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RECORDATION NO 16554 FILED 1425

OCT 2 1989 2 30 PM

INTERSTATE COMMERCE COMMISSION

September 29, 1989

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC

Re: Lease of Locomotives from NBB Reading Lease Co., Ltd. to Consolidated Rail Corporation

Dear Ms. McGee:

Enclosed are an original and two originally executed counterparts of the document described below to be recorded pursuant to Section 11303, Title 49, of the United States Code.

This document is a Bank Security Agreement dated as of September 29, 1989 between NBB Reading Lease Co., Ltd. and Barclays Bank PLC, Tokyo branch.

The names and addresses of the parties to the Bank Security Agreement are as follows:

NBB Reading Lease Co., Ltd. Borrower
1-12-11 Nihonbashi, Chuo-ku
Tokyo 103, Japan

Barclays Bank PLC Lender
Tokyo Branch
CPO Box 466
Tokyo 100-91, Japan

A description of the collateral covered by this document follows:

Rent to be paid in respect of nineteen (19) General Motors GMC-EMD SD-60 diesel electric locomotives leased pursuant to the Lease Agreement recorded under Recordation No. 16553

Counterpart
Peter Lafferty

A fee of Thirteen Dollars ($13.00) is enclosed. Please return the original and any extra copies not needed by the Commissioner for recordation to:

Kathryn A. Kapusta, Esquire
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

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

Bank Security Agreement dated as of September 29, 1989, between NBB Reading Lease Co., Ltd., 1-12-11 Nihonbashi, Chuo-ku, Tokyo 103, Japan and Barclays Bank PLC, Tokyo Branch, CPO Box 466, Tokyo 100-91, Japan, securing the payments of rent to be paid pursuant to the Lease Agreement recorded under Recordation No. 16553 relating to nineteen (19) General Motors GMC-EMD SD-60 diesel electric locomotives.

If you have any questions, please do not hesitate to call the undersigned.

Sincerely yours,

Kathryn A. Kapusta

Kathryn A. Kapusta

Enclosure

RECORDATION NO. 16554 FILED
OCT 2 1989 -2 32 PM
INTERSTATE COMMERCE COMMISSION

[EXECUTION COPY]

BANK SECURITY AGREEMENT

THIS BANK SECURITY AGREEMENT dated as of September 29, 1989 between NBB READING LEASE CO., LTD. (hereinafter called the "Borrower"), a corporation organized and existing under the laws of Japan, and BARCLAYS BANK PLC, a banking institution organized under the laws of England and acting through its branch in Tokyo, Japan (hereinafter called the "Lender").

Now, it is hereby agreed as follows:

Section 1. Definitions and Interpretation

1.1 Definitions. Unless the context otherwise requires, all capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in Appendix A of this Agreement.

1.2 Interpretation. Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa, persons shall include bodies corporate and vice versa, the headings are for convenience only and shall not affect the construction hereof, reference herein to any agreement, license or other instrument shall be deemed to include references to such agreement, license or other instrument as varied or replaced from time to time, references herein to any enactment shall be deemed to include references to such enactment as reenacted, amended or extended, references to sections and Exhibits are references, respectively, to sections of and Exhibits to this Agreement and references to the Borrower, the Lessee, the Permitted Obligor or the Lender shall, where relevant, be deemed to be references to or to include, as appropriate, their respective successors or assigns.

Section 2. Security

2.1 In order to secure the payment by the Borrower to the Lender of the Secured Obligations and the due and punctual performance by the Borrower of all of the terms, covenants, undertakings, conditions and provisions of this Agreement and the Loan Agreement, the Borrower hereby irrevocably and unconditionally pledges and grants to the Lender a security interest in the form of a pledge (shichiken) in all Borrower's right, title and interest in and to the Collateral, any proceeds thereof or rights with respect thereto, present and future, and in the Dollar

Account and any moneys from time to time credited thereto in favor of the Borrower together with all right, title and interest of the Borrower, present and future, thereto and therein.

2.2 The security interest granted pursuant to this Agreement shall not be released or discharged by payment or satisfaction of any part of the Secured Obligations but shall be a continuing security interest and shall extend to cover any sum or sums of money or other obligations which shall for the time being constitute the balance of the Secured Obligations until all of the Secured Obligations are discharged in full. Upon the payment in full of the Secured Obligations, the security constituted by this Agreement shall be released and discharged and any amounts remaining in the Dollar Account shall be disposed of at the discretion of the Borrower.

2.3 On the Delivery Date the Borrower shall dispatch to the Lender by international courier an originally executed counterpart of each of the Acknowledgments in the forms attached hereto as Exhibits A and B.

Section 3. Covenants

3.1 The Borrower hereby covenants as of the date hereof and as of the Closing and agrees that it has not heretofore assigned or permitted any Lien to subsist over, and that throughout the Security Period it shall not hereafter assign or cause any Lien to subsist over, the Dollar Account or the Collateral, insofar as the Collateral relates to amounts payable in U.S. Dollars, save for the security interests hereby constituted.

