof) shall be construed so as to deprive the Vendee and the Owner 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 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 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 of the Owner delivered to the Builder prior to the commencement of reconstruction of any Hulk 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"). 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

2.01. Delivery of Units. The Builder will deliver the units of Equipment to the Vendee at such place or places within the United States of America 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 accept any Hulk on behalf of the Vendee under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if (A) the Builder does not reasonably anticipate that it is economically feasible to reconstruct such Hulk or that such Hulk will be fully reconstructed within 90 days following such 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 Section 14.01 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; (c) that there are not sufficient Available Investors' Funds (as defined in Article 3 hereof) to settle for such Hulk in accordance with Article 3 hereof; or (d) 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 of all other Hulks when reconstructed which previously have been validly accepted under the Hulk Purchase Agreement, would cause the aggregate Purchase Price to exceed the Maximum Purchase Price (as defined in Article 3 hereof).

2.02. Force Majeure. The Builder's obligations as to time of delivery pursuant to Section 2.01 hereof shall be subject to delays resulting from any and all causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes or other labor conditions, accidents, fires, floods, explosions, damage to plant equipment or facilities, epidemics, quarantine restrictions, delays or defaults of subcontractors, failure to receive necessary materials or supplies or inability to obtain fuel, light or power; provided, however, that if the Builder shall not deliver any Unit as previously specified on or prior to March 15, 1981, regardless of any events which might otherwise be deemed to constitute

force majeure, and without limiting the rights and remedies of the parties hereto, Section 2 of the Hulk Purchase Agreement with respect to the sale of Noncompleted Hulks (as therein defined) shall apply. Notwithstanding the provisions hereof, if the Builder delivers no units of Equipment to the Vendee on or before March 15, 1981, the Builder shall pay to the Vendee on May 15, 1981, as liquidated damages for the loss of a bargain and not as a penalty, the higher of the net sales proceeds outlined in Section 2 of the Hulk Purchase Agreement or the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of the Hulks plus interest thereon at the higher of 13% per annum or the Prime Rate (as defined in the Hulk Purchase Agreement) from the Hulk Purchase Date under the Hulk Purchase Agreement to the date of payment.

2.03. Inspection. 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 Vendee. The Builder shall grant to the authorized inspectors of the Vendee access to all portions of its plants where Hulks are being reconstructed; provided, however, that the Vendee will indemnify and hold the Builder harmless from all demands, judgments, costs, expenses or any other claimed liability (including reasonable counsel fees) resulting from injury or death to any authorized inspector of the Vendee or damage to property caused solely by the negligence of such authorized inspector. 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 authorized 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 authorized inspector 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

3.01. Hulk Purchase Price, Reconstruction Cost

and Purchase Price. 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 between the Builder 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 shall be unconditionally obligated to pay the 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 $6,460,000.

3.02. Closing Dates. For the purpose of settlement therefor, the Equipment shall be divided into not more than five groups (the "Groups") of units unless the Vendee and the Builder shall otherwise agree. The parties hereto agree to use best efforts to comply with the schedule of closing dates set forth in Schedule B hereto; provided, however, that the Vendee and the Builder may agree on such other dates as occur before April 1, 1981 (the "Cut-Off Date") (each such date is called a "Closing 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 for the Reconstruction Cost (addressed to the Vendor and approved as to price by the Vendee) not less than five 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 100/77.99584% 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 to the Vendee and the Vendor 10 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; New York, New York; or Chicago, Illinois; 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.

3.03. Payment to Vendor. The Vendee hereby

acknowledges itself to be indebted to the Vendor in the amount of the aggregate Purchase Price of each Group less the Equity Hulk Payment (as defined in Section 4 of the Hulk Purchase Agreement) for the Hulks from which the units in such Group were reconstructed, 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 23 semiannual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to the lesser of (y) 77.99584% of the aggregate Purchase Price of the units in such Group as set forth in the invoice or invoices therefor or (z) the Available Investors' Funds; and

(b) on the Closing Date with respect to such Group, an amount (the "Down Payment") equal to the aggregate Purchase Price of the units of Equipment in such Group, less (y) the amount payable pursuant to subsection (a) of this Section and (z) such Equity Hulk Payment; 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 Section 3.08 hereof.

3.04. CSA Indebtedness. The installments of the CSA Indebtedness shall be payable in 23 consecutive semi-annual installments on January 1 and July 1 in each year, commencing July 1, 1981, to and including July 1, 1992, 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 January 1, 1981, and July 1, 1981, and thereafter on January 1 and July 1 in each year, to and including July 1, 1992; provided, however, there shall be credited on the amount of interest payable on January 1, 1981, an amount equal to interest at the rate of 13% per annum from such Closing Date to the Take-Out Date (as defined in the Participation Agreement). The installments of principal and amounts of interest payable on each Payment Date shall be calculated to be substantially in proportion to the amount and allocation of principal and interest set forth in Schedule C hereto 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 Payment Date.

3.05. Calculation of Interest. 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 January 1, 1981, shall be calculated on an actual elapsed day, 360-day year, basis.

3.06. Penalty Interest. 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.

3.07. Method of Payment; Prepayment. 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 immediately available funds in the city where such payments are due not later than 11:00 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 terminate the Lease as provided in Article 14 hereof.

3.08. Payment to Builder. On the Closing Date with respect to each Group, the Vendor shall pay to the Builder an amount equal to the Reconstruction Cost of such Group in immediately available funds from the proceeds of the Available Investors' Funds and the Down Payment against the obligation of the Vendee to make such payment to the Builder; 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, if the reconstruction cost per unit is greater than that set forth in Schedule A hereto, such invoices shall be accompanied by or have endorsed thereon the approval of the Vendee) and a certification by the Builder that the Reconstruction Cost stated therein has been calculated as provided in Section 3.01 hereof and does not exceed the price that would be charged by an independent locomotive builder for comparable reconstruction;

(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 and title to the Equipment 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; and

(d) such other documents as the Vendor may reasonably request.

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 Section 3.03(b) hereof. 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.

3.09. Payment to Interim Investor. Upon pay-

ment to the Builder of the Reconstruction Cost with respect to the units in a Group on the respective Closing Date, the Vendor will pay to the Interim Investor (as defined in the Participation Agreement) from the proceeds of the Available Investors' Funds an amount equal to the Interim Hulk Payment (as defined in Section 4 of the Hulk Purchase Agreement) with respect to the Hulks from which such units were reconstructed.

3.10. Vendee Liability Limited to "Income and Proceeds from the Equipment". 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 Section 1.03 of the Trust Agreement and Section 3.03(b) hereof and the obligations set forth in the proviso in Section 11.03 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 a Declaration of Default (as defined in Article 14 hereof) shall have been made, 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. 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 Section, it will limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this Section. 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 Builder under the Lease or the Consent.

ARTICLE 4

Title to Equipment

4.01. Retention of Security Interest. 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 8.02 of the Lease are owned by the Lessee.

4.02. Satisfaction of Obligations. 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, except that the Vendor, if so requested by the Vendee at that time, at the expense of the Vendee, 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 and (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. 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 the Vendee) or unless the Vendee shall have approved the payment thereof.

ARTICLE 6

Maintenance; Casualty Occurrences; Insurance

6.01. Maintenance. The Vendee, at its own cost and expense, will maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted.

6.02. Casualty Occurrences. 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.

6.03. Casualty Value. 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 Section, 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 Purchase Price of all the units of Equipment.

6.04. Insurance. 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 Section 6.06 of the Lease.

6.05. Insurance Proceeds and Condemnation Proceedings. 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

On or before May 31 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

Identification Marks

The Vendee will cause each unit of Equipment to be kept numbered and marked as provided in Section 4 of the Lease. Except as therein provided, 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 8.02 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, except as provided in Section 3 of

the Lease, 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

11.01. Vendee to Discharge Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee, the Owner 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, 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.

11.02. No Breach for Certain Liens. 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.

11.03. Limitation of Obligation. The foregoing provisions of this Article 11 shall be subject to the limitations set forth in Section 3.10 and 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 Owner 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 reasonable opinion of 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

12.01. Indemnities by Vendee. 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 Section 4.02 hereof, or the termination of this Agreement in any manner whatsoever.

12.02. Vendee to Bear Risk of Loss. 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.

12.03. No Warranties by Vendor. 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.

12.04. Warranties of Builder. 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 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.

12.05. Indemnification by Builder. The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee (in both its individual and fiduciary capacities) 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 Section.

12.06. No Modification of Builder's Indemnities. 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 Owner in connection with, relating to or arising out of the rights (whether or not exercised) of the Vendee 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 contract.

12.07. Benefit of Successors. 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 Owner, the Vendor or any lessor, lessee, assignee or transferee of this Agreement or of any units of Equipment.

ARTICLE 13

Assignment

13.01. No Transfer by Vendee. 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.

13.02. Transfer by Vendor. 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

Default

14.01. Events of Default. 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 Section 3.10 hereof or in Article 21 hereof):

(a) the Vendee shall fail to pay in full any sum payable by the Vendee pursuant to Article 3 or 6 hereof when payment thereof shall be due hereunder and such default shall continue for 15 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 Builder 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 Builder under the Lease and the Consent 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, the Owner or the Builder 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, the Owner or the Builder, 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, the Owner or the Builder, 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 15 days' prior written notice to the Vendee (such 15-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) subject to the terms of Section 3 of the Lease, 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, 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 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.

14.02. Waiver of Default. 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 Section, 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

15.01. Possession of Equipment. Subject to the terms of Section 3 of the Lease, 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 any 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.

15.02. Delivery of Equipment to Vendor. 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.

15.03. Retention of Equipment. Subject to the terms of Section 3 of the Lease, 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 CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. 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.

15.04. Sale of Equipment. Subject to the terms of Section 3 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice 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 CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then 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, the Vendee and (so long as an Event of Default is not continuing under the Lease) the Lessee 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.

15.05. Remedies Not Exclusive. 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.

15.06. Deficiency or Surplus. If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest 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 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.

15.07. Expenses. 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 Builder, at 400 West Madison Street, Chicago, Illinois 60606, attention of Assistant Vice President, Finance,

(c) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with copy to the Owner at West 80 Century Road, Paramus, New Jersey 07652, attention of Vice President, Lease Financing,

(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

21.01. Immunities. No recourse shall be had in respect of any obligation due under this Agreement or referred to herein against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties 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 being forever released as a condition of and as consideration for the execution of this Agreement.

21.02. Satisfaction of Undertakings. The obligations of the Vendee under Articles 2, 5, 6 (other than the requirements of delivery of certificates and payment schedules provided in Section 6.02), 7, 8, 9, 11 (other than the proviso to Section 11.03), 12 and 17 hereof and under Sections 15.02, 15.06 and 15.07 hereof and any other obligations hereunder except under Article 13 hereof not covered by the provisions of Section 3.10 hereof shall be deemed in all respects satisfied by the Builder's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Builder'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 Builder's undertakings under the Lease shall be effective unless joined in by the Vendor.

21.03. Limitation of Vendee's Liability. 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 Owner 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 Section 11.03 hereof and except, with respect to the Owner, 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 Owner 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.

21.04. Vendor Acting as Agent. 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 Illinois; 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 acknowledg-

ments 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, as Agent,

by

Assistant Vice President

[Corporate Seal]

Attest:

Corporate Trust Officer

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

Senior Vice President

[Corporate Seal]

Attest:

Assistant Secretary

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

by

[Corporate Seal]

Attest:

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

On this 23rd day of July 1980, before me personally appeared Russell 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 ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 July 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	Description	Old Railroad Road Numbers	New Railroad Road Numbers (both inclusive)	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Estimated Reconstruction Cost Per Unit	Estimated Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
16	GP-7 Locomotives	CNW 1530	CNW 4284-4299	$70,000	$1,120,000	$230,000	$3,680,000	$300,000	$4,800,000
		1536							
		1538							
		1542							
		1545							
		1557							
		1566							
		1571							
		1572							
		1575							
		1578							
		1589							
		1598							
		1626							
		1650							
		1656							
4	GP-9 Locomotives	CNW 1748	CNW 4546-4549	70,000	280,000	230,000	920,000	300,000	1,200,000
		1749							
		1764			$1,400,000		$4,600,000		$6,000,000
		1768							

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Assumed Closings

Closing Date	Number of Units	Estimated Reconstruction Cost
9/15/80	5	$1,150,000
10/15/80	5	1,150,000
11/15/80	5	1,150,000
12/15/80	5	1,150,000
		$4,600,000

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 Payment	Ending Principal
1/1/81	*	*	-0-	$1,000,000.00
7/1/81	86,068.63	65,000.00	21,068.63	978,931.37
1/1/82	86,068.63	63,630.54	22,438.09	956,493.28
7/1/82	86,068.63	62,172.06	23,896.57	932,596.71
1/1/83	86,068.63	60,618.79	25,449.84	907,146.87
7/1/83	86,068.63	58,964.55	27,104.08	880,042.79
1/1/84	86,068.63	57,202.78	28,865.85	851,176.94
7/1/84	86,068.63	55,326.50	30,742.13	820,434.81
1/1/85	86,068.63	53,328.26	32,740.37	787,694.44
7/1/85	86,068.63	51,200.14	34,868.49	752,825.95
1/1/86	86,068.63	48,933.69	37,134.94	715,691.01
7/1/86	86,068.63	46,519.92	39,548.71	676,142.30
1/1/87	86,068.63	43,949.25	42,119.38	634,022.92
7/1/87	86,068.63	41,211.49	44,857.14	589,165.78
1/1/88	86,059.54	38,295.78	47,763.76	541,402.02
7/1/88	81,238.04	35,191.13	46,046.91	495,355.11
1/1/89	81,206.36	32,198.08	49,008.28	446,346.83
7/1/89	73,961.28	29,012.54	44,948.74	401,398.09
1/1/90	76,319.87	26,090.88	50,228.99	351,169.10
7/1/90	79,141.27	22,825.99	56,315.28	294,853.82
1/1/91	86,068.63	19,165.50	66,903.13	227,950.69
7/1/91	86,068.63	14,816.79	71,251.84	156,698.85
1/1/92	86,068.63	10,185.43	75,883.20	80,815.65
7/1/92	86,068.63	5,253.02	80,815.65	-0-
	$1,941,093.11	$941,093.11	$1,000,000.00	

* Interest on the CSA Indebtedness to the extent accrued.

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT
[CS&M Ref. 2043-985]

TRANSFER AGREEMENT

Dated as of July 1, 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 Chicago and North Western Transportation Company (the "Lessee") 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 (the "Participation Agreement") between the Lessee, 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 Lessee 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 Lessee.

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 Ingersoll Rand Financial Corporation 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 made 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 the Trust Agreement,

[Corporate Seal]

by

_____

Attest:

by

_____

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 July 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

TRANSFER AGREEMENT

ANNEX I

Quantity	Description	Railroad Road Numbers	
16	GP-7 locomotives	CNW	1530
			1536
			1538
			1542
			1545
			1557
			1566
			1571
			1572
			1575
			1578
			1589
			1598
			1626
			1650
			1656
4	GP-9 locomotives	CNW	1748
			1749
			1764
			1768

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1980

Between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

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

[Covering 20 Reconstructed Locomotives]

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 July 1, 1980, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner").

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 Owner, 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 such of the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign its interests in this Lease as 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").

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

Section 1. Delivery and Acceptance of Units.

Subject to the rights of the Owner 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 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.

2.01. Base Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 24 consecutive semiannual payments, in arrears, payable on January 1 and July 1 in each year, commencing July 1, 1981, each in an amount equal to 6.7244167% of the Purchase Price (as defined in the RCSA) of such Unit.

The Lessee further agrees to pay to the Lessor as interim rental for the Units subject to this Lease (all rates computed on an actual elapsed day, 360-day year basis), an amount equal to interest at the higher of 13% per annum or the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities (the "Prime Rate") (A) on October 15, 1980, and on each Closing Date (as defined in the RCSA) thereafter, on the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of the Hulks from which the Units settled for on such date (or, in the case of the October 15, 1980, payment, for all Units settled for on or before October 15, 1980) were reconstructed for the period from the Hulk Purchase Date (as defined in the Hulk Purchase Agreement) to such date (or, in the case of the October 15, 1980, payment, to the applicable Closing Date of each Unit settled for on or before October 15, 1980) and (B) on October 15, 1980, and January 1, 1981, on the Purchase Price of each Unit for the period from the Closing Date with respect to such Unit (or, in the case of the January 1, 1981, payment, from the later of the Closing Date with respect to such Unit or October 15, 1980) to such date.

2.02. Rental Adjustments. 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 up or down 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 the date the last Unit is placed under this Lease, if such change alters the tax assumptions defined in Section 15.01 hereof; (B) the aggregate Reconstruction Cost (as defined in the RCSA) of the Units is more or less than 76.67% of the aggregate Purchase Price of the Units or the aggregate CSA Indebtedness (as defined in the RCSA) with respect to all Units is less than 77.99584% of the aggregate Purchase Price of all Units; (C) any Closing Date is held on a date other than the date specified therefor in Schedule B of the RCSA; (D) the Purchase Price or number of units settled for on any Closing Date is different from the Purchase Price or number of units specified therefor in Schedule B of the RCSA; (E) any Unit is delivered and accepted after December 31, 1980; (F) 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 Hulk Purchase Price of such Units plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of sale; or (G) the Interim Investor (as defined in the Participation Agreement) holds any interest in the CSA Indebtedness after the Take-Out Date (as defined in the Participation Agreement). 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 Owner's reasonable judgment, in preserving for the Owner both the pre-tax rate of return and the net after-tax cash flow that would have been realized by the Owner 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 Owner 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 Owner 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. If and to the extent that any rental reductions that would have become effective pursuant to subsection (A) above due to a change in the Investment Credit (as defined in Section 15.01(l) hereof) would not be made due to the limitations set forth above after giving effect to all other adjustments required by this Section, then the Owner shall elect, pursuant to Section 48(d) of the Code and Section 1.48-4(f) of the income tax regulations, to treat the Lessee as having purchased the maximum number of Units (reduced to the nearest whole number) (possession of which shall have been or will be transferred to the Lessee in any year for which the Lessee's Federal income tax return shall not yet have been filed) as would be necessary to cause the Owner's Net Economic Return to be no greater than the Net Economic Return which the Owner would have realized if it had been able to adjust the rentals payable hereunder without regard to the limitations set forth above.

