RECORDATION NO. 11419 Filed 1425

FEB 19 1980 -11 05 AM

INTERSTATE COMMERCE COMMISSION

GREENBERG IRWIN PELLMAN & SLADE

COUNSELORS AT LAW

540 MADISON AVENUE
NEW YORK, N.Y. 10022

TEL: (212) 838-6670
TWX: 7105815043
CABLE: "GLEEWIN"

HAROLD GREENBERG
STEPHEN IRWIN
STUART M. PELLMAN
MELVIN S. SLADE
FREDERICK R. BIEHL

JOHN F. TRIGGS
ELLIOTT D. HEFLER
J. ANDREW RAHL, JR.
SIDNEY M. SEGALL
MICHAEL W. STAMM
AMY SHEERR KAPLAN

RECORDATION NO. 11420 Filed 1425

FEB 19 1980 -11 05 AM

INTERSTATE COMMERCE COMMISSION

No. 0-050A059

Date FEB 19 1980

Fee $ 20.00

ICC Washington, D. C.

February 15, 1980

Office of the Secretary
Recordation Office
Interstate Commerce Commission
Twelfth and Constitution Avenue, N.W.
Washington, D.C. 20423

Re: Recordation and Filing of Documents pertaining to Prior Recordation Numbers 11419 and 11420

Dear Sirs:

In accordance with the provisions of Section 11303 of the Revised Interstate Commerce Act, 49 U.S.C. §11303, and Part 1116 of Title 49 of the Code of Federal Regulations, we request that the enclosed documents be recorded and filed by the Interstate Commerce Commission (the "Commission").

Enclosed herewith are three originals of the documents listed below. We request that one original of each document be recorded and filed in the order listed below. We request that the additional originals be stamped by your office and returned to us.

1. First Lease Amendment, dated as of January 21, 1980, to Lease of Railroad Equipment, dated as of January 21, 1980, between Emons Industries, Inc., as lessee, and The Connecticut Bank and Trust Company, as lessor in its capacity as trustee under the Trust Agreement referred to in such Lease (the "Trustee") (which lease was recorded by the Commission on January 24, 1980 at 11:15 A.M., Recordation No. 11419).

2. First Security Agreement Amendment, dated January 21, 1980, to Security Agreement, dated as of January 21, 1980, between Citicorp Industrial Credit, Inc. and the Trustee (which Security Agreement was recorded by the Commission on January 21, 1980 at 11:15 A.M. Recordation No. 11420).

Interstate Commerce Commission
Washington, D.C. 20423

2/19/80

OFFICE OF THE SECRETARY

Melvin S. Slade
Greenberg, Irwin Pellman & Slade
540 Madison Avenue
New York, N.Y. 10022

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 2/19/80 at 11:05am, and assigned re-recordation number(s). 11419-A & 11420-A

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

DUPLICATE ORIGINAL

RECORDATION NO. 11419 Filed 1425

JAN 24 1980 - 11 15 AM

INTERSTATE COMMERCE COMMISSION

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Filed and recorded with the
Interstate Commerce Commission
on January __, 1980 at __:__ _.M.,
Recordation No. _____

LEASE OF RAILROAD EQUIPMENT

Dated as of January 21, 1980

between

THE CONNECTICUT BANK AND TRUST COMPANY,

as Trustee under a Trust Agreement dated as of

January 21, 1980 with Chase Manhattan Service Corporation,

and

EMONS INDUSTRIES, INC.

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Attachments to Lease:

Schedule A -- Description of Units
Schedule B -- Casualty Values and Termination Values
Annex I -- Minimum insurance requirements
Exhibit A -- Form of Certificate of Acceptance

LEASE OF RAILROAD EQUIPMENT, dated as of January 21, 1980, between THE CONNECTICUT BANK AND TRUST COMPANY, as Trustee under a Trust Agreement dated as of January 21, 1980 with Chase Manhattan Service Corporation (The Connecticut Bank and Trust Company, in its capacity as such Trustee, being herein called the "Lessor", which term includes its successors as such Trustee under the Trust Agreement), and EMONS INDUSTRIES, INC. (the "Lessee").