3.2 The Borrower hereby covenants and agrees that throughout the Security Period that the Borrower shall (a) maintain the Collateral and the Dollar Account and (b) take all reasonable actions to ensure that (i) each U.S. Dollar amount paid by the Lessee pursuant to the Lease Agreement (to the extent required to be paid into the Dollar Account) or by the Permitted Obligor pursuant to a Confirmation (to the extent required to be paid into the Dollar Account), is paid into the Dollar Account, and (ii) all the proceeds of the sale of the Items of Equipment required in the Lease Agreement to be credited to the Dollar Account are credited to the Dollar Account.

3.3 The Borrower will promptly furnish to the Lender such information and reports concerning the Collateral as the Lender may from time to time reasonably require.

3.4 The Borrower agrees that it shall not consent to, or permit any amendment, termination, waiver, consent or other modification of the circumstances in which the collateral is payable or the amounts of the Collateral without the written consent of the Lender, and that upon the occurrence and continuance of a Bank Event of Default, the Lender may directly exercise all the power and authority of the Borrower to give or withhold consents, grant any waivers or approvals or make any determinations with respect to the Collateral under the Operative Documents or give any notice thereunder in its own interest (and with no obligation to the Borrower). Under no circumstances will the Borrower take any steps to enforce or exercise any of its rights or remedies under or in respect of any of the Collateral or take any actions with respect to the Collateral which would materially adversely affect the interest of the Lender. Further, promptly after giving or receiving any notice, document or other writing or communication respecting the Collateral, the Borrower shall furnish the Lender with a copy thereof. In addition, the Borrower hereby irrevocably agrees not to exercise and not to permit any of its Affiliates to exercise, and hereby waives any right which it may now or hereafter have to assert, in any set-off or counterclaim against or with respect to any of the Collateral. Notwithstanding the foregoing, the Borrower may request the prior written consent of the Lender to amendments, terminations, waivers, consents or other modifications of the Collateral by the Borrower or the prior written consent of the Lender to the enforcement or exercise by the Borrower of any of its rights or remedies under the Operative Documents in respect of any of the Collateral, which consent of the Lender shall not be unreasonably withheld.

Section 4. Payments. Upon the occurrence and during the continuance of a Bank Event of Default all cash, proceeds, checks, drafts, orders and other instruments for the payment of money received by the Borrower on account of any Collateral shall be delivered promptly in the form received (properly endorsed but without recourse for collection where required) to the Lender, and the Borrower agrees not to commingle any such collections or proceeds with its other funds or property and agrees to hold the same in trust for or on behalf of the Lender until delivered.

Section 5. Remedies; Application of Proceeds of Sale

5.1 Remedies. If a Bank Event of Default shall have occurred and be continuing, the Lender shall have and may exercise, with respect to the Collateral, all the rights and remedies of a secured party under any applicable law in Japan (regardless of whether or not the same is in effect in

the jurisdiction in which such exercise occurs); and in addition, the Lender may do any or all of the following: (a) instruct the Lessee or any other obligor with respect to all or any part of the Collateral to make payments thereunder directly to the Lender's account specified in such instruction or, to the fullest extent permitted by law upon reasonable notice to the Borrower, sell or transfer the Collateral or any interest therein at public or private sale, for cash or upon credit and for immediate or future delivery and for such price and on such terms as the Lender shall reasonably deem appropriate, and negotiate, endorse, assign, transfer and deliver to the purchaser or purchasers thereof (which may be the Lender) the Collateral so sold, each purchaser at any sale to hold the property sold absolutely free from any claim or right on the part of the Borrower; (b) retain the Collateral in satisfaction of the Secured Obligations by the giving of notice to such effect to the Borrower; or (c) upon reasonable notification to the Borrower, proceed by suit or suits to foreclose on the Collateral and sell or transfer the Collateral or any portion thereof pursuant to judgment or decree of a court or courts having jurisdiction. Notwithstanding anything herein to the contrary, in all events, recourse shall be limited to the Collateral as provided in Section 4.3 of the Loan Agreement.

5.2 Application of Proceeds. The proceeds of any sale or transfer or other application of the whole or any part of the Collateral, and any moneys collected in respect of the Collateral, shall be applied as follows:

First, to the payment of accrued and unpaid interest on the Loan;

Second, to the payment of principal of the Loan then due and unpaid; and

Third, to the payment in full of all other Secured Obligations.

Any surplus remaining after such applications shall be remitted to the Borrower or as a court of competent jurisdiction may otherwise direct.