The Owner shall furnish the Lessee and the Vendor prior to the effective date of any adjustment made pursuant to this Section with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

2.03. Payment on Business Day. 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; New York, New York; or Chicago, Illinois; are authorized or obligated to remain closed. All payments under the Lease shall be made by bank wire transfer of Federal or other immediately available funds no later than 11:00 a.m. in the city where such payments are due.

2.04. Net Lease. 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 Owner or otherwise; nor,

except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or 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.

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; provided, however, that so long as (i) no Event of Default exists hereunder; (ii) the Lessee is complying with the provisions of the Consent; and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the RCSA (notwithstanding any limitation of the Lessor's liability in the RCSA) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession and use provided in Section 11 hereof.

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 as required by law, 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.

5.01. Indemnification by Lessee. The Lessee agrees for the benefit of the Lessor and the Owner 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 Owner, 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" or "impositions"), 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 or any other tax in lieu thereof imposed on the Owner, whether or not the Lessee is required to indemnify therefor pursuant to Section 15 hereof and (ii) the aggregate of all state or local taxes imposed within the United States of America on or measured by the net income of the Owner or the Lessor based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be

payable to the state and city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state and (iii) any state franchise tax which is not based on or measured by net income, 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. 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.

5.02. Payment. The Lessee shall be under no obligation to pay any imposition so long as the Lessee is contesting such imposition, at its own expense, in its own name and in good faith and by appropriate legal or administrative proceedings or so long as the Lessor or the Owner, as the case may be, is required to contest such imposition as provided in Section 5.06 hereof, and in any such case the nonpayment thereof does not, in the reasonable opinion of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the RCSA. If any imposition shall have been charged or levied against the Lessor or the Owner directly and paid by such party, the Lessee shall pay such party on presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or the Lessee shall have approved the payment thereof.

5.03. No Liability After Certain Events. 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.

5.04. Indemnification Pursuant to RCSA. 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 Section 5.01 hereof, 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; provided, however, that the Lessor shall have contested such imposition in good faith to the extent required under Section 5.06 hereof and to the extent permitted under the RCSA.

5.05. Reports. 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.

5.06. Contest by Owner or Lessor. If a claim is made against the Owner or Lessor for any imposition indemnified against under this Section 5, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such imposition by (a) resisting payment thereof, if legally permissible, (b) paying the same only under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such imposition previously reimbursed by the Lessee in connection with any such contest or of an amount representing interest thereon applicable to the amount paid by the Lessee for the period from such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest, net of expense, but only if 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.

5.07. Survival of Obligations. 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.

5.08. Evidence of Compliance. 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.

5.09. Ad Valorem Returns. 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.

5.10. Gross-Up. 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.

5.11. No Guarantee by Lessee. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the principal of or interest on the CSA Indebtedness or a guarantee of the residual value of any Unit.

Section 6. Maintenance; Casualty Occurrences; Insurance.

6.01. Maintenance. The Lessee, at its own cost and expense, will maintain and keep each Unit subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, to a standard at least equal to the standard and frequency of maintenance per-

formed on other similar locomotives owned or leased by it.

6.02. Casualty Occurrences. 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, or remains in an inoperable condition for a period of six months, 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 rental payment 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, if any, of removal of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof at the best price obtainable 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.

6.03. Casualty Value. 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 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, 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 by amendment to this Lease in order to preserve the Owner's Net Economic Return; 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.

6.04. Payment of Casualty Value, Disposal of Unit. 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 net proceeds of such sale (after deduction of any costs or expenses of removal of such Unit) 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.

6.05. Lessee to Bear Risk of Loss. 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.

6.06. Insurance. The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained (a) property insurance in respect of the Units at the time subject hereto; provided, however, that the Lessee may self-insure such Units to the extent it self-insures equipment similar to the Units and to the extent such self-insurance is consistent with prudent industry practice, and (b) public liability insurance with respect to third-party personal and property damage, in each case 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. The Lessee hereby transfers and assigns 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 property insurance to the extent such proceeds relate to the Units; provided, however, that so long as no Event of Default shall have occurred hereunder and the Lessee shall have made payment of the Casualty Values and accrued rentals in respect of such Units, the Lessee shall be entitled to retain an amount equal to such Casualty Values plus expenses incurred by it in connection with such damage to the Units. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor

and the Vendor and (ii) name the Lessor and the Vendor as additional named insureds and loss payees as their respective interests may appear. Prior to the first date of delivery of any Unit pursuant to the RCSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 6, the Lessee shall deliver to the Lessor evidence satisfactory to the Lessor of the insurance required to be maintained pursuant to this Section 6. The Lessee shall promptly notify the Lessor and the Vendor of any material change in the insurance maintained in accordance with this Section.

In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option provide such insurance (giving the Lessee prompt written notice thereof) and in such event the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof, together with interest thereon at the rate set forth in Section 16 hereof.

Section 7. Reports.

On or before May 31 in each year, commencing with the year 1981, the Lessee will cause to be furnished to the Lessor, the Owner and the Vendor an accurate statement as of the preceding December 31 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.

8.01. No Warranties by Lessor. 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.

8.02. Compliance with Applicable Laws. 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 (not including any storage period provided for in Section 13), 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 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 (which shall be owned by the Lessee unless they are required by any Applicable Law) provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. In addition, the Lessee, at its own cost and expense, may furnish any nonremovable additions, modifications or improvements to any Unit (which shall be owned by the Lessor) without the consent of the Lessor provided that such additions, modifications or improvements, when considered with all other nonremovable additions, modifications or improvements previously made by the Lessee to the Unit without the consent of the Lessor, (i) will not adversely effect the fair market value, the remaining useful life or the remarketability of such Unit, (ii) will not cause such Unit to become limited use property within the meaning of Rev. Proc. 76-30, (iii) will not substantially increase the productivity or capacity of such Unit over its productivity or capacity at the time it was delivered and accepted hereunder and (iv) will not modify such Unit for a materially different use.

8.03. Indemnification by Lessee. The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owner 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, 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 except (unless an Event of Default hereunder shall have occurred) those caused by the gross negligence or wilfull misconduct of the Lessor or the Owner. 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 Section 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 8.03 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 Section 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.

8.04. No Modification of Indemnities. The indemmities 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 Owner 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.

8.05. Preparation of Reports. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any 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.

9.01. Events of 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 2.01, 6.02 or 12.01 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 30 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 and the Consent 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;

(e) any other 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 proves to be false or misleading in any material respect as of the date of issuance or making thereof;

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 Owner 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 Owner 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 where any of the Units may be and take possession of all or any of such Units and thenceforth possess, sell, operate, lease to others and use 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 semiannually 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.

9.02. Lessor May Act for Lessee. 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 higher of 14% per annum or 150% of the Prime Rate, to the extent legally enforceable.

9.03. Remedies Not Exclusive. 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.

9.04. No Waiver. 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 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 an Event of Default has occurred hereunder 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 0.03736% 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.

11.01. Assignment by Lessor. This Lease shall not be assignable by the Lessor without the consent of the Lessee, except that certain 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) may be assigned to the Vendor pursuant to the Lease Assignment.

11.02. Discharge of Liens. 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. 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; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the RCSA.

11.03. Possession and Use; Sublease. 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 Section 11.05 hereof) and the RCSA. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. The Lessee may also sublease the Units to responsible railroad sublessees for periods of up to six months without the prior consent of the Lessor; provided, however, that such sublease shall expressly be subject to this Lease and the Lessee shall remain primarily liable for all obligations

to be fulfilled by it hereunder. 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. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, allow any Unit to pass out of its possession or control, except to the extent permitted by this Section.

11.04. No Restriction of Transfer Upon Merger. 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 railroad 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 or leased all or substantially all the railroad properties of the Lessee; provided that such assignee, lessee or transferee will not upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety; and provided further, however, that the net worth of such assignee, lessee or transferee, after giving effect to such merger or consolidation, shall be at least equal to the net worth of the Lessee at the time of such merger, consolidation, lease or acquisition.

11.05. Operation Outside United States. 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.

12.01. Renewal Option. 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 subject to 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 each rental payment shall be the Fair Market Rental (as hereinafter defined), payable, in arrears, in semiannual 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 % 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) 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 are owned by the Lessee pursuant to Section 8.02 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 an 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 shared equally by the Lessee and the Lessor.

12.02. Duty to First Offer. 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 (and written notice of the Lessor's estimate of the Fair Market Value of the Units) at least 30 days 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 may exercise such purchase right by delivery to the Lessor of a written notice within 10 days of receipt of notice from the Lessor, indicating whether it accepts the Lessor's estimate of the Fair Market Value of the Units or that such Fair Market Value shall be determined in accordance with the appraisal procedure set forth in Section 12.01 hereof, and specifying a date of purchase not later than the latest of (i) 30 days after the date of delivery of such notice by the Lessee to the Lessor, (ii) 90 days after the expiration of such term of this Lease or (iii) 10 business days after completion of the appraisal procedure, if applicable. 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.

13.01. Return of Units. 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 upon such storage tracks of the Lessee as the Lessor and the Lessee shall determine; 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 5 Units (or such other number as may be agreed to by the Lessor and the Lessee) under this Lease; provided further, however, that the Lessee shall incur no liability (other than for rental or casualty value payments) to the Lessor or to any person claiming by, through or under the Lessor, if the Lessee is unable to deliver Units in each consecutive calendar month as a result of circumstances

constituting force majeure. If the Lessor gives to the Lessee such instruction, the Lessee shall pay as rent to the Lessor for each Unit not delivered to the Lessor in accordance with such instruction upon the expiration of the original or any extended term of this Lease an amount equal to one-twelfth of the semiannual rental rate per Unit prevailing during the term of the Lease so expired for each month (or part thereof) subsequent to such expiration and prior to such delivery, payable on the last business day of each month, to and including the month in which the Unit is returned.

13.02. Storage. Upon the expiration of the original or any extended term of this Lease, the Lessee will permit the Lessor to store the Units upon such storage tracks as the Lessee shall determine 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, 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. During any storage period provided for in this Section, 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 for any injury to or the death of any person exercising the rights of inspection granted under this sentence, either on behalf of the Lessor or any prospective purchaser, except in the case of negligence of the Lessee or of its employees or agents.

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.

13.03. Condition of Units. 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 movement under its own power 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 8.02 hereof.

13.04. Specific Performance. The assembling, delivery, storage and transporting of the Units as set forth above 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. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 15 days after the end of the term or any extended term of this Lease (or when such performance is due pursuant to the instructions given in accordance with Section 13.01 hereof), the Lessee shall promptly pay to the Lessor for each day after such 10-day period an amount equal to 0.03736% of the Purchase Price of such Unit. If such default continues for 90 days from the date when performance was due, the Lessor shall have the option to sell such Unit on an "as is, where is and with all faults" basis to the Lessee for cash in an amount equal to the higher of the Casualty Value of such Unit or the Fair Market Value of a similar locomotive reconstructed in 1980 and maintained in accordance with the Standards provided for herein.

13.05. Lease Extended Until Delivery of Units. 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 the term and the amount of rental and period of payment therefor) shall continue to apply to such Unit.

Section 14. Filing.

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.

15.01. Assumptions. (1) The parties hereto agree that the Owner, as the beneficial owner 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 Owner 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, of the 150 percent declining balance method authorized by the Treasury Regulation § 1.167(a)-11(c)(i)(iv)(b)(2) switching to the straightline 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), utilizing a 12-year depreciable life, which is the lower limit listed in Rev. Proc. 77-10, 1977-1 C.B. 548, for property in Asset Guideline Class No. 00.25, (E) 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 (F) 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 Owner in 1980 will be the same as that prevailing on June 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 Owner 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 Owner with respect to the Units and all deductions allowable to the Owner 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 Section 15.01 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.

15.02. Representations and Warranties of Lessee.
(1) The Lessee represents and warrants that

(A) 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 by the Owner and will be deemed to have been placed in service by the Owner in the taxable year of the Owner during which the date of acceptance of such Unit occurs under this Lease and the Owner will be treated as having directed the reconstruction of the Hulks;

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

(C) 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;

(D) when each Unit is delivered and accepted under the RCSA and related documents, neither the Lessee nor any party referred to in Section 15.01(3) hereof will have claimed or intends to claim the Investment Credit or the ADR Deductions with respect thereto;

(E) the Lessee will not at any time during the term of this Lease use or fail to use or permit the use of any Unit in such a way as to disqualify it as "section 38 property" within the meaning of Section 48(a) of the Code; and

(F) at all times during the original term of this Lease and renewal periods thereof, the Owner 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 15-3/4 years and residual value at the end of the original lease term equal to at least 20% of the Purchase Price of such Unit and each Unit will be useful and usable by a party other than the Lessee or any of its affiliates at the end of the original term, and each Unit will be capable of continued leasing and transfer to another party at that time.

15.03. 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 Section 15.01(3) hereof or by any sublessee or assignee of the

Lessee, the Owner shall lose the right to claim, shall suffer a disallowance of or shall be required to recapture all or any portion of the Investment Credit, the Interest Deductions or the ADR Deductions (any such event is called a "Loss"), then the Lessee shall pay the 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 terminated, within 30 days after demand), and on each rental payment date thereafter during the remaining term of this Lease, such amount or amounts as in the reasonable opinion of the Owner, after due consultation with the Lessee, shall cause the Owner's Net Economic Return to equal the Net Economic Return that would have been realized by the Owner if such Loss had not occurred.

(2) In the event that the 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 the Owner, in lieu of the amount provided for in clause (1) of this Section 15.03, such amount or amounts from time to time as, after deduction of all taxes required to be paid by the 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 the 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 the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Loss occurred, then the Owner shall pay the Lessee the amount of such difference in taxes plus any additional tax benefits realized by the Owner as the result of such payment; provided, however, that the 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 the Owner pursuant to this clause (2) in respect of a Loss less (y) the amount of all prior payments by the Owner to the Lessee hereunder. The amount payable to the Owner pursuant to this clause (2) shall be paid within 30 days after receipt of a written demand therefor from the Owner accompanied by a written statement describing in reasonable detail such Loss and the computation of the amount so payable (but not prior to (x) in the case of amounts which are being contested in

accordance with Section 15.04 hereof, the time provided therein, and (y) in all other cases, 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). Any payment due to the Lessee from the Owner pursuant to this clause (2) shall be paid within 30 days after the Owner realized any such savings in its income taxes or additional tax benefits, as the case may be.

(3) If the 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 the Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by the 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 the 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 the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Capital Expenditure been made, then the 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 the 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 the Owner pursuant to this clause (3) in respect of any Capital Expenditures less (y) the amount of all prior payments by the Owner to the Lessee hereunder. The amount payable to the Owner pursuant to this clause (3) shall be paid within 30 days after receipt of a written demand therefor from the Owner (but not prior to payment by the 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 and, in the case of amounts which are being contested in accordance with Section 15.04 hereof, not prior to the time provided

therein) accompanied by a written statement describing in reasonable detail such inclusion and the computation of amount so payable. Any payment due to the Lessee from the Owner pursuant to this clause (3) shall be paid within 30 days after the Owner realizes any such savings in its income taxes or additional tax benefits, as the case may be. The Lessee agrees to give the 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 the Owner.

15.04. Contest Provisions. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of the Owner for which the Lessee would be required to indemnify the Owner pursuant to Section 15.03 hereof and the amount of the indemnity which the Lessee would be required to pay would exceed $25,000 (or a lesser amount if the Lessee certifies to the Owner that the proposed adjustment raises issues which are material to the Lessee or the railroad industry) then, if requested by the Lessee in a timely written request, the Owner shall request an opinion from outside counsel selected by the Owner and approved by the Lessee, which approval shall not be unreasonably withheld ("Tax Counsel") as to whether there exists a reasonable basis in law and in fact in favor of allowance of the item proposed to be adjusted. If the opinion is to that effect and if the Lessee promptly requests the Owner to do so, the Owner shall contest the proposed adjustment; provided, however, that the Owner 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 the Owner shall undertake judicial action with respect to the proposed adjustment, the court or other judicial body before which such action shall be commenced. The Owner shall have full control over any contest pursuant to this Section and, unless the Lessee requests a second opinion of Tax Counsel and such opinion is to the effect that there exists a reasonable basis in law and in fact in favor of continuing to contest the proposed adjustment to a higher court, the Owner 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 Section, the Owner may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify the Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

(2) The Owner shall not be required to take any action pursuant to this Section unless and until the Lessee shall have agreed to indemnify the Owner in a manner reasonably satisfactory to the Owner for any liability or loss which the Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to the Owner on demand all costs and expenses which the Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner and the reasonable fees and disbursements of Tax Counsel in providing the opinions called for in this Section). If the Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to the Owner an amount subject to refund as hereinafter provided in the event of a favorable determination 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 the 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, the Owner shall return to the Lessee the amount of such refund together with any interest received by it on such amount. If the Lessee advances to the Owner pursuant to the immediately preceding sentence an amount in excess of the tax, interest, penalties and additions to tax paid by the Owner in connection with such contest to compensate the Owner for its tax liability, if any, upon receipt of such advance by the Lessee (the "Excess Advance"), then upon receipt of a refund by the Owner, the Owner shall return to the Lessee an amount, not greater than the Excess Advance, which after giving effect to such payment, will restore the Owner to the same after-tax cash position it would have been in had the adjustment with respect to which the refund relates never been proposed. The Lessee shall be obligated to pay the Owner the amount specified in Section 15.03 hereof promptly after the Owner has taken all the action that it has agreed in this Section 15 to take.