Section 6. General Authority. The Borrower hereby constitutes and appoints the Lender, upon the occurrence and during the continuance of a Bank Event of Default, as its true and lawful attorney-in-fact, with full power of substitution, in the Lender's name or otherwise, for the purposes of carrying out the provisions of this Agreement and taking any action or executing or filing any instrument, or any of the foregoing, necessary to accomplish the purposes hereof, which appointment is irrevocable and coupled with an

interest. Without limiting the generality of the foregoing, the Lender shall have the right, upon the occurrence and during the continuance of a Bank Event of Default, in its own name or in the Borrower's name or otherwise from time to time to exercise any or all of the powers of the Borrower with respect to any of the Collateral; provided, however, that the Lender shall not have any obligation whatsoever to exercise any of such powers hereby conferred upon it or to make any demand or any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or notice or take any other action whatsoever with respect to the Collateral. No action taken by the Lender or omitted to be taken by it in good faith shall give rise to any defense, counterclaim or offset in favor of the Borrower or otherwise affect any of the Secured Obligations.

Section 7. Miscellaneous

7.1 No Waiver, Etc. No failure on the part of the Lender to exercise, and no delay in exercising, and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise of the same or any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

7.2 Documents, Records. The Borrower agrees to deliver to the Lender the passbook (if any) and any and all other documentary evidence or records in respect of the Dollar Account.

7.3 Security Interest. The security interest created by this Agreement shall be in addition to and without prejudice to any other securities or guarantees from time to time held by the Lender in respect of the Secured Obligations and this Agreement shall remain in full force and effect until payment and discharge in full of the Secured Obligations, notwithstanding the liquidation, bankruptcy, insolvency or reorganization of the Borrower or any other fact or contingency whatsoever.

7.4 GOVERNING LAW. THIS AGREEMENT SHALL TAKE EFFECT UNDER AND BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF JAPAN.

7.5 Notices. All notices, requests and demands hereunder shall be given or made in the manner provided for in Section 7.3 of the Loan Agreement.

7.6 Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the parties and

their respective successors and assigns, except that the Borrower may not assign its rights or obligations hereunder without the prior written consent of the Lender.

7.7 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall for all purposes be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

7.8 Books of the Lender. Subject to any evidence to the contrary and in the absence of manifest error, the books of the Lender shall be determinative of any amount owed to the Lender and of all matters relating to this Agreement.

7.9 Amendments. This Agreement may not be amended or modified except by an instrument in writing signed by each of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the day and year first above written.

Borrower:

NBB READING LEASE CO., LTD.

By: _____
Name: Leonard B. Shavel
Its Attorney-in-fact

Lender:

BARCLAYS BANK PLC
Tokyo Branch

By: _____
Name: Lesley Bek
Assistant Vice President

STATE OF PENNSYLVANIA :

SS

COUNTY OF PHILADELPHIA :

On this, the 29th day of September, 1989, before me, a notary public, the undersigned officer, personally appeared Leonard B. Shavel, who acknowledged himself to be the Attorney-in-fact of NBB Reading Lease Co., Ltd. corporation, and that he, as such Attorney-in-fact, being duly empowered and authorized to do so, executed the within instrument for the purposes therein contained, by signing his name as such Attorney-in-fact.

In witness whereof, I hereunto set my hand and official seal.

Notary Public

(NOTARIAL SEAL)

My Commission Expires:

NOTARIAL SEAL
LYNN A McDOWELL, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES OCT. 26, 1992

Member, Pennsylvania Association of Notaries

STATE OF PENNSYLVANIA :

SS

COUNTY OF PHILADELPHIA :

On this, the 29th day of September, 1989, before me, a notary public, the undersigned officer, personally appeared Les Bek, who acknowledged himself to be an Assistant Vice President of Barclays Bank PLC, (Tokyo Branch) corporation, and that he, as such Assistant Vice President, being authorized to do so, executed the within instrument for the purposes therein contained, by signing the name of the corporation by himself as Assistant Vice President.

In witness whereof, I hereunto set my hand and official seal.

Notary Public

(NOTARIAL SEAL)

My Commission Expires:

NOTARIAL SEAL
LYNN A McDOWELL, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES OCT. 26, 1992

Member, Pennsylvania Association of Notaries

CONSOLIDATED RAIL CORPORATION
NBB READING LEASE CO., LTD.
FINANCING OF NINETEEN GENERAL MOTORS
GMC-EMD SD-60 DIESEL ELECTRIC LOCOMOTIVES

The definitions stated herein shall apply equally to both the singular and plural forms of the terms defined.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agreement," "this Agreement," "hereof," "hereby," or any other like term means, unless the context requires otherwise, the agreement in which such term is used, including all annexes, exhibits, schedules, and supplements thereto, as such agreement may be amended, modified or supplemented from time to time.

"Applicable Laws" means all rules, regulations and orders issued by the ICC, the Department of Transportation and any other government or instrumentality, subdivision or agency thereof having jurisdiction and relating to the registration, operation, maintenance and service of the Items of Equipment.

"Assignment Agreement" means the Assignment Agreement dated as of September 29, 1989 between Lessee, as assignor, and Lessor, as assignee, including the Consent and Agreement annexed thereto, as such Assignment Agreement may hereafter be amended, modified or supplemented.

"Assumption Agreement No. 1" means the Assumption Agreement No. 1, dated as of September 29, 1989, between Lessee and Financial Institution No. 1.

"Assumption Agreement No. 2" means the Assumption Agreement No. 2, dated as of September 29, 1989, between Lessee and Financial Institution No. 2.

"Bank Event of Default" means each of the following events:

(a) Borrower shall fail to make payment of any part of the principal of or interest on the Loan within 15 days after the same shall become due and payable; or

(b) Borrower shall default in the performance of or compliance with any other material agreement, condition or provision of the Loan Agreement or of any other agreement with Lender (including for purposes hereof, any office, branch or Affiliate thereof) in connection with the transactions contemplated by the Participation Agreement and the Lease and such default shall continue for more than 30 days after written notice of such default is given by Lender to Borrower requiring such default to be rectified; or

(c) Lender for any reason, other than as a result of Lender's willful misconduct or negligence, shall fail to have the security interest in the Collateral contemplated by the Bank Security Agreement; or

(d) any representation or warranty made by Borrower in writing in the Loan Agreement or which is contained in any document or certificate furnished under or in connection with the Loan Agreement shall prove to have been false or incorrect in any material respect on the date as of which made which result in a material adverse effect upon Lender (including, without limitation, Lender failing to have the security interest in the Collateral contemplated by the Bank Security Agreement) and Borrower shall fail for a period of 30 days after receipt of notice from Lender to have rectified the material adverse effect; or

(e) a Lessor's Event of Default shall occur;

provided, however, that in the event Lender or any office, branch or Affiliate thereof having such status at such time or as of the date hereof defaults in any payment obligation to Borrower, the Bank Event of Default described in subdivision (a) hereof shall not constitute a Bank Event of Default.

"Bank Security Agreement" means the Bank Security Agreement, dated as of September 29, 1989, between Borrower and Lender, acting through its registered branch office in Tokyo, Japan, providing for the grant by Borrower of a pledge of and security interest in the Collateral in favor of the Lender.

"Basic Rent" for the Items of Equipment means the rent payable to Lessor for the Items of Equipment pursuant to

Section 3(b) of the Lease in the amounts and payable on the dates set forth in Schedule A to the Lease.

"Basic Termination Payment" means, with respect to any termination of the Lease pursuant to Section 9 or 15 of the Lease, the amount computed and payable as provided in Schedule B to the Lease.

"Bill of Sale" means a full warranty bill of sale executed by the Manufacturer for all of the Items of Equipment.

"Borrower" means Lessor and its successors and permitted assigns.

"Business Day" means any day excluding Saturday, Sunday and any other day which shall be in Philadelphia, Pennsylvania, Tokyo, Japan or such other location in which a Permitted Obligor may be situated a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close.

"Casualty Value Termination Payment" means, with respect to any termination of the Lease with respect to one or more Items of Equipment pursuant to Section 10 of the Lease, the amount computed and payable as provided in Schedule C to the Lease.

"Change in Law" means any change in, deletion from, amendment or addition to, Japanese Tax Law occurring on or after the Delivery Date, regardless of whether such change, deletion, amendment or addition has been discussed or proposed prior to the Delivery Date.

"Claims" has the meaning set forth in Section 20(a) of the Lease.

"Closing" means the execution and delivery of the initial Lease Supplement by the parties thereto.

"Closing Date" means the date of the Closing.

"Code" means the Internal Revenue Code of 1986, as in effect on the date hereof or as hereafter amended.

"Collateral" means all right, title and interest of Borrower in and to all payments required to be paid in U.S. Dollars (i) by Lessee under the Lease in respect of Basic Rent, Basic Termination Payment, Casualty Value Termination Payment, and Purchase Price or Deficiency Payment, as the case may be, for so long as no Confirmation in the form of Exhibit F-1 to the Participation Agreement shall have been

delivered by a Permitted Obligor or Lessee or (ii) if such a Confirmation shall have been delivered, by the Permitted Obligor under such Confirmation.

"Confirmation" means Confirmation No. 1 or Confirmation No. 2, as the context requires.

"Confirmation No. 1" means a Confirmation and Agreement No. 1 substantially in the form attached as Exhibit F-1 to the Participation Agreement, validly executed by the Permitted Obligor and delivered to Lessor pursuant to Section 21(b) of the Lease.

"Confirmation No. 2" means a Confirmation and Agreement No. 2 substantially in the form attached as Exhibit F-2 to the Participation Agreement, validly executed by the Permitted Obligor and delivered to Lessor pursuant to Section 21(b) of the Lease.

"Consent and Agreement" means the Consent and Agreement of the Manufacturer dated as of September 29, 1989, annexed to the Assignment Agreement, as such Consent and Agreement may hereafter be amended, modified or supplemented.

"Custodian" means Morgan, Lewis & Bockius, a Pennsylvania general partnership, and its successors and permitted assigns.