15.05. 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 the Owner as an indemnity, on the next succeeding rental payment date after written notice to the Lessee by the Owner, such amount which after deduction of all taxes required to be paid by the 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 the Owner would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credit to which the 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.

15.06. Exceptions. Notwithstanding the foregoing provisions, the Lessee shall not be required to indemnify the Owner 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) disposition by the Owner of its 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 an 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 Owner to claim the proper credit or deductions contemplated by Section 15.01 hereof; (iv) the failure of the Owner to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; (v) any change or modification in the Code which is enacted and becomes effective after the date of the Certificate of Acceptance for the last Unit placed under this Lease or a change in the income tax regulations, published administrative interpretations or judicial decisions thereunder which is both published and effective after the date of the Certificate of Acceptance for the last Unit placed under this Lease; (vi) the tax status of the trust purported to be created by the Trust Agreement; (vii) the participation in the residual value of any Unit at the expiration of the original term of this Lease by any party other than the Owner or the trust purported to be created under the Trust Agreement; or (viii)

any act or omission of the Owner other than as contemplated or permitted by this Lease, the RCSA, the Participation Agreement, the Trust Agreement, the Transfer Agreement, the Hulk Purchase Agreement or the Lease Assignment and except acts and omissions of the Owner after the occurrence of an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default.

15.07. 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 the Owner with such data as may be required to confirm amounts covered by this Section 15.

15.08. Recomputation of Casualty Values. If any amount is paid by the Lessee to the Owner pursuant to this Section 15, the Owner 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 the Owner 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 RCSA.

15.09. Additional Definitions. For purposes of this Section 15, the term "Owner" shall include Ingersoll-Rand Financial Corporation and shall also include any member of an affiliated group, within the meaning of Section 1504 of the Code, of which Ingersoll-Rand Financial Corporation is or may become a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

15.10. 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.

15.11. Payments. Any payments made pursuant to this Agreement shall be made directly to the Owner by wire

transfer of immediately available funds to the account set forth in Section 2.01 of the Trust Agreement or in such other manner as the Owner may direct.

15.12. 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.

15.13. 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 Amounts.

The Lessee shall promptly pay an amount equal to interest at the higher of 14% per annum or 150% of the Prime Rate on any overdue rentals or other obligations hereunder for the period of time during which they are overdue, to the extent 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 Lessee, at 400 West Madison Street, Chicago, Illinois 60606, attention of Assistant Vice President, Finance;

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

(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 Owner, at the address 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; Headings.

18.01. 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.

18.02. Headings. The table of contents and all Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

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 Owner and any assignee of the Owner.

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 Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Section 22. Immunities; Severability.

22.01. Immunities. 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 Owner hereunder (except, with respect to the Owner, 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 Owner 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.

22.02. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction 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.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

by

_____

[Corporate Seal]

Attest:

_____

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

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 July 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	Description	Railroad Road Numbers (both inclusive)
16	GP-7 Locomotives	CNW 4284-4299
4	GP-9 Locomotives	CNW 4546-4549

Lease of Railroad Equipment

SCHEDULE B

Casualty Values

Table 1

Rental Payment Date	Percentage of Purchase Price	Rental Payment Date	Percentage of Purchase Price
1/1/81	90.08	7/1/87	70.14
7/1/81	91.19	1/1/88	65.51
1/1/82	90.43	7/1/88	62.65
7/1/82	90.98	1/1/89	57.82
1/1/83	89.28	7/1/89	54.26
7/1/83	89.34	1/1/90	49.06
1/1/84	86.80	7/1/90	44.98
7/1/84	86.35	1/1/91	39.54
1/1/85	83.26	7/1/91	35.09
7/1/85	82.10	1/1/92	29.70
1/1/86	78.34	7/1/92	25.10
7/1/86	76.67	1/1/93	20.00
1/1/87	72.52	(and for any applicable period, including any storage period, thereafter)	

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Credit. 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	19.23
Fifth	12.82
Seventh	6.41

EXHIBIT C
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of July 1, 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 July 1, 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner"), 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 CHICAGO AND NORTH WESTERN TRANSPORTATION 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 reconstructed by the Lessee and delivered to and accepted by the Lessor thereunder.

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

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 Owner 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 Owner 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, 8 and 9.02 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to 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 Section 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 Payments to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments 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 a Declaration of Default (as defined in the RCSA) has not been made under the RCSA, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, in immediately available funds, not later than the first business day following receipt of such balance. If

the Vendor shall not receive any payment under Section 2 or 6 of the Lease when due, the Vendor shall promptly notify the Lessor and the Owner 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 Section 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 (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 Section 3.10 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 take any action under Section 9.01(B) 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 Owner 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 Owner, 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

_____

Attest:

_____

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

[Corporate Seal]

by

_____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

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

On this day of July 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 July 1980, before me personally appeared Russell 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.

_____
Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the "Lessee"), the lessee named in the Lease of Railroad Equipment (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 11:00 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: CNW 7/1/80" (or at such other address as may be furnished in writing 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) without the prior written consent of the Vendor, the Lease shall not 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 Illinois.

Dated as of July 1, 1980

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

[Corporate Seal] by

Attest: Senior Vice President

Assistant Secretary

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

HULK PURCHASE AGREEMENT

Dated as of July 1, 1980

Between

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

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY.

HULK PURCHASE AGREEMENT dated as of July 1, 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner"), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Seller"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, 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 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 Buyer will grant to the Agent security title in the Hulks pursuant to a Transfer Agreement dated as of the date hereof (the "Transfer Agreement"). 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 the parties hereto. The Agent will transfer its interest in the units to the Buyer upon completion of reconstruction, reserving a security interest therein.

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 the Hulks 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 agent or 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 cannot be reconstructed in accordance with the specifications provided in the RCSA on or before December 31, 1980; (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 reconstructed)

when added to the Purchase Price of those Hulks (when reconstructed) 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 October 15, 1980.

2. Noncompleted Hulks; Insurance; Casualty Payments. 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, on October 15, 1980, the Seller determines with regard to any Hulk as to which reconstruction has not commenced 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, the Seller agrees to purchase such Hulk on October 15, 1980, at a price equal to the Hulk Purchase Price of such Hulk plus interest thereon at the higher of 13% per annum or the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities (the "Prime Rate") from the Hulk Purchase Date to such date. If any Hulks (other than any Hulks purchased by the Seller on October 15, 1980, in accordance with this Section) are not reconstructed and accepted pursuant to the RCSA on or before March 15, 1981 (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 an "as is, where is and with all faults" basis. 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 March 15, 1981, 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.

The Seller will, at all times until completed units are delivered and accepted under the RCSA, at its own expense, cause to be carried and maintained property insurance in respect of the Hulks; provided, however, that the Seller may self-insure such Hulks to the extent it self-insures similar equipment under reconstruction and to the extent such self-insurance is consistent with prudent industry practice. In the event that any Hulk is irreparably destroyed by fire, flood or other similar event, the Seller shall pay to the Buyer a casualty payment in the amount of the Hulk Purchase

Price of such Hulk plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of payment, and upon making such casualty payment such Hulk shall be excluded from this Agreement without further liability on the part of the Seller or the Buyer with respect to such Hulk, and the Buyer will furnish to the Seller any necessary instrument to transfer its interest in such Hulk to the Seller. Provided that the Seller has made such casualty payment to the Buyer, it shall be entitled to retain any insurance proceeds paid in respect of such Hulk to the extent of such payment and shall pay any excess to the Seller.

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 Section 14.01 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subsections (c) and (d) 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. In consideration of the execution and delivery of the Transfer Agreement by the Buyer, the Agent will pay to the Seller the Hulk Purchase Price of the Hulks on July 15, 1980, or on such other date as the Hulks are validly accepted hereunder (the "Hulk Purchase Date"), from the amounts available to the Agent from the Interim Investor (as defined in the Participation Agreement) pursuant to the terms of the Participation Agreement (the "Interim Hulk Payment") and the down payment equal to 22.00416% of the Hulk Purchase Price to be paid to the Agent by the Buyer (the "Equity Hulk Payment"), provided that there shall have been delivered to the Agent and the Buyer the following documents:

(a) the bill or bills of sale with respect to such Hulks (the "Bill of Sale"), dated as of the Hulk Purchase Date, setting forth the quantity, description, the Seller's identifying numbers and place of delivery of such 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 was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever;

(b) a certificate or certificates of acceptance (the "Hulk 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;

(c) the Seller's invoice (the "Hulk Invoice") for such Hulks, setting forth the Hulk Purchase Price thereof; and

(d) a written opinion of counsel for the Seller dated the date of the Bill of Sale, addressed to the Buyer and the Agent 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.

The Seller will give to the Buyer and the Agent notice of the payments to be made at least three days prior to the Hulk Purchase Date.

5. Payment to Agent upon Noncompletion of Hulks. The Buyer will pay to the Agent for the account of the Interim Investor an amount equal to the Interim Hulk Payment with respect to any Hulk purchased on October 15, 1980, by the Seller in accordance with Section 2 hereof and for any Noncompleted Hulk, plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of such payment, payable on the respective dates that payment is due to the Buyer pursuant to Section 2 hereof. Upon such payment, the Agent will furnish the Buyer, at the Buyer's expense, all necessary instruments to transfer its security title in the Hulks to the Buyer.

6. 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.

7. 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 (in both its individual and fiduciary capacities) 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 other 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 (except as provided in Section 2 hereof). 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.

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, 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 Owner

hereunder (except, with respect to the Owner, 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 Owner 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 Illinois.

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,

by

_____

[Corporate Seal]

Attest:

_____

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

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

On this day of July 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 ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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.

Notary Public

[Notarial Seal]

My Commission Expires

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

On this day of July 1980, before me personally appeared Russell 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.

_____
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
16	GP-7 Locomotives	CNW 1530	$70,000	$1,120,000
		1536		
		1538		
		1542		
		1545		
		1557		
		1566		
		1571		
		1572		
		1575		
		1578		
		1589		
		1598		
		1626		
		1650		
		1656		
4	GP-9 Locomotives	1748	70,000	280,000
		1749		$1,400,000
		1764		
		1768		

[CS&M Ref. 2043-985]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of July 1, 1980

Between

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

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Builder,

and

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

[Covering 20 Reconstructed Locomotives]

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 July 1, 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"), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner").

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 Owner 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 sell security title in the Equipment upon completion of reconstruction to the Vendee. Beneficial ownership of the Hulks and the Equipment shall at all times be in the Vendee on behalf of the Owner, and nothing in this Agreement (except as provided in Article 15 hereof) shall be construed so as to deprive the Vendee and the Owner 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 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 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 of the Owner delivered to the Builder prior to the commencement of reconstruction of any Hulk 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"). 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

2.01. Delivery of Units. The Builder will deliver the units of Equipment to the Vendee at such place or places within the United States of America 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 accept any Hulk on behalf of the Vendee under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if (A) the Builder does not reasonably anticipate that it is economically feasible to reconstruct such Hulk or that such Hulk will be fully reconstructed within 90 days following such 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 Section 14.01 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; (c) that there are not sufficient Available Investors' Funds (as defined in Article 3 hereof) to settle for such Hulk in accordance with Article 3 hereof; or (d) 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 of all other Hulks when reconstructed which previously have been validly accepted under the Hulk Purchase Agreement, would cause the aggregate Purchase Price to exceed the Maximum Purchase Price (as defined in Article 3 hereof).

2.02. Force Majeure. The Builder's obligations as to time of delivery pursuant to Section 2.01 hereof shall be subject to delays resulting from any and all causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes or other labor conditions, accidents, fires, floods, explosions, damage to plant equipment or facilities, epidemics, quarantine restrictions, delays or defaults of subcontractors, failure to receive necessary materials or supplies or inability to obtain fuel, light or power; provided, however, that if the Builder shall not deliver any Unit as previously specified on or prior to March 15, 1981, regardless of any events which might otherwise be deemed to constitute

force majeure, and without limiting the rights and remedies of the parties hereto, Section 2 of the Hulk Purchase Agreement with respect to the sale of Noncompleted Hulks (as therein defined) shall apply. Notwithstanding the provisions hereof, if the Builder delivers no units of Equipment to the Vendee on or before March 15, 1981, the Builder shall pay to the Vendee on May 15, 1981, as liquidated damages for the loss of a bargain and not as a penalty, the higher of the net sales proceeds outlined in Section 2 of the Hulk Purchase Agreement or the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of the Hulks plus interest thereon at the higher of 13% per annum or the Prime Rate (as defined in the Hulk Purchase Agreement) from the Hulk Purchase Date under the Hulk Purchase Agreement to the date of payment.

2.03. Inspection. 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 Vendee. The Builder shall grant to the authorized inspectors of the Vendee access to all portions of its plants where Hulks are being reconstructed; provided, however, that the Vendee will indemnify and hold the Builder harmless from all demands, judgments, costs, expenses or any other claimed liability (including reasonable counsel fees) resulting from injury or death to any authorized inspector of the Vendee or damage to property caused solely by the negligence of such authorized inspector. 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 authorized 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 authorized inspector 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

3.01. Hulk Purchase Price, Reconstruction Cost

and Purchase Price. 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 between the Builder 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 shall be unconditionally obligated to pay the 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 $6,460,000.

3.02. Closing Dates. For the purpose of settlement therefor, the Equipment shall be divided into not more than five groups (the "Groups") of units unless the Vendee and the Builder shall otherwise agree. The parties hereto agree to use best efforts to comply with the schedule of closing dates set forth in Schedule B hereto; provided, however, that the Vendee and the Builder may agree on such other dates as occur before April 1, 1981 (the "Cut-Off Date") (each such date is called a "Closing 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 for the Reconstruction Cost (addressed to the Vendor and approved as to price by the Vendee) not less than five 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 100/77.99584% 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 to the Vendee and the Vendor 10 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; New York, New York; or Chicago, Illinois; 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.

3.03. Payment to Vendor. The Vendee hereby

acknowledges itself to be indebted to the Vendor in the amount of the aggregate Purchase Price of each Group less the Equity Hulk Payment (as defined in Section 4 of the Hulk Purchase Agreement) for the Hulks from which the units in such Group were reconstructed, 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 23 semiannual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to the lesser of (y) 77.99584% of the aggregate Purchase Price of the units in such Group as set forth in the invoice or invoices therefor or (z) the Available Investors' Funds; and

(b) on the Closing Date with respect to such Group, an amount (the "Down Payment") equal to the aggregate Purchase Price of the units of Equipment in such Group, less (y) the amount payable pursuant to subsection (a) of this Section and (z) such Equity Hulk Payment; 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 Section 3.08 hereof.

3.04. CSA Indebtedness. The installments of the CSA Indebtedness shall be payable in 23 consecutive semi-annual installments on January 1 and July 1 in each year, commencing July 1, 1981, to and including July 1, 1992, 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 January 1, 1981, and July 1, 1981, and thereafter on January 1 and July 1 in each year, to and including July 1, 1992; provided, however, there shall be credited on the amount of interest payable on January 1, 1981, an amount equal to interest at the rate of 13% per annum from such Closing Date to the Take-Out Date (as defined in the Participation Agreement). The installments of principal and amounts of interest payable on each Payment Date shall be calculated to be substantially in proportion to the amount and allocation of principal and interest set forth in Schedule C hereto 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 Payment Date.

3.05. Calculation of Interest. 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 January 1, 1981, shall be calculated on an actual elapsed day, 360-day year, basis.

3.06. Penalty Interest. 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.

3.07. Method of Payment; Prepayment. 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 immediately available funds in the city where such payments are due not later than 11:00 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 terminate the Lease as provided in Article 14 hereof.

3.08. Payment to Builder. On the Closing Date with respect to each Group, the Vendor shall pay to the Builder an amount equal to the Reconstruction Cost of such Group in immediately available funds from the proceeds of the Available Investors' Funds and the Down Payment against the obligation of the Vendee to make such payment to the Builder; 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, if the reconstruction cost per unit is greater than that set forth in Schedule A hereto, such invoices shall be accompanied by or have endorsed thereon the approval of the Vendee) and a certification by the Builder that the Reconstruction Cost stated therein has been calculated as provided in Section 3.01 hereof and does not exceed the price that would be charged by an independent locomotive builder for comparable reconstruction;

(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 and title to the Equipment 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; and

(d) such other documents as the Vendor may reasonably request.

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 Section 3.03(b) hereof. 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.

3.09. Payment to Interim Investor. Upon pay-

ment to the Builder of the Reconstruction Cost with respect to the units in a Group on the respective Closing Date, the Vendor will pay to the Interim Investor (as defined in the Participation Agreement) from the proceeds of the Available Investors' Funds an amount equal to the Interim Hulk Payment (as defined in Section 4 of the Hulk Purchase Agreement) with respect to the Hulks from which such units were reconstructed.

3.10. Vendee Liability Limited to "Income and Proceeds from the Equipment". 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 Section 1.03 of the Trust Agreement and Section 3.03(b) hereof and the obligations set forth in the proviso in Section 11.03 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 a Declaration of Default (as defined in Article 14 hereof) shall have been made, 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. 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 Section, it will limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this Section. 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 Builder under the Lease or the Consent.