"Custodian Agreement" means the Custodian Agreement, dated as of September 29, 1989, among the Custodian, Lessor and Lessee.

"Defeased Payment" has the meaning set forth in Section 21(b) of the Lease.

"Deficiency Payment" means the amount set forth in Schedule E to the Lease.

"Delivery Date" means the date of the initial Lease Supplement for the Items of Equipment, which date shall be the date on which the Items of Equipment are delivered to and accepted by Lessor under the Assignment Agreement and Purchase Agreement and Lessor leases the Items of Equipment to Lessee pursuant to the Lease.

"Dollar" or "$" means the lawful currency of the United States of America.

"Dollar Account" means the account of Lessor, account no. 357103 USDCURR1, with Lender.

"Event of Default" has the meaning set forth in Section 14 of the Lease.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of the use of such property due to (x) theft or disappearance, or any other reason not covered elsewhere in this definition, for a period in excess of six months or (y) destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss; (iii) the condemnation or requisition of title to such property by the Government or any other governmental authority; (iv) as a result of any rule, regulation, order or other action by the ICC, the Department of Transportation or other governmental body of the United States of America or Canada having jurisdiction, the use of such property in the normal course of rail transportation shall have been prohibited for a period of six consecutive months, unless Lessee, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which in its judgment are necessary or desirable to permit the normal use of such property by Lessee or, in any event, if such use shall have been prohibited for a period of 12 consecutive months; (v) the operation or location of such property, while under requisition for use by the Government, in any area excluded from coverage by any insurance policy in effect with respect to such property required by the terms of Section 11 of the Lease, if Lessee shall be unable to obtain indemnity in lieu thereof from the Government; or (vi) the confiscation, seizure or requisition of use of such property by the Government or any other governmental authority for a period in excess of 12 consecutive months or for a period continuing beyond the Term.

"Financial Institution" means Financial Institution No. 1 or Financial Institution No. 2, as the context requires.

"Financial Institution No. 1" means Mercantile Leasing Company Limited, a company organized under the laws of England as a limited liability company, and its successors and permitted assigns.

"Financial Institution No. 2" means Barclays Bank PLC, a banking institution organized under the laws of England, acting through its branch in the Cayman Islands, and its successors and permitted assigns.

"Government" means the government of the United States of America and any instrumentality, subdivision or agency thereof and the government of Canada and any instrumentality, subdivision or agency thereof, except that for the purpose of the indemnity referred to in clause (v) of the definition of "Event of Loss," those instrumentalities, subdivisions and agencies included within the definition of "Government" shall be only those instrumentalities, subdivisions and agencies the obligations of which bear the full faith and credit of the United States of America or Canada.

"ICC" means the Interstate Commerce Commission and any agency or instrumentality of the United States government succeeding to its functions.

"Indemnified Person" means any Person identified in Section 20(b) of the Lease.

"Initial Storage Period" is defined in Section 5(d) of the Lease Agreement.

"Item of Equipment" means (i) each of the General Motors GMC-EMD SD-60 diesel electric locomotives (or an improved model of the same Manufacturer) listed by Lessee's road numbers 6848 and 6850 through 6867 inclusive in the Lease Supplement executed and delivered on the Delivery Date; (ii) any Replacement Item of Equipment which may from time to time be substituted, pursuant to Section 8(a) or 10(a) of the Lease, for an Item of Equipment leased under the Lease; and (iii) any and all Parts incorporated or installed in or attached to such Item of Equipment and any and all Parts removed from such Item of Equipment so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 of the Lease after removal from the Item of Equipment. The term "Items of Equipment" also means, as of any date of determination, all Items of Equipment then leased under the Lease.

"Japanese Tax Law" means the Tax Act and all official interpretations thereof, and published decisions and rulings (tsutatsu) and administrative guidance (gyoseishido) by the National Tax Administration Agency and other relevant government agencies and all judicial precedents and decisions of national or local offices of the National Tax Tribunal applicable thereto.

"Kumiai-in" means any Person who is a party to a Tokumei Kumiai Agreement with Lessor and any transferee of such Person entered on Lessor's Record of Ownership for the purposes of the Operative Documents and the transactions contemplated thereby.

"Lease Agreement" or "Lease" means the Lease Agreement, dated as of September 29, 1989, between Lessor and Lessee, and all annexes, supplements and exhibits thereto, all as amended, modified or supplemented from time to time.

"Lease Expiry Date" means the day immediately preceding the fourteenth anniversary of the Delivery Date; provided, that where any amount is expressed to be payable on the Lease Expiry Date, for such purposes only the Lease Expiry Date means the fourteenth anniversary of the Delivery Date.

"Lease Period" means each of (x) the period commencing on and including the Delivery Date and ending on and including the first Lease Period Date, and (y) each period commencing on and including the day immediately following the prior Lease Period Date (other than the last) and ending on and including the next subsequent Lease Period Date.

"Lease Period Date" means each of the Lease Period Dates listed on Schedule A to the Lease.

"Lease Supplement" means the Lease Supplement, substantially in the form of Exhibit A to the Lease, to be entered into between Lessor and Lessee on the Delivery Date for the purpose of leasing the Items of Equipment under and pursuant to the terms of the Lease, any amendment to the Lease Supplement and any subsequent Lease Supplement executed and delivered in connection with a Replacement Item of Equipment.

"Lender" means Barclays Bank PLC, a banking institution organized under the laws of England, acting through its branch in Tokyo, Japan, and its successors and permitted assigns.

"Lessee" means Consolidated Rail Corporation, a Pennsylvania corporation, and its successors and permitted assigns.

"Lessee's Record of Ownership" means the Lessee's record of ownership required to be kept by the Lessee pursuant to Section 13(c) of the Lease.

"Lessor" means NBB Reading Lease Co., Ltd., a corporation organized under the laws of Japan, and its successors and permitted assigns.

"Lessor's Cost" for each Item of Equipment means an amount equal to $1,295,818.

"Lessor's Event of Default" shall have the meaning set forth in Section 24(b) of the Lease Agreement.

"Lessor's Liens" means any Liens on or relating to or affecting any Item of Equipment or any Part arising as a result of (i) claims against or affecting Lessor or any Kumiai-in, other than claims arising solely from Lessor's participation in the transactions contemplated by the Lease, the Participation Agreement or any other agreement entered into with the consent of Lessee in connection therewith; (ii) acts or omissions of Lessor or any Kumiai-in not expressly permitted under the terms of the Lease, the Participation Agreement or any such agreement; (iii) Taxes imposed against Lessor or any Kumiai-in which are not indemnified against by Lessee pursuant to the Participation Agreement; or (iv) claims against Lessor or any Kumiai-in arising out of the voluntary transfer (other than pursuant to Sections 9, 10, 15 or 19 of the Lease or Section 2 of the Bank Security Agreement) by Lessor (without the consent of Lessee) of its interest in any Item of Equipment or the Lease or by such Kumiai-in of its interest in the Tokumei Kumiai Agreement to which it is a party or any right to receive payment thereunder or any interest in the business of the Tokumei Kumiai contemplated thereunder.

"Lessor's Record of Ownership" means the Lessor's record of ownership required to be kept by the Lessor pursuant to the Custodian Agreement.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan" means the loan made by Lender to Borrower pursuant to the Loan Agreement in an amount equal to U.S. $19,696,426, which sum is 79.99997% of the aggregate Lessor's Cost for all Items of Equipment, or the amount outstanding under the Loan Agreement at any time.

"Loan Agreement" means the Loan Agreement, dated as of September 29, 1989, between Borrower and Lender, and all annexes, supplements and exhibits thereto, all as amended and supplemented from time to time pursuant to the Loan Agreement and Section 19 of the Participation Agreement.

"Loan Date" means the date upon which the Loan is made available to Borrower, which date shall be the Closing Date.

"Loan Payment Dates" means Lease Period Dates.

"Loan Payment Installment" means the amount of Dollars due and payable on the chronologically corresponding Loan Payment Date, as set forth on Schedule A to the Loan Agreement.

"Manufacturer" means General Motors Corporation (Electro-Motive Division), a Delaware corporation, and its successors and assigns.

"Monthly Date", with respect to Schedules B and D to the Lease, Schedule B to the Loan Agreement, Annex II to an Assumption Agreement and Annex II to a Confirmation, means each date set forth in any such Schedule.

"National Tax Administration Agency" means the "National Tax Administration Agency" (Kokuzeicho) of Japan and includes any national tax administration regional bureau (Kokuzeikyoku) and national tax local office (Zeimusho) and any successor agencies.

"NBB" means Nomura Babcock & Brown Co., Ltd., a corporation organized under the laws of Japan, and its successors and permitted assigns.

"NBB Guaranty" means the Guaranty Agreement, dated as of September 29, 1989, between NBB and Lessee, and all annexes, supplements and exhibits thereto, all as amended, modified or supplemented from time to time.

"Operative Document" means each of the Participation Agreement, the Lease, each Lease Supplement, the Loan Agreement, the NBB Guaranty, the Bank Security Agreement, the Assignment Agreement, the Custodian Agreement, the Confirmations, if any, any document in connection with which a Confirmation is issued and the Bill of Sale.

"Overdue Rate" means (i) with respect to payments required to be made in U.S. Dollars or, if no currency is specified with respect to a payment, payments in fact made in U.S. Dollars, 13% per annum and (ii) with respect to payments required to be made in Yen or, if no currency is specified with respect to a payment, payments in fact made in Yen, 6% per annum.

"Participation Agreement" means the Participation Agreement, dated as of September 29, 1989, among Lessee, Lessor and Lender and all annexes, supplements and exhibits thereto, all as amended, modified or supplemented from time to time.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment

of whatever nature that at any time of determination are incorporated or installed in or attached to an Item of Equipment or the ownership of and title to which remains vested in Lessor in accordance with Section 8 of the Lease after removal therefrom.