ARTICLE 4

Title to Equipment

4.01. Retention of Security Interest. 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 8.02 of the Lease are owned by the Lessee.

4.02. Satisfaction of Obligations. 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, except that the Vendor, if so requested by the Vendee at that time, at the expense of the Vendee, 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 and (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. 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 the Vendee) or unless the Vendee shall have approved the payment thereof.

ARTICLE 6

Maintenance; Casualty Occurrences; Insurance

6.01. Maintenance. The Vendee, at its own cost and expense, will maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted.

6.02. Casualty Occurrences. 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.

6.03. Casualty Value. 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 Section, 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 Purchase Price of all the units of Equipment.

6.04. Insurance. 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 Section 6.06 of the Lease.

6.05. Insurance Proceeds and Condemnation Proceedings. 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

On or before May 31 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

Identification Marks

The Vendee will cause each unit of Equipment to be kept numbered and marked as provided in Section 4 of the Lease. Except as therein provided, 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 8.02 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, except as provided in Section 3 of

the Lease, 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

11.01. Vendee to Discharge Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee, the Owner 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, 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.

11.02. No Breach for Certain Liens. 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.

11.03. Limitation of Obligation. The foregoing provisions of this Article 11 shall be subject to the limitations set forth in Section 3.10 and 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 Owner 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 reasonable opinion of 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

12.01. Indemnities by Vendee. 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 Section 4.02 hereof, or the termination of this Agreement in any manner whatsoever.

12.02. Vendee to Bear Risk of Loss. 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.

12.03. No Warranties by Vendor. 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.

12.04. Warranties of Builder. 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 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.

12.05. Indemnification by Builder. The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee (in both its individual and fiduciary capacities) 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 Section.

12.06. No Modification of Builder's Indemnities. 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 Owner in connection with, relating to or arising out of the rights (whether or not exercised) of the Vendee 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 contract.

12.07. Benefit of Successors. 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 Owner, the Vendor or any lessor, lessee, assignee or transferee of this Agreement or of any units of Equipment.

ARTICLE 13

Assignment

13.01. No Transfer by Vendee. 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.

13.02. Transfer by Vendor. 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

Default

14.01. Events of Default. 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 Section 3.10 hereof or in Article 21 hereof):

(a) the Vendee shall fail to pay in full any sum payable by the Vendee pursuant to Article 3 or 6 hereof when payment thereof shall be due hereunder and such default shall continue for 15 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 Builder 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 Builder under the Lease and the Consent 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, the Owner or the Builder 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, the Owner or the Builder, 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, the Owner or the Builder, 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 15 days' prior written notice to the Vendee (such 15-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) subject to the terms of Section 3 of the Lease, 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, 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 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.

14.02. Waiver of Default. 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 Section, 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

15.01. Possession of Equipment. Subject to the terms of Section 3 of the Lease, 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 any 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.

15.02. Delivery of Equipment to Vendor. 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.

15.03. Retention of Equipment. Subject to the terms of Section 3 of the Lease, 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 CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. 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.

15.04. Sale of Equipment. Subject to the terms of Section 3 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice 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 CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then 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, the Vendee and (so long as an Event of Default is not continuing under the Lease) the Lessee 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.

15.05. Remedies Not Exclusive. 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.

15.06. Deficiency or Surplus. If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest 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 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.

15.07. Expenses. 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 Builder, at 400 West Madison Street, Chicago, Illinois 60606, attention of Assistant Vice President, Finance,

(c) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with copy to the Owner at West 80 Century Road, Paramus, New Jersey 07652, attention of Vice President, Lease Financing,

(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

21.01. Immunities. No recourse shall be had in respect of any obligation due under this Agreement or referred to herein against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties 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 being forever released as a condition of and as consideration for the execution of this Agreement.

21.02. Satisfaction of Undertakings. The obligations of the Vendee under Articles 2, 5, 6 (other than the requirements of delivery of certificates and payment schedules provided in Section 6.02), 7, 8, 9, 11 (other than the proviso to Section 11.03), 12 and 17 hereof and under Sections 15.02, 15.06 and 15.07 hereof and any other obligations hereunder except under Article 13 hereof not covered by the provisions of Section 3.10 hereof shall be deemed in all respects satisfied by the Builder's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Builder'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 Builder's undertakings under the Lease shall be effective unless joined in by the Vendor.

21.03. Limitation of Vendee's Liability. 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 Owner 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 Section 11.03 hereof and except, with respect to the Owner, 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 Owner 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.

21.04. Vendor Acting as Agent. 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 Illinois; 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 acknowledg-

ments 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, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

Senior Vice President

[Corporate Seal]

Attest:

Assistant Secretary

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

by

_____

[Corporate Seal]

Attest:

_____

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

On this day of July 1980, before me personally appeared Russell 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.

[Notarial Seal] _____ Notary Public

My Commission expires

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

On this 23 day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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.

Lee Swiontek
Notary Public

[Notarial Seal]

My Commission expires

LEE SWIONTEK
Notary Public
Cook Co. Illinois
My Commission Expires Oct. 27, 1980

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

On this day of July 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	Description	Old Railroad Road Numbers	New Railroad Road Numbers (both inclusive)	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Estimated Reconstruction Cost Per Unit	Estimated Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
16	GP-7 Locomotives	CNW 1530	CNW 4284-4299	$70,000	$1,120,000	$230,000	$3,680,000	$300,000	$4,800,000
		1536							
		1538							
		1542							
		1545							
		1557							
		1566							
		1571							
		1572							
		1575							
		1578							
		1589							
		1598							
		1626							
		1650							
		1656							
4	GP-9 Locomotives	CNW 1748	CNW 4546-4549	70,000	280,000	230,000	920,000	300,000	1,200,000
		1749							
		1764			$1,400,000		$4,600,000		$6,000,000
		1768							

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Assumed Closings

Closing Date	Number of Units	Estimated Reconstruction Cost
9/15/80	5	$1,150,000
10/15/80	5	1,150,000
11/15/80	5	1,150,000
12/15/80	5	1,150,000
		$4,600,000

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 Payment	Ending Principal
1/1/81	*	*	-0-	$1,000,000.00
7/1/81	86,068.63	65,000.00	21,068.63	978,931.37
1/1/82	86,068.63	63,630.54	22,438.09	956,493.28
7/1/82	86,068.63	62,172.06	23,896.57	932,596.71
1/1/83	86,068.63	60,618.79	25,449.84	907,146.87
7/1/83	86,068.63	58,964.55	27,104.08	880,042.79
1/1/84	86,068.63	57,202.78	28,865.85	851,176.94
7/1/84	86,068.63	55,326.50	30,742.13	820,434.81
1/1/85	86,068.63	53,328.26	32,740.37	787,694.44
7/1/85	86,068.63	51,200.14	34,868.49	752,825.95
1/1/86	86,068.63	48,933.69	37,134.94	715,691.01
7/1/86	86,068.63	46,519.92	39,548.71	676,142.30
1/1/87	86,068.63	43,949.25	42,119.38	634,022.92
7/1/87	86,068.63	41,211.49	44,857.14	589,165.78
1/1/88	86,059.54	38,295.78	47,763.76	541,402.02
7/1/88	81,238.04	35,191.13	46,046.91	495,355.11
1/1/89	81,206.36	32,198.08	49,008.28	446,346.83
7/1/89	73,961.28	29,012.54	44,948.74	401,398.09
1/1/90	76,319.87	26,090.88	50,228.99	351,169.10
7/1/90	79,141.27	22,825.99	56,315.28	294,853.82
1/1/91	86,068.63	19,165.50	66,903.13	227,950.69
7/1/91	86,068.63	14,816.79	71,251.84	156,698.85
1/1/92	86,068.63	10,185.43	75,883.20	80,815.65
7/1/92	86,068.63	5,253.02	80,815.65	-0-
	$1,941,093.11	$941,093.11	$1,000,000.00	

* Interest on the CSA Indebtedness to the extent accrued.

EXHIBIT A
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT
[CS&M Ref. 2043-985]

TRANSFER AGREEMENT

Dated as of July 1, 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 Chicago and North Western Transportation Company (the "Lessee") 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 (the "Participation Agreement") between the Lessee, 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 Lessee 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 Lessee.

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 Ingersoll Rand Financial Corporation 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 made 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 the Trust Agreement,

[Corporate Seal]

by

_____

Attest:

by

_____

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 July 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

TRANSFER AGREEMENT

ANNEX I

Quantity	Description	Railroad Road Numbers	
16	GP-7 locomotives	CNW	1530
			1536
			1538
			1542
			1545
			1557
			1566
			1571
			1572
			1575
			1578
			1589
			1598
			1626
			1650
			1656
4	GP-9 locomotives	CNW	1748
			1749
			1764
			1768

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1980

Between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

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

[Covering 20 Reconstructed Locomotives]

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 July 1, 1980, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner").

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 Owner, 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 such of the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign its interests in this Lease as 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").

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

Section 1. Delivery and Acceptance of Units.

Subject to the rights of the Owner 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 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.

2.01. Base Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 24 consecutive semiannual payments, in arrears, payable on January 1 and July 1 in each year, commencing July 1, 1981, each in an amount equal to 6.7244167% of the Purchase Price (as defined in the RCSA) of such Unit.

The Lessee further agrees to pay to the Lessor as interim rental for the Units subject to this Lease (all rates computed on an actual elapsed day, 360-day year basis), an amount equal to interest at the higher of 13% per annum or the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities (the "Prime Rate") (A) on October 15, 1980, and on each Closing Date (as defined in the RCSA) thereafter, on the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of the Hulks from which the Units settled for on such date (or, in the case of the October 15, 1980, payment, for all Units settled for on or before October 15, 1980) were reconstructed for the period from the Hulk Purchase Date (as defined in the Hulk Purchase Agreement) to such date (or, in the case of the October 15, 1980, payment, to the applicable Closing Date of each Unit settled for on or before October 15, 1980) and (B) on October 15, 1980, and January 1, 1981, on the Purchase Price of each Unit for the period from the Closing Date with respect to such Unit (or, in the case of the January 1, 1981, payment, from the later of the Closing Date with respect to such Unit or October 15, 1980) to such date.

2.02. Rental Adjustments. 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 up or down 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 the date the last Unit is placed under this Lease, if such change alters the tax assumptions defined in Section 15.01 hereof; (B) the aggregate Reconstruction Cost (as defined in the RCSA) of the Units is more or less than 76.67% of the aggregate Purchase Price of the Units or the aggregate CSA Indebtedness (as defined in the RCSA) with respect to all Units is less than 77.99584% of the aggregate Purchase Price of all Units; (C) any Closing Date is held on a date other than the date specified therefor in Schedule B of the RCSA; (D) the Purchase Price or number of units settled for on any Closing Date is different from the Purchase Price or number of units specified therefor in Schedule B of the RCSA; (E) any Unit is delivered and accepted after December 31, 1980; (F) 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 Hulk Purchase Price of such Units plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of sale; or (G) the Interim Investor (as defined in the Participation Agreement) holds any interest in the CSA Indebtedness after the Take-Out Date (as defined in the Participation Agreement). 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 Owner's reasonable judgment, in preserving for the Owner both the pre-tax rate of return and the net after-tax cash flow that would have been realized by the Owner 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 Owner 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 Owner 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. If and to the extent that any rental reductions that would have become effective pursuant to subsection (A) above due to a change in the Investment Credit (as defined in Section 15.01(1) hereof) would not be made due to the limitations set forth above after giving effect to all other adjustments required by this Section, then the Owner shall elect, pursuant to Section 48(d) of the Code and Section 1.48-4(f) of the income tax regulations, to treat the Lessee as having purchased the maximum number of Units (reduced to the nearest whole number) (possession of which shall have been or will be transferred to the Lessee in any year for which the Lessee's Federal income tax return shall not yet have been filed) as would be necessary to cause the Owner's Net Economic Return to be no greater than the Net Economic Return which the Owner would have realized if it had been able to adjust the rentals payable hereunder without regard to the limitations set forth above.

The Owner shall furnish the Lessee and the Vendor prior to the effective date of any adjustment made pursuant to this Section with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

2.03. Payment on Business Day. 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; New York, New York; or Chicago, Illinois; are authorized or obligated to remain closed. All payments under the Lease shall be made by bank wire transfer of Federal or other immediately available funds no later than 11:00 a.m. in the city where such payments are due.

2.04. Net Lease. 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 Owner or otherwise; nor,

except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or 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.

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; provided, however, that so long as (i) no Event of Default exists hereunder; (ii) the Lessee is complying with the provisions of the Consent; and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the RCSA (notwithstanding any limitation of the Lessor's liability in the RCSA) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession and use provided in Section 11 hereof.

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 as required by law, 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.

5.01. Indemnification by Lessee. The Lessee agrees for the benefit of the Lessor and the Owner 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 Owner, 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" or "impositions"), 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 or any other tax in lieu thereof imposed on the Owner, whether or not the Lessee is required to indemnify therefor pursuant to Section 15 hereof and (ii) the aggregate of all state or local taxes imposed within the United States of America on or measured by the net income of the Owner or the Lessor based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be

payable to the state and city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state and (iii) any state franchise tax which is not based on or measured by net income, 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. 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.

5.02. Payment. The Lessee shall be under no obligation to pay any imposition so long as the Lessee is contesting such imposition, at its own expense, in its own name and in good faith and by appropriate legal or administrative proceedings or so long as the Lessor or the Owner, as the case may be, is required to contest such imposition as provided in Section 5.06 hereof, and in any such case the nonpayment thereof does not, in the reasonable opinion of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the RCSA. If any imposition shall have been charged or levied against the Lessor or the Owner directly and paid by such party, the Lessee shall pay such party on presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or the Lessee shall have approved the payment thereof.

5.03. No Liability After Certain Events. 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.

5.04. Indemnification Pursuant to RCSA. 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 Section 5.01 hereof, 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; provided, however, that the Lessor shall have contested such imposition in good faith to the extent required under Section 5.06 hereof and to the extent permitted under the RCSA.

5.05. Reports. 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.

5.06. Contest by Owner or Lessor. If a claim is made against the Owner or Lessor for any imposition indemnified against under this Section 5, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such imposition by (a) resisting payment thereof, if legally permissible, (b) paying the same only under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such imposition previously reimbursed by the Lessee in connection with any such contest or of an amount representing interest thereon applicable to the amount paid by the Lessee for the period from such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest, net of expense, but only if 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.

5.07. Survival of Obligations. 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.

5.08. Evidence of Compliance. 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.

5.09. Ad Valorem Returns. 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.

5.10. Gross-Up. 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.

5.11. No Guarantee by Lessee. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the principal of or interest on the CSA Indebtedness or a guarantee of the residual value of any Unit.

Section 6. Maintenance; Casualty Occurrences; Insurance.

6.01. Maintenance. The Lessee, at its own cost and expense, will maintain and keep each Unit subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, to a standard at least equal to the standard and frequency of maintenance per-

formed on other similar locomotives owned or leased by it.

6.02. Casualty Occurrences. 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, or remains in an inoperable condition for a period of six months, 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 rental payment 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, if any, of removal of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof at the best price obtainable 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.

6.03. Casualty Value. 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 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, 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 by amendment to this Lease in order to preserve the Owner's Net Economic Return; 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.

6.04. Payment of Casualty Value, Disposal of Unit. 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 net proceeds of such sale (after deduction of any costs or expenses of removal of such Unit) 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.

6.05. Lessee to Bear Risk of Loss. 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.

6.06. Insurance. The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained (a) property insurance in respect of the Units at the time subject hereto; provided, however, that the Lessee may self-insure such Units to the extent it self-insures equipment similar to the Units and to the extent such self-insurance is consistent with prudent industry practice, and (b) public liability insurance with respect to third-party personal and property damage, in each case 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. The Lessee hereby transfers and assigns 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 property insurance to the extent such proceeds relate to the Units; provided, however, that so long as no Event of Default shall have occurred hereunder and the Lessee shall have made payment of the Casualty Values and accrued rentals in respect of such Units, the Lessee shall be entitled to retain an amount equal to such Casualty Values plus expenses incurred by it in connection with such damage to the Units. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor

and the Vendor and (ii) name the Lessor and the Vendor as additional named insureds and loss payees as their respective interests may appear. Prior to the first date of delivery of any Unit pursuant to the RCSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 6, the Lessee shall deliver to the Lessor evidence satisfactory to the Lessor of the insurance required to be maintained pursuant to this Section 6. The Lessee shall promptly notify the Lessor and the Vendor of any material change in the insurance maintained in accordance with this Section.

In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option provide such insurance (giving the Lessee prompt written notice thereof) and in such event the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof, together with interest thereon at the rate set forth in Section 16 hereof.

Section 7. Reports.

On or before May 31 in each year, commencing with the year 1981, the Lessee will cause to be furnished to the Lessor, the Owner and the Vendor an accurate statement as of the preceding December 31 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.

8.01. No Warranties by Lessor. 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.

8.02. Compliance with Applicable Laws. 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 (not including any storage period provided for in Section 13), 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 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 (which shall be owned by the Lessee unless they are required by any Applicable Law) provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. In addition, the Lessee, at its own cost and expense, may furnish any nonremovable additions, modifications or improvements to any Unit (which shall be owned by the Lessor) without the consent of the Lessor provided that such additions, modifications or improvements, when considered with all other nonremovable additions, modifications or improvements previously made by the Lessee to the Unit without the consent of the Lessor, (i) will not adversely effect the fair market value, the remaining useful life or the remarketability of such Unit, (ii) will not cause such Unit to become limited use property within the meaning of Rev. Proc. 76-30, (iii) will not substantially increase the productivity or capacity of such Unit over its productivity or capacity at the time it was delivered and accepted hereunder and (iv) will not modify such Unit for a materially different use.