"Payment Acknowledgment" shall have the meaning set forth in Section 9(e)(ii) of the Lease.

"Permitted Liens" means any Lien of the type described in clauses (a) through (i) of Section 6 of the Lease.

"Permitted Obligor" means Financial Institution No. 1 or Financial Institution No. 2, as the context requires, or any other Person reasonably acceptable to Lessor, Lessee, or both, and, in the case of Financial Institution No. 1, Lender.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or government or any agency, instrumentality or political subdivision thereof.

"Potential Event of Default" means any occurrence or event which, with the passage of time or the giving of notice or both, would become an Event of Default.

"Purchase Agreement" means the Purchase Agreement dated as of December 22, 1988 between the Manufacturer and Lessee, ratified by a Ratification of Contract dated as of August 31, 1989, providing, among other things, for the manufacture and sale by the Manufacturer to Lessee of 25 General Motors GMC-EMD SD-60 diesel electric locomotives, as such Purchase Agreement has been or may hereafter be amended, modified or supplemented.

"Purchase Price" shall mean the amount set forth in Schedule E of the Lease.

"Rent" means Basic Rent and Supplemental Rent.

"Replacement Item of Equipment" means a General Motors GMC-EMD SD-60 diesel electric locomotive (or an improved model of the same Manufacturer), which shall have been leased pursuant to clause (i) of Section 10(a) of the Lease, together with all Parts relating thereto.

"Secured Obligations" means, collectively, the obligations from time to time of Borrower to Lender under and in respect of the principal of and interest on the Loan heretofore or hereafter made by it under the Loan Agreement

and all other amounts from time to time due and payable by Borrower under the Bank Security Agreement or under the Loan Agreement.

"Security Period" means the period commencing on the Delivery Date and terminating on the date on which all Secured Obligations have been paid in full.

"Selling Costs" means all reasonable costs and expenses incurred by Lessor in connection with a sale or attempted sale of the Items of Equipment, pursuant to Section 15 or 19 of the Lease, including the costs and expenses of any agent retained by Lessor in connection with such sale.

"Special Termination Payment" means, with respect to any termination of the Lease with respect to all of the Items of Equipment pursuant to Section 9 or 15 thereof or any termination of the Lease with respect to one or more Items of Equipment pursuant to Section 10 thereof, the amount computed and payable as provided in Schedule D to the Lease.

"Specified Exchange Rate" means the exchange rate of U.S. $1.00 equals 141.45 Yen.

"Statement" means a Statement in the form of Exhibit G to the Participation Agreement.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Basic Rent) which Lessee assumes or agrees to pay under the Lease, the Payment Acknowledgment or the Participation Agreement to Lessor or others, including, without limitation, Casualty Value Termination Payments, Basic Termination Payments, Special Termination Payments, Purchase Price or Deficiency Payment, as the case may be, and payment of indemnities (including, without limitation, under Section 11 of the Participation Agreement).

"Tax Act" means the Corporation Tax Law of Japan (Law No. 34 of 1965, as amended) and the regulations implemented thereunder, the provisions of the Income Tax Law of Japan (Law No. 33 of 1965, as amended) concerning withholding tax and the regulations implemented thereunder, the Consumption Tax Act of Japan (Law No. 108 of 1988) and the regulations implemented thereunder, the provisions of the Local Tax Law of Japan (Law No. 276 of 1950, as amended) concerning corporate enterprise tax and inhabitants tax and the regulations implemented thereunder, the Special Taxation Measures Law of Japan (Law No. 26 of 1957, as amended), and treaties, laws and regulations which affect the application and interpretation of, or amend, supplement, or replace, any provision of the Corporation Tax Law of Japan, the Consumption Tax Law of Japan, the Income Tax Law of Japan,

the Local Tax Law of Japan, or the Special Taxation Measures Law or any regulation implemented thereunder.

"Tax Indemnitee" means Lessor and each Kumiai-in and each of their respective Affiliates, directors, officers, employees, servants, agents, successors and permitted assigns.

"Tax Ruling" means any tax ruling, tax assessment, notice, instruction, explanation or any other determination by the Japanese tax authorities given to Lessor or any Kumiai-in writing.

"Taxes" means all license, registration and filing fees and all taxes, withholdings, assessments, levies, imposts, duties or charges of any nature whatsoever, together with any penalties, fines or interest thereon or other additions thereto imposed, withheld, levied or assessed by any country or any taxing authority or governmental subdivision thereof or therein or by any international authority.

"Term" means the term for which the Items of Equipment are leased as provided in Section 3(a) of the Lease and Section 4 of the initial Lease Supplement relating to the Items of Equipment.