8.03. Indemnification by Lessee. The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owner 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, 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 except (unless an Event of Default hereunder shall have occurred) those caused by the gross negligence or wilfull misconduct of the Lessor or the Owner. 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 Section 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 8.03 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 Section 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.

8.04. No Modification of Indemnities. 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 Owner 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.

8.05. Preparation of Reports. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any 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.

9.01. Events of 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 2.01, 6.02 or 12.01 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 30 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 and the Consent 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;

(e) any other 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 proves to be false or misleading in any material respect as of the date of issuance or making thereof;

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 Owner 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 Owner 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 where any of the Units may be and take possession of all or any of such Units and thenceforth possess, sell, operate, lease to others and use 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 semiannually 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.

9.02. Lessor May Act for Lessee. 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 higher of 14% per annum or 150% of the Prime Rate, to the extent legally enforceable.

9.03. Remedies Not Exclusive. 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.

9.04. No Waiver. 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 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 an Event of Default has occurred hereunder 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 0.03736% 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.

11.01. Assignment by Lessor. This Lease shall not be assignable by the Lessor without the consent of the Lessee, except that certain 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) may be assigned to the Vendor pursuant to the Lease Assignment.

11.02. Discharge of Liens. 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. 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; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the RCSA.

11.03. Possession and Use; Sublease. 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 Section 11.05 hereof) and the RCSA. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. The Lessee may also sublease the Units to responsible railroad sublessees for periods of up to six months without the prior consent of the Lessor; provided, however, that such sublease shall expressly be subject to this Lease and the Lessee shall remain primarily liable for all obligations

to be fulfilled by it hereunder. 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. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, allow any Unit to pass out of its possession or control, except to the extent permitted by this Section.

11.04. No Restriction of Transfer Upon Merger. 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 railroad 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 or leased all or substantially all the railroad properties of the Lessee; provided that such assignee, lessee or transferee will not upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety; and provided further, however, that the net worth of such assignee, lessee or transferee, after giving effect to such merger or consolidation, shall be at least equal to the net worth of the Lessee at the time of such merger, consolidation, lease or acquisition.

11.05. Operation Outside United States. 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.

12.01. Renewal Option. 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 subject to 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 each rental payment shall be the Fair Market Rental (as hereinafter defined), payable, in arrears, in semiannual 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 % 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) 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 are owned by the Lessee pursuant to Section 8.02 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 an 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 shared equally by the Lessee and the Lessor.

12.02. Duty to First Offer. 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 (and written notice of the Lessor's estimate of the Fair Market Value of the Units) at least 30 days 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 may exercise such purchase right by delivery to the Lessor of a written notice within 10 days of receipt of notice from the Lessor, indicating whether it accepts the Lessor's estimate of the Fair Market Value of the Units or that such Fair Market Value shall be determined in accordance with the appraisal procedure set forth in Section 12.01 hereof, and specifying a date of purchase not later than the latest of (i) 30 days after the date of delivery of such notice by the Lessee to the Lessor, (ii) 90 days after the expiration of such term of this Lease or (iii) 10 business days after completion of the appraisal procedure, if applicable. 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.

13.01. Return of Units. 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 upon such storage tracks of the Lessee as the Lessor and the Lessee shall determine; 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 5 Units (or such other number as may be agreed to by the Lessor and the Lessee) under this Lease; provided further, however, that the Lessee shall incur no liability (other than for rental or casualty value payments) to the Lessor or to any person claiming by, through or under the Lessor, if the Lessee is unable to deliver Units in each consecutive calendar month as a result of circumstances

constituting force majeure. If the Lessor gives to the Lessee such instruction, the Lessee shall pay as rent to the Lessor for each Unit not delivered to the Lessor in accordance with such instruction upon the expiration of the original or any extended term of this Lease an amount equal to one-twelfth of the semiannual rental rate per Unit prevailing during the term of the Lease so expired for each month (or part thereof) subsequent to such expiration and prior to such delivery, payable on the last business day of each month, to and including the month in which the Unit is returned.

13.02. Storage. Upon the expiration of the original or any extended term of this Lease, the Lessee will permit the Lessor to store the Units upon such storage tracks as the Lessee shall determine 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, 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. During any storage period provided for in this Section, 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 for any injury to or the death of any person exercising the rights of inspection granted under this sentence, either on behalf of the Lessor or any prospective purchaser, except in the case of negligence of the Lessee or of its employees or agents.

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.

13.03. Condition of Units. 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 movement under its own power 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 8.02 hereof.

13.04. Specific Performance. The assembling, delivery, storage and transporting of the Units as set forth above 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. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 15 days after the end of the term or any extended term of this Lease (or when such performance is due pursuant to the instructions given in accordance with Section 13.01 hereof), the Lessee shall promptly pay to the Lessor for each day after such 10-day period an amount equal to 0.03736% of the Purchase Price of such Unit. If such default continues for 90 days from the date when performance was due, the Lessor shall have the option to sell such Unit on an "as is, where is and with all faults" basis to the Lessee for cash in an amount equal to the higher of the Casualty Value of such Unit or the Fair Market Value of a similar locomotive reconstructed in 1980 and maintained in accordance with the Standards provided for herein.

13.05. Lease Extended Until Delivery of Units. 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 the term and the amount of rental and period of payment therefor) shall continue to apply to such Unit.

Section 14. Filing.

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.

15.01. Assumptions. (1) The parties hereto agree that the Owner, as the beneficial owner 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 Owner 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, of the 150 percent declining balance method authorized by the Treasury Regulation § 1.167(a)-11(c)(i)(iv)(b)(2) switching to the straightline 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), utilizing a 12-year depreciable life, which is the lower limit listed in Rev. Proc. 77-10, 1977-1 C.B. 548, for property in Asset Guideline Class No. 00.25, (E) 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 (F) 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 Owner in 1980 will be the same as that prevailing on June 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 Owner 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 Owner with respect to the Units and all deductions allowable to the Owner 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 Section 15.01 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.

15.02. Representations and Warranties of Lessee.
(1) The Lessee represents and warrants that

(A) 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 by the Owner and will be deemed to have been placed in service by the Owner in the taxable year of the Owner during which the date of acceptance of such Unit occurs under this Lease and the Owner will be treated as having directed the reconstruction of the Hulks;

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

(C) 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;

(D) when each Unit is delivered and accepted under the RCSA and related documents, neither the Lessee nor any party referred to in Section 15.01(3) hereof will have claimed or intends to claim the Investment Credit or the ADR Deductions with respect thereto;

(E) the Lessee will not at any time during the term of this Lease use or fail to use or permit the use of any Unit in such a way as to disqualify it as "section 38 property" within the meaning of Section 48(a) of the Code; and

(F) at all times during the original term of this Lease and renewal periods thereof, the Owner 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 15-3/4 years and residual value at the end of the original lease term equal to at least 20% of the Purchase Price of such Unit and each Unit will be useful and usable by a party other than the Lessee or any of its affiliates at the end of the original term, and each Unit will be capable of continued leasing and transfer to another party at that time.

15.03. 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 Section 15.01(3) hereof or by any sublessee or assignee of the

Lessee, the Owner shall lose the right to claim, shall suffer a disallowance of or shall be required to recapture all or any portion of the Investment Credit, the Interest Deductions or the ADR Deductions (any such event is called a "Loss"), then the Lessee shall pay the 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 terminated, within 30 days after demand), and on each rental payment date thereafter during the remaining term of this Lease, such amount or amounts as in the reasonable opinion of the Owner, after due consultation with the Lessee, shall cause the Owner's Net Economic Return to equal the Net Economic Return that would have been realized by the Owner if such Loss had not occurred.

(2) In the event that the 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 the Owner, in lieu of the amount provided for in clause (1) of this Section 15.03, such amount or amounts from time to time as, after deduction of all taxes required to be paid by the 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 the 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 the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Loss occurred, then the Owner shall pay the Lessee the amount of such difference in taxes plus any additional tax benefits realized by the Owner as the result of such payment; provided, however, that the 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 the Owner pursuant to this clause (2) in respect of a Loss less (y) the amount of all prior payments by the Owner to the Lessee hereunder. The amount payable to the Owner pursuant to this clause (2) shall be paid within 30 days after receipt of a written demand therefor from the Owner accompanied by a written statement describing in reasonable detail such Loss and the computation of the amount so payable (but not prior to (x) in the case of amounts which are being contested in

accordance with Section 15.04 hereof, the time provided therein, and (y) in all other cases, 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). Any payment due to the Lessee from the Owner pursuant to this clause (2) shall be paid within 30 days after the Owner realized any such savings in its income taxes or additional tax benefits, as the case may be.

(3) If the 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 the Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by the 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 the 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 the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Capital Expenditure been made, then the 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 the 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 the Owner pursuant to this clause (3) in respect of any Capital Expenditures less (y) the amount of all prior payments by the Owner to the Lessee hereunder. The amount payable to the Owner pursuant to this clause (3) shall be paid within 30 days after receipt of a written demand therefor from the Owner (but not prior to payment by the 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 and, in the case of amounts which are being contested in accordance with Section 15.04 hereof, not prior to the time provided

therein) accompanied by a written statement describing in reasonable detail such inclusion and the computation of amount so payable. Any payment due to the Lessee from the Owner pursuant to this clause (3) shall be paid within 30 days after the Owner realizes any such savings in its income taxes or additional tax benefits, as the case may be. The Lessee agrees to give the 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 the Owner.

15.04. Contest Provisions. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of the Owner for which the Lessee would be required to indemnify the Owner pursuant to Section 15.03 hereof and the amount of the indemnity which the Lessee would be required to pay would exceed $25,000 (or a lesser amount if the Lessee certifies to the Owner that the proposed adjustment raises issues which are material to the Lessee or the railroad industry) then, if requested by the Lessee in a timely written request, the Owner shall request an opinion from outside counsel selected by the Owner and approved by the Lessee, which approval shall not be unreasonably withheld ("Tax Counsel") as to whether there exists a reasonable basis in law and in fact in favor of allowance of the item proposed to be adjusted. If the opinion is to that effect and if the Lessee promptly requests the Owner to do so, the Owner shall contest the proposed adjustment; provided, however, that the Owner 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 the Owner shall undertake judicial action with respect to the proposed adjustment, the court or other judicial body before which such action shall be commenced. The Owner shall have full control over any contest pursuant to this Section and, unless the Lessee requests a second opinion of Tax Counsel and such opinion is to the effect that there exists a reasonable basis in law and in fact in favor of continuing to contest the proposed adjustment to a higher court, the Owner 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 Section, the Owner may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify the Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

(2) The Owner shall not be required to take any action pursuant to this Section unless and until the Lessee shall have agreed to indemnify the Owner in a manner reasonably satisfactory to the Owner for any liability or loss which the Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to the Owner on demand all costs and expenses which the Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner and the reasonable fees and disbursements of Tax Counsel in providing the opinions called for in this Section). If the Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to the Owner an amount subject to refund as hereinafter provided in the event of a favorable determination 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 the 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, the Owner shall return to the Lessee the amount of such refund together with any interest received by it on such amount. If the Lessee advances to the Owner pursuant to the immediately preceding sentence an amount in excess of the tax, interest, penalties and additions to tax paid by the Owner in connection with such contest to compensate the Owner for its tax liability, if any, upon receipt of such advance by the Lessee (the "Excess Advance"), then upon receipt of a refund by the Owner, the Owner shall return to the Lessee an amount, not greater than the Excess Advance, which after giving effect to such payment, will restore the Owner to the same after-tax cash position it would have been in had the adjustment with respect to which the refund relates never been proposed. The Lessee shall be obligated to pay the Owner the amount specified in Section 15.03 hereof promptly after the Owner has taken all the action that it has agreed in this Section 15 to take.

15.05. 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 the Owner as an indemnity, on the next succeeding rental payment date after written notice to the Lessee by the Owner, such amount which after deduction of all taxes required to be paid by the 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 the Owner would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credit to which the 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.

15.06. Exceptions. Notwithstanding the foregoing provisions, the Lessee shall not be required to indemnify the Owner 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) disposition by the Owner of its 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 an 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 Owner to claim the proper credit or deductions contemplated by Section 15.01 hereof; (iv) the failure of the Owner to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; (v) any change or modification in the Code which is enacted and becomes effective after the date of the Certificate of Acceptance for the last Unit placed under this Lease or a change in the income tax regulations, published administrative interpretations or judicial decisions thereunder which is both published and effective after the date of the Certificate of Acceptance for the last Unit placed under this Lease; (vi) the tax status of the trust purported to be created by the Trust Agreement; (vii) the participation in the residual value of any Unit at the expiration of the original term of this Lease by any party other than the Owner or the trust purported to be created under the Trust Agreement; or (viii)

any act or omission of the Owner other than as contemplated or permitted by this Lease, the RCSA, the Participation Agreement, the Trust Agreement, the Transfer Agreement, the Hulk Purchase Agreement or the Lease Assignment and except acts and omissions of the Owner after the occurrence of an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default.

15.07. 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 the Owner with such data as may be required to confirm amounts covered by this Section 15.

15.08. Recomputation of Casualty Values. If any amount is paid by the Lessee to the Owner pursuant to this Section 15, the Owner 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 the Owner 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 RCSA.

15.09. Additional Definitions. For purposes of this Section 15, the term "Owner" shall include Ingersoll-Rand Financial Corporation and shall also include any member of an affiliated group, within the meaning of Section 1504 of the Code, of which Ingersoll-Rand Financial Corporation is or may become a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

15.10. 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.

15.11. Payments. Any payments made pursuant to this Agreement shall be made directly to the Owner by wire

transfer of immediately available funds to the account set forth in Section 2.01 of the Trust Agreement or in such other manner as the Owner may direct.

15.12. 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.

15.13. 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 Amounts.

The Lessee shall promptly pay an amount equal to interest at the higher of 14% per annum or 150% of the Prime Rate on any overdue rentals or other obligations hereunder for the period of time during which they are overdue, to the extent 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 Lessee, at 400 West Madison Street, Chicago, Illinois 60606, attention of Assistant Vice President, Finance;

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

(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 Owner, at the address 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; Headings.

18.01. 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.

18.02. Headings. The table of contents and all Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

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 Owner and any assignee of the Owner.

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 Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Section 22. Immunities; Severability.

22.01. Immunities. 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 Owner hereunder (except, with respect to the Owner, 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 Owner 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.

22.02. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction 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.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

by

_____

[Corporate Seal]

Attest:

_____

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

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 July 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	Description	Railroad Road Numbers (both inclusive)
16	GP-7 Locomotives	CNW 4284-4299
4	GP-9 Locomotives	CNW 4546-4549

Lease of Railroad Equipment

SCHEDULE B

Casualty Values

Table 1

Rental Payment Date	Percentage of Purchase Price	Rental Payment Date	Percentage of Purchase Price
1/1/81	90.08	7/1/87	70.14
7/1/81	91.19	1/1/88	65.51
1/1/82	90.43	7/1/88	62.65
7/1/82	90.98	1/1/89	57.82
1/1/83	89.28	7/1/89	54.26
7/1/83	89.34	1/1/90	49.06
1/1/84	86.80	7/1/90	44.98
7/1/84	86.35	1/1/91	39.54
1/1/85	83.26	7/1/91	35.09
7/1/85	82.10	1/1/92	29.70
1/1/86	78.34	7/1/92	25.10
7/1/86	76.67	1/1/93	20.00
1/1/87	72.52	(and for any applicable period, including any storage period, thereafter)	

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Credit. 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	19.23
Fifth	12.82
Seventh	6.41

EXHIBIT C
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of July 1, 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 July 1, 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner"), 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 CHICAGO AND NORTH WESTERN TRANSPORTATION 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 reconstructed by the Lessee and delivered to and accepted by the Lessor thereunder.

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

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 Owner 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 Owner 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, 8 and 9.02 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to 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 Section 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 Payments to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments 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 a Declaration of Default (as defined in the RCSA) has not been made under the RCSA, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, in immediately available funds, not later than the first business day following receipt of such balance. If

the Vendor shall not receive any payment under Section 2 or 6 of the Lease when due, the Vendor shall promptly notify the Lessor and the Owner 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 Section 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 (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 Section 3.10 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 take any action under Section 9.01(B) 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 Owner 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 Owner, 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

_____

Attest:

_____

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

[Corporate Seal]

by

_____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

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

On this day of July 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 July 1980, before me personally appeared Russell 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.

_____
Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the "Lessee"), the lessee named in the Lease of Railroad Equipment (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 11:00 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: CNW 7/1/80" (or at such other address as may be furnished in writing 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) without the prior written consent of the Vendor, the Lease shall not 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 Illinois.

Dated as of July 1, 1980

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

[Corporate Seal] by

Attest: Senior Vice President

Assistant Secretary

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

HULK PURCHASE AGREEMENT

Dated as of July 1, 1980

Between

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

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY.

HULK PURCHASE AGREEMENT dated as of July 1, 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner"), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Seller"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, 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 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 Buyer will grant to the Agent security title in the Hulks pursuant to a Transfer Agreement dated as of the date hereof (the "Transfer Agreement"). 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 the parties hereto. The Agent will transfer its interest in the units to the Buyer upon completion of reconstruction, reserving a security interest therein.

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 the Hulks 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 agent or 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 cannot be reconstructed in accordance with the specifications provided in the RCSA on or before December 31, 1980; (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 reconstructed)

when added to the Purchase Price of those Hulks (when reconstructed) 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 October 15, 1980.

2. Noncompleted Hulks; Insurance; Casualty Payments. 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, on October 15, 1980, the Seller determines with regard to any Hulk as to which reconstruction has not commenced 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, the Seller agrees to purchase such Hulk on October 15, 1980, at a price equal to the Hulk Purchase Price of such Hulk plus interest thereon at the higher of 13% per annum or the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities (the "Prime Rate") from the Hulk Purchase Date to such date. If any Hulks (other than any Hulks purchased by the Seller on October 15, 1980, in accordance with this Section) are not reconstructed and accepted pursuant to the RCSA on or before March 15, 1981 (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 an "as is, where is and with all faults" basis. 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 March 15, 1981, 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.

The Seller will, at all times until completed units are delivered and accepted under the RCSA, at its own expense, cause to be carried and maintained property insurance in respect of the Hulks; provided, however, that the Seller may self-insure such Hulks to the extent it self-insures similar equipment under reconstruction and to the extent such self-insurance is consistent with prudent industry practice. In the event that any Hulk is irreparably destroyed by fire, flood or other similar event, the Seller shall pay to the Buyer a casualty payment in the amount of the Hulk Purchase

Price of such Hulk plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of payment, and upon making such casualty payment such Hulk shall be excluded from this Agreement without further liability on the part of the Seller or the Buyer with respect to such Hulk, and the Buyer will furnish to the Seller any necessary instrument to transfer its interest in such Hulk to the Seller. Provided that the Seller has made such casualty payment to the Buyer, it shall be entitled to retain any insurance proceeds paid in respect of such Hulk to the extent of such payment and shall pay any excess to the Seller.

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 Section 14.01 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subsections (c) and (d) 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. In consideration of the execution and delivery of the Transfer Agreement by the Buyer, the Agent will pay to the Seller the Hulk Purchase Price of the Hulks on July 15, 1980, or on such other date as the Hulks are validly accepted hereunder (the "Hulk Purchase Date"), from the amounts available to the Agent from the Interim Investor (as defined in the Participation Agreement) pursuant to the terms of the Participation Agreement (the "Interim Hulk Payment") and the down payment equal to 22.00416% of the Hulk Purchase Price to be paid to the Agent by the Buyer (the "Equity Hulk Payment"), provided that there shall have been delivered to the Agent and the Buyer the following documents:

(a) the bill or bills of sale with respect to such Hulks (the "Bill of Sale"), dated as of the Hulk Purchase Date, setting forth the quantity, description, the Seller's identifying numbers and place of delivery of such 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 was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever;

(b) a certificate or certificates of acceptance (the "Hulk 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;

(c) the Seller's invoice (the "Hulk Invoice") for such Hulks, setting forth the Hulk Purchase Price thereof; and

(d) a written opinion of counsel for the Seller dated the date of the Bill of Sale, addressed to the Buyer and the Agent 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.

The Seller will give to the Buyer and the Agent notice of the payments to be made at least three days prior to the Hulk Purchase Date.

5. Payment to Agent upon Noncompletion of Hulks. The Buyer will pay to the Agent for the account of the Interim Investor an amount equal to the Interim Hulk Payment with respect to any Hulk purchased on October 15, 1980, by the Seller in accordance with Section 2 hereof and for any Noncompleted Hulk, plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of such payment, payable on the respective dates that payment is due to the Buyer pursuant to Section 2 hereof. Upon such payment, the Agent will furnish the Buyer, at the Buyer's expense, all necessary instruments to transfer its security title in the Hulks to the Buyer.

6. 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.

7. 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 (in both its individual and fiduciary capacities) 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 other 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 (except as provided in Section 2 hereof). 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.

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, 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 Owner

hereunder (except, with respect to the Owner, 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 Owner 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 Illinois.

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,

by

_____

[Corporate Seal]

Attest:

_____

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

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

On this day of July 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 ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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.

Notary Public

[Notarial Seal]

My Commission Expires

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

On this day of July 1980, before me personally appeared Russell 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.

_____
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
16	GP-7 Locomotives	CNW 1530	$70,000	$1,120,000
		1536		
		1538		
		1542		
		1545		
		1557		
		1566		
		1571		
		1572		
		1575		
		1578		
		1589		
		1598		
		1626		
		1650		
		1656		
4	GP-9 Locomotives	1748	70,000	280,000
		1749		$1,400,000
		1764		
		1768		

[CS&M Ref. 2043-985]

RECONSTRUCTION AND CONDITIONAL SALE AGREEMENT

Dated as of July 1, 1980

Between

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

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Builder,

and

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

[Covering 20 Reconstructed Locomotives]

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 July 1, 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"), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner").

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 Owner 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 sell security title in the Equipment upon completion of reconstruction to the Vendee. Beneficial ownership of the Hulks and the Equipment shall at all times be in the Vendee on behalf of the Owner, and nothing in this Agreement (except as provided in Article 15 hereof) shall be construed so as to deprive the Vendee and the Owner 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 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 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 of the Owner delivered to the Builder prior to the commencement of reconstruction of any Hulk 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"). 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

2.01. Delivery of Units. The Builder will deliver the units of Equipment to the Vendee at such place or places within the United States of America 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 accept any Hulk on behalf of the Vendee under the Hulk Purchase Agreement or to commence any reconstruction of any Hulk if (A) the Builder does not reasonably anticipate that it is economically feasible to reconstruct such Hulk or that such Hulk will be fully reconstructed within 90 days following such 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 Section 14.01 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; (c) that there are not sufficient Available Investors' Funds (as defined in Article 3 hereof) to settle for such Hulk in accordance with Article 3 hereof; or (d) 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 of all other Hulks when reconstructed which previously have been validly accepted under the Hulk Purchase Agreement, would cause the aggregate Purchase Price to exceed the Maximum Purchase Price (as defined in Article 3 hereof).

2.02. Force Majeure. The Builder's obligations as to time of delivery pursuant to Section 2.01 hereof shall be subject to delays resulting from any and all causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes or other labor conditions, accidents, fires, floods, explosions, damage to plant equipment or facilities, epidemics, quarantine restrictions, delays or defaults of subcontractors, failure to receive necessary materials or supplies or inability to obtain fuel, light or power; provided, however, that if the Builder shall not deliver any Unit as previously specified on or prior to March 15, 1981, regardless of any events which might otherwise be deemed to constitute

force majeure, and without limiting the rights and remedies of the parties hereto, Section 2 of the Hulk Purchase Agreement with respect to the sale of Noncompleted Hulks (as therein defined) shall apply. Notwithstanding the provisions hereof, if the Builder delivers no units of Equipment to the Vendee on or before March 15, 1981, the Builder shall pay to the Vendee on May 15, 1981, as liquidated damages for the loss of a bargain and not as a penalty, the higher of the net sales proceeds outlined in Section 2 of the Hulk Purchase Agreement or the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of the Hulks plus interest thereon at the higher of 13% per annum or the Prime Rate (as defined in the Hulk Purchase Agreement) from the Hulk Purchase Date under the Hulk Purchase Agreement to the date of payment.

2.03. Inspection. 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 Vendee. The Builder shall grant to the authorized inspectors of the Vendee access to all portions of its plants where Hulks are being reconstructed; provided, however, that the Vendee will indemnify and hold the Builder harmless from all demands, judgments, costs, expenses or any other claimed liability (including reasonable counsel fees) resulting from injury or death to any authorized inspector of the Vendee or damage to property caused solely by the negligence of such authorized inspector. 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 authorized 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 authorized inspector 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

3.01. Hulk Purchase Price, Reconstruction Cost

and Purchase Price. 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 between the Builder 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 shall be unconditionally obligated to pay the 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 $6,460,000.

3.02. Closing Dates. For the purpose of settlement therefor, the Equipment shall be divided into not more than five groups (the "Groups") of units unless the Vendee and the Builder shall otherwise agree. The parties hereto agree to use best efforts to comply with the schedule of closing dates set forth in Schedule B hereto; provided, however, that the Vendee and the Builder may agree on such other dates as occur before April 1, 1981 (the "Cut-Off Date") (each such date is called a "Closing 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 for the Reconstruction Cost (addressed to the Vendor and approved as to price by the Vendee) not less than five 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 100/77.99584% 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 to the Vendee and the Vendor 10 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; New York, New York; or Chicago, Illinois; 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.

3.03. Payment to Vendor. The Vendee hereby

acknowledges itself to be indebted to the Vendor in the amount of the aggregate Purchase Price of each Group less the Equity Hulk Payment (as defined in Section 4 of the Hulk Purchase Agreement) for the Hulks from which the units in such Group were reconstructed, 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 23 semiannual installments, as hereinafter provided, an amount (the "CSA Indebtedness") equal to the lesser of (y) 77.99584% of the aggregate Purchase Price of the units in such Group as set forth in the invoice or invoices therefor or (z) the Available Investors' Funds; and

(b) on the Closing Date with respect to such Group, an amount (the "Down Payment") equal to the aggregate Purchase Price of the units of Equipment in such Group, less (y) the amount payable pursuant to subsection (a) of this Section and (z) such Equity Hulk Payment; 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 Section 3.08 hereof.

3.04. CSA Indebtedness. The installments of the CSA Indebtedness shall be payable in 23 consecutive semi-annual installments on January 1 and July 1 in each year, commencing July 1, 1981, to and including July 1, 1992, 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 January 1, 1981, and July 1, 1981, and thereafter on January 1 and July 1 in each year, to and including July 1, 1992; provided, however, there shall be credited on the amount of interest payable on January 1, 1981, an amount equal to interest at the rate of 13% per annum from such Closing Date to the Take-Out Date (as defined in the Participation Agreement). The installments of principal and amounts of interest payable on each Payment Date shall be calculated to be substantially in proportion to the amount and allocation of principal and interest set forth in Schedule C hereto 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 Payment Date.

3.05. Calculation of Interest. 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 January 1, 1981, shall be calculated on an actual elapsed day, 360-day year, basis.

3.06. Penalty Interest. 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.

3.07. Method of Payment; Prepayment. 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 immediately available funds in the city where such payments are due not later than 11:00 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 terminate the Lease as provided in Article 14 hereof.

3.08. Payment to Builder. On the Closing Date with respect to each Group, the Vendor shall pay to the Builder an amount equal to the Reconstruction Cost of such Group in immediately available funds from the proceeds of the Available Investors' Funds and the Down Payment against the obligation of the Vendee to make such payment to the Builder; 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, if the reconstruction cost per unit is greater than that set forth in Schedule A hereto, such invoices shall be accompanied by or have endorsed thereon the approval of the Vendee) and a certification by the Builder that the Reconstruction Cost stated therein has been calculated as provided in Section 3.01 hereof and does not exceed the price that would be charged by an independent locomotive builder for comparable reconstruction;

(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 and title to the Equipment 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; and

(d) such other documents as the Vendor may reasonably request.

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 Section 3.03(b) hereof. 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.

3.09. Payment to Interim Investor. Upon pay-

ment to the Builder of the Reconstruction Cost with respect to the units in a Group on the respective Closing Date, the Vendor will pay to the Interim Investor (as defined in the Participation Agreement) from the proceeds of the Available Investors' Funds an amount equal to the Interim Hulk Payment (as defined in Section 4 of the Hulk Purchase Agreement) with respect to the Hulks from which such units were reconstructed.

3.10. Vendee Liability Limited to "Income and Proceeds from the Equipment". 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 Section 1.03 of the Trust Agreement and Section 3.03(b) hereof and the obligations set forth in the proviso in Section 11.03 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 a Declaration of Default (as defined in Article 14 hereof) shall have been made, 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. 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 Section, it will limit its execution of such judgment against the Vendee to amounts payable pursuant to the limitations set forth in this Section. 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 Builder under the Lease or the Consent.

ARTICLE 4

Title to Equipment

4.01. Retention of Security Interest. 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 8.02 of the Lease are owned by the Lessee.

4.02. Satisfaction of Obligations. 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, except that the Vendor, if so requested by the Vendee at that time, at the expense of the Vendee, 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 and (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. 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 the Vendee) or unless the Vendee shall have approved the payment thereof.

ARTICLE 6

Maintenance; Casualty Occurrences; Insurance

6.01. Maintenance. The Vendee, at its own cost and expense, will maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted.

6.02. Casualty Occurrences. 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.

6.03. Casualty Value. 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 Section, 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 Purchase Price of all the units of Equipment.

6.04. Insurance. 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 Section 6.06 of the Lease.

6.05. Insurance Proceeds and Condemnation Proceedings. 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

On or before May 31 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

Identification Marks

The Vendee will cause each unit of Equipment to be kept numbered and marked as provided in Section 4 of the Lease. Except as therein provided, 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 8.02 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, except as provided in Section 3 of

the Lease, 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

11.01. Vendee to Discharge Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee, the Owner 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, 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.

11.02. No Breach for Certain Liens. 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.

11.03. Limitation of Obligation. The foregoing provisions of this Article 11 shall be subject to the limitations set forth in Section 3.10 and 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 Owner 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 reasonable opinion of 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

12.01. Indemnities by Vendee. 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 Section 4.02 hereof, or the termination of this Agreement in any manner whatsoever.

12.02. Vendee to Bear Risk of Loss. 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.

12.03. No Warranties by Vendor. 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.

12.04. Warranties of Builder. 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 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.

12.05. Indemnification by Builder. The Builder agrees to indemnify, protect and hold harmless the Vendor and the Vendee (in both its individual and fiduciary capacities) 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 Section.

12.06. No Modification of Builder's Indemnities. 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 Owner in connection with, relating to or arising out of the rights (whether or not exercised) of the Vendee 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 contract.

12.07. Benefit of Successors. 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 Owner, the Vendor or any lessor, lessee, assignee or transferee of this Agreement or of any units of Equipment.

ARTICLE 13

Assignment

13.01. No Transfer by Vendee. 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.

13.02. Transfer by Vendor. 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

Default

14.01. Events of Default. 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 Section 3.10 hereof or in Article 21 hereof):

(a) the Vendee shall fail to pay in full any sum payable by the Vendee pursuant to Article 3 or 6 hereof when payment thereof shall be due hereunder and such default shall continue for 15 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 Builder 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 Builder under the Lease and the Consent 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, the Owner or the Builder 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, the Owner or the Builder, 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, the Owner or the Builder, 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 15 days' prior written notice to the Vendee (such 15-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) subject to the terms of Section 3 of the Lease, 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, 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 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.

14.02. Waiver of Default. 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 Section, 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

15.01. Possession of Equipment. Subject to the terms of Section 3 of the Lease, 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 any 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.

15.02. Delivery of Equipment to Vendor. 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.

15.03. Retention of Equipment. Subject to the terms of Section 3 of the Lease, 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 CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. 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.

15.04. Sale of Equipment. Subject to the terms of Section 3 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice 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 CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then 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, the Vendee and (so long as an Event of Default is not continuing under the Lease) the Lessee 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.

15.05. Remedies Not Exclusive. 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.

15.06. Deficiency or Surplus. If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest 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 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.

15.07. Expenses. 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 Builder, at 400 West Madison Street, Chicago, Illinois 60606, attention of Assistant Vice President, Finance,

(c) to the Vendee, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with copy to the Owner at West 80 Century Road, Paramus, New Jersey 07652, attention of Vice President, Lease Financing,

(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

21.01. Immunities. No recourse shall be had in respect of any obligation due under this Agreement or referred to herein against any incorporator, stockholder, beneficiary, director or officer, as such, past, present or future, of the parties 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 being forever released as a condition of and as consideration for the execution of this Agreement.

21.02. Satisfaction of Undertakings. The obligations of the Vendee under Articles 2, 5, 6 (other than the requirements of delivery of certificates and payment schedules provided in Section 6.02), 7, 8, 9, 11 (other than the proviso to Section 11.03), 12 and 17 hereof and under Sections 15.02, 15.06 and 15.07 hereof and any other obligations hereunder except under Article 13 hereof not covered by the provisions of Section 3.10 hereof shall be deemed in all respects satisfied by the Builder's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Builder'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 Builder's undertakings under the Lease shall be effective unless joined in by the Vendor.

21.03. Limitation of Vendee's Liability. 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 Owner 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 Section 11.03 hereof and except, with respect to the Owner, 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 Owner 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.

21.04. Vendor Acting as Agent. 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 Illinois; 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 acknowledg-

ments 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, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

by

VICE PRESIDENT

[Corporate Seal]

Attest:

Assistant Secretary

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

On this day of July 1980, before me personally appeared Russell 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.