"Termination Date" means the date of the early termination of the Lease with respect to all of the Items of Equipment as determined in accordance with Section 9 or 15 of the Lease or of the early termination of the Lease with respect to one or more Items of Equipment as determined in accordance with Section 10 of the Lease, each of which dates shall be a Business Day; provided, that only for purposes of determining the date on which the Basic Termination Payment is payable pursuant to Section 15(d) of the Lease, the Termination Date shall be the 90th day after the declaration referred in such Section 15(d).

"Tokumei Kumiai" means the tokumei kumiai, as such term is described in the Japanese Commercial Code (including, without limitation, Articles 535 through 542 thereof), created pursuant to the Tokumei Kumiai Agreements.

"Tokumei Kumiai Agreement" means each of the separate agreements entered into or to be entered into by Lessor, in its capacity as proprietor and manager of the investment made by its investors (or Kumiai-in) substantially the same, in form and substance, as the form of the Tokumei Kumiai Agreement attached as Exhibit H to the Participation Agreement and containing the covenants described in Section 8 of the Participation Agreement.

"Treaty" means the Convention between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, as in effect on the Delivery Date.

"U.S. Dollars" or "U.S. $" means lawful money of the United States of America.

"United States Taxes" means any Taxes imposed, withheld, levied or assessed by any federal, state or local government or taxing authority of or in the United States of America.

"Unwind Events" has the meaning ascribed thereto in Section 9(e)(ii) of the Lease.

"Yen" means lawful money of Japan.

"Yen Account" means the account of Lessor, account no. 357103 JPYCURR1, with Lender.

Exhibit A
to
Bank Security Agreement

FORM OF ACKNOWLEDGMENT

CONSOLIDATED RAIL CORPORATION
Six Penn Center Plaza
Philadelphia, Pennsylvania 19103

Date: September 29, 1989

To Those Concerned:

We hereby inform you by this letter that, pursuant to the terms of the Bank Security Agreement dated as of September 29, 1989 (the "Agreement"), between BARCLAYS BANK PLC, acting through its branch in Tokyo, Japan ("Lender") and NBB READING LEASE CO., LTD. ("Borrower"), which Agreement is governed by the laws of Japan, Borrower has created and granted in favor of Lender a pledge on all right, title and interest of Borrower in and to all payments required to be made in U.S. Dollars due by Lessee under the Lease Agreement dated as of September 29, 1989 (the "Lease Agreement"), between Borrower, as Lessor, and Consolidated Rail Corporation, as Lessee, in respect of Basic Rent, Basic Termination Payment, Casualty Value Termination Payment and Purchase Price or Deficiency Payment (as such terms are defined in Appendix A to such Lease Agreement).

Please acknowledge receipt of this notification by signing the enclosed copy of this letter. This acknowledgment evidences your unconditional consent to the foregoing creation of the pledge and irrevocable agreement with Lender upon the written or telexed, telecopied, telefaxed, telegrammed or cabled request of Lender to consider Lender as the "Lessor" under such a Lease and to make all payments otherwise due in U.S. Dollars to the

"Lessor" under such Lease Agreement to such account as Lender shall so direct.

Yours faithfully,

NBB READING LEASE CO., LTD.

By _____
Name: Leonard B. Shavel
Title: Attorney-in-fact

We hereby acknowledge receipt of the foregoing notification and unconditionally consent to the foregoing creation of the pledge.

CONSOLIDATED RAIL CORPORATION

By _____
Name: Thomas J. McFadden
Title: Manager - Financing

Exhibit B
to
Bank Security Agreement

FORM OF ACKNOWLEDGMENT

MERCANTILE LEASING COMPANY
LIMITED
Elizabethan House
Great Queen Street
London WC2B 5DP
England

Date: September 29, 1989

To Those Concerned:

We hereby inform you by this letter that, pursuant to the terms of the Bank Security Agreement dated as of September 29, 1989 (the "Agreement"), between BARCLAYS BANK PLC, acting through its branch in Tokyo, Japan ("Lender") and NBB READING LEASE CO., LTD. ("Borrower"), which Agreement is governed by the laws of Japan, Borrower has created and granted in favor of Lender a pledge of all right, title and interest of Borrower in and to all payments required to be made in U.S. Dollars by the Permitted Obligor under Confirmation No. 1 (as such terms are defined in Appendix A to the Agreement) delivered by you to Borrower.

Please acknowledge receipt of this notification by signing the enclosed copy of this letter. This acknowledgment evidences your unconditional consent to the foregoing creation of the pledge and irrevocable agreement with Lender upon the written or telexed, telecopied, telefaxed, telegrammed or cabled request of Lender to consider Lender as the "Lessor" under such Confirmation and to make all payments otherwise due in U.S. Dollars to the "Lessor" under such Confirmation to such account as Lender shall so direct.

Yours faithfully,

NBB READING LEASE CO., LTD.

By _____
Name: John Fahy
Title: Attorney-in-fact

We hereby acknowledge receipt of the foregoing notification and unconditionally consent to the foregoing creation of the pledge.

MERCANTILE LEASING COMPANY LIMITED

By _____
Name: Lesley Bek
Title: Attorney-in-fact