[Notarial Seal] _____ Notary Public

My Commission expires

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

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 23rd day of July 1980, before me personally appeared E. W. KAWAM, to me personally known, who, being by me duly sworn, says that he is 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	Description	Old Railroad Road Numbers	New Railroad Road Numbers (both inclusive)	Hulk Purchase Price Per Unit	Hulk Purchase Price Total	Estimated Reconstruction Cost Per Unit	Estimated Reconstruction Cost Total	Total Hulk Purchase Price and Reconstruction Cost Per Unit	Total Hulk Purchase Price and Reconstruction Cost Total
16	GP-7 Locomotives	CNW 1530	CNW 4284-4299	$70,000	$1,120,000	$230,000	$3,680,000	$300,000	$4,800,000
		1536							
		1538							
		1542							
		1545							
		1557							
		1566							
		1571							
		1572							
		1575							
		1578							
		1589							
		1598							
		1626							
		1650							
		1656							
4	GP-9 Locomotives	CNW 1748	CNW 4546-4549	70,000	280,000	230,000	920,000	300,000	1,200,000
		1749							
		1764			$1,400,000		$4,600,000		$6,000,000
		1768							

Reconstruction and Conditional Sale Agreement

SCHEDULE B

Schedule of Assumed Closings

Closing Date	Number of Units	Estimated Reconstruction Cost
9/15/80	5	$1,150,000
10/15/80	5	1,150,000
11/15/80	5	1,150,000
12/15/80	5	1,150,000
		$4,600,000

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 Payment	Ending Principal
1/1/81	*	*	-0-	$1,000,000.00
7/1/81	86,068.63	65,000.00	21,068.63	978,931.37
1/1/82	86,068.63	63,630.54	22,438.09	956,493.28
7/1/82	86,068.63	62,172.06	23,896.57	932,596.71
1/1/83	86,068.63	60,618.79	25,449.84	907,146.87
7/1/83	86,068.63	58,964.55	27,104.08	880,042.79
1/1/84	86,068.63	57,202.78	28,865.85	851,176.94
7/1/84	86,068.63	55,326.50	30,742.13	820,434.81
1/1/85	86,068.63	53,328.26	32,740.37	787,694.44
7/1/85	86,068.63	51,200.14	34,868.49	752,825.95
1/1/86	86,068.63	48,933.69	37,134.94	715,691.01
7/1/86	86,068.63	46,519.92	39,548.71	676,142.30
1/1/87	86,068.63	43,949.25	42,119.38	634,022.92
7/1/87	86,068.63	41,211.49	44,857.14	589,165.78
1/1/88	86,059.54	38,295.78	47,763.76	541,402.02
7/1/88	81,238.04	35,191.13	46,046.91	495,355.11
1/1/89	81,206.36	32,198.08	49,008.28	446,346.83
7/1/89	73,961.28	29,012.54	44,948.74	401,398.09
1/1/90	76,319.87	26,090.88	50,228.99	351,169.10
7/1/90	79,141.27	22,825.99	56,315.28	294,853.82
1/1/91	86,068.63	19,165.50	66,903.13	227,950.69
7/1/91	86,068.63	14,816.79	71,251.84	156,698.85
1/1/92	86,068.63	10,185.43	75,883.20	80,815.65
7/1/92	86,068.63	5,253.02	80,815.65	-0-
	$1,941,093.11	$941,093.11	$1,000,000.00	

* Interest on the CSA Indebtedness to the extent accrued.

EXHIBIT B
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

LEASE OF RAILROAD EQUIPMENT

Dated as of July 1, 1980

Between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

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

[Covering 20 Reconstructed Locomotives]

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 July 1, 1980, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner").

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 Owner, 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 such of the units of the Equipment as are delivered, accepted and settled for under the RCSA (the "Units"). The Lessor will assign its interests in this Lease as 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").

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

Section 1. Delivery and Acceptance of Units.

Subject to the rights of the Owner 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 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.

2.01. Base Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease 24 consecutive semiannual payments, in arrears, payable on January 1 and July 1 in each year, commencing July 1, 1981, each in an amount equal to 6.7244167% of the Purchase Price (as defined in the RCSA) of such Unit.

The Lessee further agrees to pay to the Lessor as interim rental for the Units subject to this Lease (all rates computed on an actual elapsed day, 360-day year basis), an amount equal to interest at the higher of 13% per annum or the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities (the "Prime Rate") (A) on October 15, 1980, and on each Closing Date (as defined in the RCSA) thereafter, on the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of the Hulks from which the Units settled for on such date (or, in the case of the October 15, 1980, payment, for all Units settled for on or before October 15, 1980) were reconstructed for the period from the Hulk Purchase Date (as defined in the Hulk Purchase Agreement) to such date (or, in the case of the October 15, 1980, payment, to the applicable Closing Date of each Unit settled for on or before October 15, 1980) and (B) on October 15, 1980, and January 1, 1981, on the Purchase Price of each Unit for the period from the Closing Date with respect to such Unit (or, in the case of the January 1, 1981, payment, from the later of the Closing Date with respect to such Unit or October 15, 1980) to such date.

2.02. Rental Adjustments. 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 up or down 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 the date the last Unit is placed under this Lease, if such change alters the tax assumptions defined in Section 15.01 hereof; (B) the aggregate Reconstruction Cost (as defined in the RCSA) of the Units is more or less than 76.67% of the aggregate Purchase Price of the Units or the aggregate CSA Indebtedness (as defined in the RCSA) with respect to all Units is less than 77.99584% of the aggregate Purchase Price of all Units; (C) any Closing Date is held on a date other than the date specified therefor in Schedule B of the RCSA; (D) the Purchase Price or number of units settled for on any Closing Date is different from the Purchase Price or number of units specified therefor in Schedule B of the RCSA; (E) any Unit is delivered and accepted after December 31, 1980; (F) 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 Hulk Purchase Price of such Units plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of sale; or (G) the Interim Investor (as defined in the Participation Agreement) holds any interest in the CSA Indebtedness after the Take-Out Date (as defined in the Participation Agreement). 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 Owner's reasonable judgment, in preserving for the Owner both the pre-tax rate of return and the net after-tax cash flow that would have been realized by the Owner 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 Owner 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 Owner 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. If and to the extent that any rental reductions that would have become effective pursuant to subsection (A) above due to a change in the Investment Credit (as defined in Section 15.01(l) hereof) would not be made due to the limitations set forth above after giving effect to all other adjustments required by this Section, then the Owner shall elect, pursuant to Section 48(d) of the Code and Section 1.48-4(f) of the income tax regulations, to treat the Lessee as having purchased the maximum number of Units (reduced to the nearest whole number) (possession of which shall have been or will be transferred to the Lessee in any year for which the Lessee's Federal income tax return shall not yet have been filed) as would be necessary to cause the Owner's Net Economic Return to be no greater than the Net Economic Return which the Owner would have realized if it had been able to adjust the rentals payable hereunder without regard to the limitations set forth above.

The Owner shall furnish the Lessee and the Vendor prior to the effective date of any adjustment made pursuant to this Section with a notice setting forth in reasonable detail the computations and methods used in computing such adjustment.

2.03. Payment on Business Day. 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; New York, New York; or Chicago, Illinois; are authorized or obligated to remain closed. All payments under the Lease shall be made by bank wire transfer of Federal or other immediately available funds no later than 11:00 a.m. in the city where such payments are due.

2.04. Net Lease. 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 Owner or otherwise; nor,

except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or 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.

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; provided, however, that so long as (i) no Event of Default exists hereunder; (ii) the Lessee is complying with the provisions of the Consent; and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the RCSA (notwithstanding any limitation of the Lessor's liability in the RCSA) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession and use provided in Section 11 hereof.

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 as required by law, 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.

5.01. Indemnification by Lessee. The Lessee agrees for the benefit of the Lessor and the Owner 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 Owner, 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" or "impositions"), 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 or any other tax in lieu thereof imposed on the Owner, whether or not the Lessee is required to indemnify therefor pursuant to Section 15 hereof and (ii) the aggregate of all state or local taxes imposed within the United States of America on or measured by the net income of the Owner or the Lessor based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be

payable to the state and city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state and (iii) any state franchise tax which is not based on or measured by net income, 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. 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.

5.02. Payment. The Lessee shall be under no obligation to pay any imposition so long as the Lessee is contesting such imposition, at its own expense, in its own name and in good faith and by appropriate legal or administrative proceedings or so long as the Lessor or the Owner, as the case may be, is required to contest such imposition as provided in Section 5.06 hereof, and in any such case the nonpayment thereof does not, in the reasonable opinion of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the RCSA. If any imposition shall have been charged or levied against the Lessor or the Owner directly and paid by such party, the Lessee shall pay such party on presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or the Lessee shall have approved the payment thereof.

5.03. No Liability After Certain Events. 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.

5.04. Indemnification Pursuant to RCSA. 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 Section 5.01 hereof, 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; provided, however, that the Lessor shall have contested such imposition in good faith to the extent required under Section 5.06 hereof and to the extent permitted under the RCSA.

5.05. Reports. 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.

5.06. Contest by Owner or Lessor. If a claim is made against the Owner or Lessor for any imposition indemnified against under this Section 5, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such imposition by (a) resisting payment thereof, if legally permissible, (b) paying the same only under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such imposition previously reimbursed by the Lessee in connection with any such contest or of an amount representing interest thereon applicable to the amount paid by the Lessee for the period from such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest, net of expense, but only if 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.

5.07. Survival of Obligations. 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.

5.08. Evidence of Compliance. 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.

5.09. Ad Valorem Returns. 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.

5.10. Gross-Up. 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.

5.11. No Guarantee by Lessee. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the principal of or interest on the CSA Indebtedness or a guarantee of the residual value of any Unit.

Section 6. Maintenance; Casualty Occurrences; Insurance.

6.01. Maintenance. The Lessee, at its own cost and expense, will maintain and keep each Unit subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, to a standard at least equal to the standard and frequency of maintenance per-

formed on other similar locomotives owned or leased by it.

6.02. Casualty Occurrences. 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, or remains in an inoperable condition for a period of six months, 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 rental payment 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, if any, of removal of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof at the best price obtainable 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.

6.03. Casualty Value. 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 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, 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 by amendment to this Lease in order to preserve the Owner's Net Economic Return; 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.

6.04. Payment of Casualty Value, Disposal of Unit. 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 net proceeds of such sale (after deduction of any costs or expenses of removal of such Unit) 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.

6.05. Lessee to Bear Risk of Loss. 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.

6.06. Insurance. The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained (a) property insurance in respect of the Units at the time subject hereto; provided, however, that the Lessee may self-insure such Units to the extent it self-insures equipment similar to the Units and to the extent such self-insurance is consistent with prudent industry practice, and (b) public liability insurance with respect to third-party personal and property damage, in each case 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. The Lessee hereby transfers and assigns 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 property insurance to the extent such proceeds relate to the Units; provided, however, that so long as no Event of Default shall have occurred hereunder and the Lessee shall have made payment of the Casualty Values and accrued rentals in respect of such Units, the Lessee shall be entitled to retain an amount equal to such Casualty Values plus expenses incurred by it in connection with such damage to the Units. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor

and the Vendor and (ii) name the Lessor and the Vendor as additional named insureds and loss payees as their respective interests may appear. Prior to the first date of delivery of any Unit pursuant to the RCSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 6, the Lessee shall deliver to the Lessor evidence satisfactory to the Lessor of the insurance required to be maintained pursuant to this Section 6. The Lessee shall promptly notify the Lessor and the Vendor of any material change in the insurance maintained in accordance with this Section.

In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option provide such insurance (giving the Lessee prompt written notice thereof) and in such event the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof, together with interest thereon at the rate set forth in Section 16 hereof.

Section 7. Reports.

On or before May 31 in each year, commencing with the year 1981, the Lessee will cause to be furnished to the Lessor, the Owner and the Vendor an accurate statement as of the preceding December 31 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.

8.01. No Warranties by Lessor. 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.

8.02. Compliance with Applicable Laws. 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 (not including any storage period provided for in Section 13), 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 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 (which shall be owned by the Lessee unless they are required by any Applicable Law) provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. In addition, the Lessee, at its own cost and expense, may furnish any nonremovable additions, modifications or improvements to any Unit (which shall be owned by the Lessor) without the consent of the Lessor provided that such additions, modifications or improvements, when considered with all other nonremovable additions, modifications or improvements previously made by the Lessee to the Unit without the consent of the Lessor, (i) will not adversely effect the fair market value, the remaining useful life or the remarketability of such Unit, (ii) will not cause such Unit to become limited use property within the meaning of Rev. Proc. 76-30, (iii) will not substantially increase the productivity or capacity of such Unit over its productivity or capacity at the time it was delivered and accepted hereunder and (iv) will not modify such Unit for a materially different use.

8.03. Indemnification by Lessee. The Lessee agrees to indemnify, protect and hold harmless the Lessor (individually and in its fiduciary capacity), the Owner 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, 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 except (unless an Event of Default hereunder shall have occurred) those caused by the gross negligence or wilfull misconduct of the Lessor or the Owner. 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 Section 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 8.03 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 Section 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.

8.04. No Modification of Indemnities. 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 Owner 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.

8.05. Preparation of Reports. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any 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.

9.01. Events of 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 2.01, 6.02 or 12.01 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 30 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 and the Consent 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;

(e) any other 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 proves to be false or misleading in any material respect as of the date of issuance or making thereof;

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 Owner 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 Owner 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 where any of the Units may be and take possession of all or any of such Units and thenceforth possess, sell, operate, lease to others and use 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 semiannually 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.

9.02. Lessor May Act for Lessee. 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 higher of 14% per annum or 150% of the Prime Rate, to the extent legally enforceable.

9.03. Remedies Not Exclusive. 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.

9.04. No Waiver. 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 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 an Event of Default has occurred hereunder 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 0.03736% 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.

11.01. Assignment by Lessor. This Lease shall not be assignable by the Lessor without the consent of the Lessee, except that certain 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) may be assigned to the Vendor pursuant to the Lease Assignment.

11.02. Discharge of Liens. 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. 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; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor and the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the RCSA.

11.03. Possession and Use; Sublease. 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 Section 11.05 hereof) and the RCSA. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units. The Lessee may also sublease the Units to responsible railroad sublessees for periods of up to six months without the prior consent of the Lessor; provided, however, that such sublease shall expressly be subject to this Lease and the Lessee shall remain primarily liable for all obligations

to be fulfilled by it hereunder. 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. The Lessee shall not, without the prior written consent of the Lessor and the Vendor, allow any Unit to pass out of its possession or control, except to the extent permitted by this Section.

11.04. No Restriction of Transfer Upon Merger. 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 railroad 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 or leased all or substantially all the railroad properties of the Lessee; provided that such assignee, lessee or transferee will not upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety; and provided further, however, that the net worth of such assignee, lessee or transferee, after giving effect to such merger or consolidation, shall be at least equal to the net worth of the Lessee at the time of such merger, consolidation, lease or acquisition.

11.05. Operation Outside United States. 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.

12.01. Renewal Option. 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 subject to 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 each rental payment shall be the Fair Market Rental (as hereinafter defined), payable, in arrears, in semiannual 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 % 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) 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 are owned by the Lessee pursuant to Section 8.02 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 an 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 shared equally by the Lessee and the Lessor.

12.02. Duty to First Offer. 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 (and written notice of the Lessor's estimate of the Fair Market Value of the Units) at least 30 days 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 may exercise such purchase right by delivery to the Lessor of a written notice within 10 days of receipt of notice from the Lessor, indicating whether it accepts the Lessor's estimate of the Fair Market Value of the Units or that such Fair Market Value shall be determined in accordance with the appraisal procedure set forth in Section 12.01 hereof, and specifying a date of purchase not later than the latest of (i) 30 days after the date of delivery of such notice by the Lessee to the Lessor, (ii) 90 days after the expiration of such term of this Lease or (iii) 10 business days after completion of the appraisal procedure, if applicable. 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.

13.01. Return of Units. 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 upon such storage tracks of the Lessee as the Lessor and the Lessee shall determine; 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 5 Units (or such other number as may be agreed to by the Lessor and the Lessee) under this Lease; provided further, however, that the Lessee shall incur no liability (other than for rental or casualty value payments) to the Lessor or to any person claiming by, through or under the Lessor, if the Lessee is unable to deliver Units in each consecutive calendar month as a result of circumstances

constituting force majeure. If the Lessor gives to the Lessee such instruction, the Lessee shall pay as rent to the Lessor for each Unit not delivered to the Lessor in accordance with such instruction upon the expiration of the original or any extended term of this Lease an amount equal to one-twelfth of the semiannual rental rate per Unit prevailing during the term of the Lease so expired for each month (or part thereof) subsequent to such expiration and prior to such delivery, payable on the last business day of each month, to and including the month in which the Unit is returned.

13.02. Storage. Upon the expiration of the original or any extended term of this Lease, the Lessee will permit the Lessor to store the Units upon such storage tracks as the Lessee shall determine 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, 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. During any storage period provided for in this Section, 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 for any injury to or the death of any person exercising the rights of inspection granted under this sentence, either on behalf of the Lessor or any prospective purchaser, except in the case of negligence of the Lessee or of its employees or agents.

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.

13.03. Condition of Units. 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 movement under its own power 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 8.02 hereof.

13.04. Specific Performance. The assembling, delivery, storage and transporting of the Units as set forth above 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. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 15 days after the end of the term or any extended term of this Lease (or when such performance is due pursuant to the instructions given in accordance with Section 13.01 hereof), the Lessee shall promptly pay to the Lessor for each day after such 10-day period an amount equal to 0.03736% of the Purchase Price of such Unit. If such default continues for 90 days from the date when performance was due, the Lessor shall have the option to sell such Unit on an "as is, where is and with all faults" basis to the Lessee for cash in an amount equal to the higher of the Casualty Value of such Unit or the Fair Market Value of a similar locomotive reconstructed in 1980 and maintained in accordance with the Standards provided for herein.

13.05. Lease Extended Until Delivery of Units. 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 the term and the amount of rental and period of payment therefor) shall continue to apply to such Unit.

Section 14. Filing.

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.

15.01. Assumptions. (1) The parties hereto agree that the Owner, as the beneficial owner 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 Owner 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, of the 150 percent declining balance method authorized by the Treasury Regulation § 1.167(a)-11(c)(i)(iv)(b)(2) switching to the straightline 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), utilizing a 12-year depreciable life, which is the lower limit listed in Rev. Proc. 77-10, 1977-1 C.B. 548, for property in Asset Guideline Class No. 00.25, (E) 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 (F) 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 Owner in 1980 will be the same as that prevailing on June 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 Owner 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 Owner with respect to the Units and all deductions allowable to the Owner 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 Section 15.01 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.

15.02. Representations and Warranties of Lessee.

(1) The Lessee represents and warrants that

(A) 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 by the Owner and will be deemed to have been placed in service by the Owner in the taxable year of the Owner during which the date of acceptance of such Unit occurs under this Lease and the Owner will be treated as having directed the reconstruction of the Hulks;

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

(C) 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;

(D) when each Unit is delivered and accepted under the RCSA and related documents, neither the Lessee nor any party referred to in Section 15.01(3) hereof will have claimed or intends to claim the Investment Credit or the ADR Deductions with respect thereto;

(E) the Lessee will not at any time during the term of this Lease use or fail to use or permit the use of any Unit in such a way as to disqualify it as "section 38 property" within the meaning of Section 48(a) of the Code; and

(F) at all times during the original term of this Lease and renewal periods thereof, the Owner 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 15-3/4 years and residual value at the end of the original lease term equal to at least 20% of the Purchase Price of such Unit and each Unit will be useful and usable by a party other than the Lessee or any of its affiliates at the end of the original term, and each Unit will be capable of continued leasing and transfer to another party at that time.

15.03. 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 Section 15.01(3) hereof or by any sublessee or assignee of the

Lessee, the Owner shall lose the right to claim, shall suffer a disallowance of or shall be required to recapture all or any portion of the Investment Credit, the Interest Deductions or the ADR Deductions (any such event is called a "Loss"), then the Lessee shall pay the 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 terminated, within 30 days after demand), and on each rental payment date thereafter during the remaining term of this Lease, such amount or amounts as in the reasonable opinion of the Owner, after due consultation with the Lessee, shall cause the Owner's Net Economic Return to equal the Net Economic Return that would have been realized by the Owner if such Loss had not occurred.

(2) In the event that the 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 the Owner, in lieu of the amount provided for in clause (1) of this Section 15.03, such amount or amounts from time to time as, after deduction of all taxes required to be paid by the 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 the 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 the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Loss occurred, then the Owner shall pay the Lessee the amount of such difference in taxes plus any additional tax benefits realized by the Owner as the result of such payment; provided, however, that the 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 the Owner pursuant to this clause (2) in respect of a Loss less (y) the amount of all prior payments by the Owner to the Lessee hereunder. The amount payable to the Owner pursuant to this clause (2) shall be paid within 30 days after receipt of a written demand therefor from the Owner accompanied by a written statement describing in reasonable detail such Loss and the computation of the amount so payable (but not prior to (x) in the case of amounts which are being contested in

accordance with Section 15.04 hereof, the time provided therein, and (y) in all other cases, 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). Any payment due to the Lessee from the Owner pursuant to this clause (2) shall be paid within 30 days after the Owner realized any such savings in its income taxes or additional tax benefits, as the case may be.

(3) If the 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 the Owner, as an indemnity, in immediately available funds, such amount or amounts which, after deduction of all taxes required to be paid by the 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 the 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 the Owner for any taxable year shall be less than the amount of such taxes which would have been payable by the Owner had no such Capital Expenditure been made, then the 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 the 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 the Owner pursuant to this clause (3) in respect of any Capital Expenditures less (y) the amount of all prior payments by the Owner to the Lessee hereunder. The amount payable to the Owner pursuant to this clause (3) shall be paid within 30 days after receipt of a written demand therefor from the Owner (but not prior to payment by the 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 and, in the case of amounts which are being contested in accordance with Section 15.04 hereof, not prior to the time provided

therein) accompanied by a written statement describing in reasonable detail such inclusion and the computation of amount so payable. Any payment due to the Lessee from the Owner pursuant to this clause (3) shall be paid within 30 days after the Owner realizes any such savings in its income taxes or additional tax benefits, as the case may be. The Lessee agrees to give the 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 the Owner.

15.04. Contest Provisions. (1) If the Internal Revenue Service shall propose an adjustment in the Federal income taxes of the Owner for which the Lessee would be required to indemnify the Owner pursuant to Section 15.03 hereof and the amount of the indemnity which the Lessee would be required to pay would exceed $25,000 (or a lesser amount if the Lessee certifies to the Owner that the proposed adjustment raises issues which are material to the Lessee or the railroad industry) then, if requested by the Lessee in a timely written request, the Owner shall request an opinion from outside counsel selected by the Owner and approved by the Lessee, which approval shall not be unreasonably withheld ("Tax Counsel") as to whether there exists a reasonable basis in law and in fact in favor of allowance of the item proposed to be adjusted. If the opinion is to that effect and if the Lessee promptly requests the Owner to do so, the Owner shall contest the proposed adjustment; provided, however, that the Owner 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 the Owner shall undertake judicial action with respect to the proposed adjustment, the court or other judicial body before which such action shall be commenced. The Owner shall have full control over any contest pursuant to this Section and, unless the Lessee requests a second opinion of Tax Counsel and such opinion is to the effect that there exists a reasonable basis in law and in fact in favor of continuing to contest the proposed adjustment to a higher court, the Owner 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 Section, the Owner may decline to take such action by notifying the Lessee in writing that the Lessee is relieved of its obligation to indemnify the Owner with respect to the adjustment proposed by the Internal Revenue Service or such portion thereof as may be specified in such notice.

(2) The Owner shall not be required to take any action pursuant to this Section unless and until the Lessee shall have agreed to indemnify the Owner in a manner reasonably satisfactory to the Owner for any liability or loss which the Owner may incur as a result of contesting the validity of any proposed adjustment and shall have agreed to pay to the Owner on demand all costs and expenses which the Owner may incur in connection with contesting such proposed adjustment (including reasonable fees and disbursements of counsel selected by the Owner and the reasonable fees and disbursements of Tax Counsel in providing the opinions called for in this Section). If the Owner determines to contest any adjustment by paying the additional tax and suing for a refund, the Lessee shall pay to the Owner an amount subject to refund as hereinafter provided in the event of a favorable determination 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 the 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, the Owner shall return to the Lessee the amount of such refund together with any interest received by it on such amount. If the Lessee advances to the Owner pursuant to the immediately preceding sentence an amount in excess of the tax, interest, penalties and additions to tax paid by the Owner in connection with such contest to compensate the Owner for its tax liability, if any, upon receipt of such advance by the Lessee (the "Excess Advance"), then upon receipt of a refund by the Owner, the Owner shall return to the Lessee an amount, not greater than the Excess Advance, which after giving effect to such payment, will restore the Owner to the same after-tax cash position it would have been in had the adjustment with respect to which the refund relates never been proposed. The Lessee shall be obligated to pay the Owner the amount specified in Section 15.03 hereof promptly after the Owner has taken all the action that it has agreed in this Section 15 to take.

15.05. 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 the Owner as an indemnity, on the next succeeding rental payment date after written notice to the Lessee by the Owner, such amount which after deduction of all taxes required to be paid by the 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 the Owner would have been entitled to for such year had no such Foreign Loss occurred over (y) the foreign tax credit to which the 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.

15.06. Exceptions. Notwithstanding the foregoing provisions, the Lessee shall not be required to indemnify the Owner 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) disposition by the Owner of its 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 an 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 Owner to claim the proper credit or deductions contemplated by Section 15.01 hereof; (iv) the failure of the Owner to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; (v) any change or modification in the Code which is enacted and becomes effective after the date of the Certificate of Acceptance for the last Unit placed under this Lease or a change in the income tax regulations, published administrative interpretations or judicial decisions thereunder which is both published and effective after the date of the Certificate of Acceptance for the last Unit placed under this Lease; (vi) the tax status of the trust purported to be created by the Trust Agreement; (vii) the participation in the residual value of any Unit at the expiration of the original term of this Lease by any party other than the Owner or the trust purported to be created under the Trust Agreement; or (viii)

any act or omission of the Owner other than as contemplated or permitted by this Lease, the RCSA, the Participation Agreement, the Trust Agreement, the Transfer Agreement, the Hulk Purchase Agreement or the Lease Assignment and except acts and omissions of the Owner after the occurrence of an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default.

15.07. 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 the Owner with such data as may be required to confirm amounts covered by this Section 15.

15.08. Recomputation of Casualty Values. If any amount is paid by the Lessee to the Owner pursuant to this Section 15, the Owner 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 the Owner 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 RCSA.

15.09. Additional Definitions. For purposes of this Section 15, the term "Owner" shall include Ingersoll-Rand Financial Corporation and shall also include any member of an affiliated group, within the meaning of Section 1504 of the Code, of which Ingersoll-Rand Financial Corporation is or may become a member, if consolidated returns are filed for such affiliated group for Federal income tax purposes.

15.10. 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.

15.11. Payments. Any payments made pursuant to this Agreement shall be made directly to the Owner by wire

transfer of immediately available funds to the account set forth in Section 2.01 of the Trust Agreement or in such other manner as the Owner may direct.

15.12. 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.

15.13. 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 Amounts.

The Lessee shall promptly pay an amount equal to interest at the higher of 14% per annum or 150% of the Prime Rate on any overdue rentals or other obligations hereunder for the period of time during which they are overdue, to the extent 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 Lessee, at 400 West Madison Street, Chicago, Illinois 60606, attention of Assistant Vice President, Finance;

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

(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 Owner, at the address 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; Headings.

18.01. 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.

18.02. Headings. The table of contents and all Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

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 Owner and any assignee of the Owner.

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 Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

Section 22. Immunities; Severability.

22.01. Immunities. 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 Owner hereunder (except, with respect to the Owner, 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 Owner 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.

22.02. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction 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.

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

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

by

_____

[Corporate Seal]

Attest:

_____

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

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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 July 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	Description	Railroad Road Numbers (both inclusive)
16	GP-7 Locomotives	CNW 4284-4299
4	GP-9 Locomotives	CNW 4546-4549

Lease of Railroad Equipment

SCHEDULE B

Casualty Values

Table 1

Rental Payment Date	Percentage of Purchase Price	Rental Payment Date	Percentage of Purchase Price
1/1/81	90.08	7/1/87	70.14
7/1/81	91.19	1/1/88	65.51
1/1/82	90.43	7/1/88	62.65
7/1/82	90.98	1/1/89	57.82
1/1/83	89.28	7/1/89	54.26
7/1/83	89.34	1/1/90	49.06
1/1/84	86.80	7/1/90	44.98
7/1/84	86.35	1/1/91	39.54
1/1/85	83.26	7/1/91	35.09
7/1/85	82.10	1/1/92	29.70
1/1/86	78.34	7/1/92	25.10
7/1/86	76.67	1/1/93	20.00
1/1/87	72.52	(and for any applicable period, including any storage period, thereafter)	

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Credit. 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	19.23
Fifth	12.82
Seventh	6.41

EXHIBIT C
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of July 1, 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 July 1, 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner"), 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 CHICAGO AND NORTH WESTERN TRANSPORTATION 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 reconstructed by the Lessee and delivered to and accepted by the Lessor thereunder.

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

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 Owner 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 Owner 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, 8 and 9.02 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to 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 Section 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 Payments to which the Lessor is or may become entitled under the Lease and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments 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 a Declaration of Default (as defined in the RCSA) has not been made under the RCSA, any balance shall be paid to the Lessor or to such other party as the Lessor may direct in writing, in immediately available funds, not later than the first business day following receipt of such balance. If

the Vendor shall not receive any payment under Section 2 or 6 of the Lease when due, the Vendor shall promptly notify the Lessor and the Owner 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 Section 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 (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 Section 3.10 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 take any action under Section 9.01(B) 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 Owner 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 Owner, 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

_____

Attest:

_____

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

[Corporate Seal]

by

_____
Assistant Vice President

Attest:

_____
Corporate Trust Officer

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

On this day of July 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 July 1980, before me personally appeared Russell 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.

_____
Notary Public

[Notarial Seal]

My Commission expires

LESSEE'S CONSENT AND AGREEMENT

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY (the "Lessee"), the lessee named in the Lease of Railroad Equipment (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 11:00 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: CNW 7/1/80" (or at such other address as may be furnished in writing 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) without the prior written consent of the Vendor, the Lease shall not 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 Illinois.

Dated as of July 1, 1980

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

[Corporate Seal] by

Attest: Senior Vice President

Assistant Secretary

EXHIBIT D
to the
RECONSTRUCTION AND
CONDITIONAL SALE AGREEMENT

[CS&M Ref. 2043-985]

HULK PURCHASE AGREEMENT

Dated as of July 1, 1980

Between

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

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY.

HULK PURCHASE AGREEMENT dated as of July 1, 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 INGERSOLL-RAND FINANCIAL CORPORATION (the "Owner"), CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Seller"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation, 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 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 Buyer will grant to the Agent security title in the Hulks pursuant to a Transfer Agreement dated as of the date hereof (the "Transfer Agreement"). 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 the parties hereto. The Agent will transfer its interest in the units to the Buyer upon completion of reconstruction, reserving a security interest therein.

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 the Hulks 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 agent or 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 cannot be reconstructed in accordance with the specifications provided in the RCSA on or before December 31, 1980; (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 reconstructed)

when added to the Purchase Price of those Hulks (when reconstructed) 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 October 15, 1980.

2. Noncompleted Hulks; Insurance; Casualty Payments. 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, on October 15, 1980, the Seller determines with regard to any Hulk as to which reconstruction has not commenced 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, the Seller agrees to purchase such Hulk on October 15, 1980, at a price equal to the Hulk Purchase Price of such Hulk plus interest thereon at the higher of 13% per annum or the rate charged by Citibank, N.A., from time to time to its prime commercial borrowers for loans of 90-day maturities (the "Prime Rate") from the Hulk Purchase Date to such date. If any Hulks (other than any Hulks purchased by the Seller on October 15, 1980, in accordance with this Section) are not reconstructed and accepted pursuant to the RCSA on or before March 15, 1981 (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 an "as is, where is and with all faults" basis. 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 March 15, 1981, 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.

The Seller will, at all times until completed units are delivered and accepted under the RCSA, at its own expense, cause to be carried and maintained property insurance in respect of the Hulks; provided, however, that the Seller may self-insure such Hulks to the extent it self-insures similar equipment under reconstruction and to the extent such self-insurance is consistent with prudent industry practice. In the event that any Hulk is irreparably destroyed by fire, flood or other similar event, the Seller shall pay to the Buyer a casualty payment in the amount of the Hulk Purchase

Price of such Hulk plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of payment, and upon making such casualty payment such Hulk shall be excluded from this Agreement without further liability on the part of the Seller or the Buyer with respect to such Hulk, and the Buyer will furnish to the Seller any necessary instrument to transfer its interest in such Hulk to the Seller. Provided that the Seller has made such casualty payment to the Buyer, it shall be entitled to retain any insurance proceeds paid in respect of such Hulk to the extent of such payment and shall pay any excess to the Seller.

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 Section 14.01 of the RCSA or any event (including the commencement of any proceeding or the filing of any petition of the nature specified in subsections (c) and (d) 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. In consideration of the execution and delivery of the Transfer Agreement by the Buyer, the Agent will pay to the Seller the Hulk Purchase Price of the Hulks on July 15, 1980, or on such other date as the Hulks are validly accepted hereunder (the "Hulk Purchase Date"), from the amounts available to the Agent from the Interim Investor (as defined in the Participation Agreement) pursuant to the terms of the Participation Agreement (the "Interim Hulk Payment") and the down payment equal to 22.00416% of the Hulk Purchase Price to be paid to the Agent by the Buyer (the "Equity Hulk Payment"), provided that there shall have been delivered to the Agent and the Buyer the following documents:

(a) the bill or bills of sale with respect to such Hulks (the "Bill of Sale"), dated as of the Hulk Purchase Date, setting forth the quantity, description, the Seller's identifying numbers and place of delivery of such 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 was free of all claims, liens, security interests, security title and other encumbrances of any nature whatsoever;

(b) a certificate or certificates of acceptance (the "Hulk 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;

(c) the Seller's invoice (the "Hulk Invoice") for such Hulks, setting forth the Hulk Purchase Price thereof; and

(d) a written opinion of counsel for the Seller dated the date of the Bill of Sale, addressed to the Buyer and the Agent 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.

The Seller will give to the Buyer and the Agent notice of the payments to be made at least three days prior to the Hulk Purchase Date.

5. Payment to Agent upon Noncompletion of Hulks. The Buyer will pay to the Agent for the account of the Interim Investor an amount equal to the Interim Hulk Payment with respect to any Hulk purchased on October 15, 1980, by the Seller in accordance with Section 2 hereof and for any Noncompleted Hulk, plus interest thereon at the higher of 13% per annum or the Prime Rate from the Hulk Purchase Date to the date of such payment, payable on the respective dates that payment is due to the Buyer pursuant to Section 2 hereof. Upon such payment, the Agent will furnish the Buyer, at the Buyer's expense, all necessary instruments to transfer its security title in the Hulks to the Buyer.

6. 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.

7. 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 (in both its individual and fiduciary capacities) 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 other 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 (except as provided in Section 2 hereof). 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.

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, 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 Owner

hereunder (except, with respect to the Owner, 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 Owner 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 Illinois.

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,

by

_____

[Corporate Seal]

Attest:

_____

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

_____
Senior Vice President

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

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

On this day of July 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 ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of July 1980, before me personally appeared John M. Butler, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware 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.

Notary Public

[Notarial Seal]

My Commission Expires

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

On this day of July 1980, before me personally appeared Russell 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.

_____
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
16	GP-7 Locomotives	CNW 1530	$70,000	$1,120,000
		1536		
		1538		
		1542		
		1545		
		1557		
		1566		
		1571		
		1572		
		1575		
		1578		
		1589		
		1598		
		1626		
		1650		
		1656		
4	GP-9 Locomotives	1748	70,000	280,000
		1749		$1,400,000
		1764		
		1768		