The Lessee, Chase Manhattan Service Corporation (the "Owner Participant"), Citicorp Industrial Credit, Inc. (the "Lender") and the Lessor are parties to a Finance Agreement (the "Finance Agreement") dated as of even date herewith wherein the Lessor has agreed, on the terms set forth therein, to purchase from the Manufacturers referred to in the Finance Agreement the units of railroad equipment described in Schedule A hereto as such schedule may from time to time be modified, amended or supplemented (such units being herein called the "Units") and to lease the same to the Lessee on the terms set forth herein. The Lender has agreed, on the terms set forth in the Finance Agreement, to make loans to the Lessor to finance part of the purchase price of the Units, such loans to be secured by a security interest in, among other things, the Units and the right, title and interest of the Lessor in this Lease, all as provided for in the Security Document referred to in the Finance Agreement (the "Security Document"). Terms defined in the Finance Agreement have their respective defined meanings when used herein.

Accordingly, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon (and the parties hereby agree to) the following terms and conditions:

§1. Net Lease. This Lease is a net lease and the Lessee shall neither 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 by reason of any past, present or future claims of the Lessee under this Lease or under the Security Document or the Finance Agreement, or against the Lender or Manufacturer 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 damage to or loss of possession or use or destruction of any Unit from whatsoever cause, any liens, charges, security interests or other encumbrances (herein called "Liens"), or any rights of others, on or with respect to any Unit, the prohibition of or other restriction against the Lessee's use of any Unit, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the 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 is 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, cancel, quit or surrender the lease of any Unit except in accordance with the express terms of this Lease. Except in the case of clerical error resulting in either (i) overpayment (but then only to the extent of such overpayment) or (ii) payment when not due (but then only if that payment is made more than 30 days prior to the due date), 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.

§2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units to be purchased pursuant to the Finance Agreement. Each delivery of a Unit to the Lessor under the Finance Agreement shall be deemed to be a delivery to the Lessee under this Lease at the place at which such Unit is so delivered to the Lessor. Upon such delivery the Lessee will cause an employee or agent of the Lessee to inspect each Unit and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance in substantially the form of Exhibit A hereto (herein called a "Certificate of

Acceptance") in accordance with the provisions of §5(c) of the Finance Agreement, which Certificate of Acceptance shall state, among other things, that such Unit has been delivered to and inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance (the "Acceptance Date" of such Unit) and is marked in accordance with §5 hereof, whereupon such Unit shall, subject to Section 5(c)(vii) of the Finance Agreement, be deemed to have been delivered to and accepted by the Lessee and the Lessor and shall be subject thereafter to all the terms and conditions of this Lease.

§3. Rentals. Subject to the provisions of the second, third and fourth paragraphs of this §3, the Lessee agrees to pay to the Lessor, as rental for each Unit, (a) an amount per day (computed on the basis of a 360-day year of twelve 30-day months) for the period, if any, from and including the Funding Date for such Unit to but not including March 31, 1980 (the "Basic Lease Commencement Date") equal to interest at the rate of 12-1/2% per annum on an amount equal to 64% of the Purchase Price of such Unit, payable on the Basic Lease Commencement Date and (b) 36 consecutive rental payments payable semiannually in arrears (the "Semiannual Rent Payments") commencing on September 30, 1980 and on each March 31 and September 30 thereafter (unless this Lease is earlier terminated with respect to such Unit pursuant to the terms hereof), each of which payments shall be in an amount equal to 4.9817% of the Purchase Price of such Unit.

In the event that the Lessor shall not (for any reason other than a wrongful act of the Lessor) finance by borrowing from the Lender an amount equal to 64% of the Purchase Price of any Unit in accordance with §2(b) of the Finance Agreement then, (i) in lieu of the rentals for such Unit provided for by clause (a) of the first paragraph of this §3, the Lessee agrees to pay to the Lessor as rental for such Unit an amount per day (computed as provided in, and for the period specified in, the first sentence of the first paragraph of this §3) equal to interest at the Agreed Rate on an amount equal to 64% of the Purchase Price of such Unit, payable on the Basic Lease Commencement Date, and (ii) in lieu of the rental for such Unit provided for by clause (b) of the first paragraph of this §3 for the period commencing on the Basic Lease Commencement Date, the Lessee

agrees to pay to the Lessor, as rental for such Unit, 36 consecutive Semiannual Rent Payments commencing on the first semiannual anniversary date of the Basic Lease Commencement Date, each of which shall be in an amount equal to 5.053% of the Purchase Price of such Unit.

In the event (a) that the aggregate amount of the Transaction Expenses payable by the Owner Participant pursuant to Section 12(b) of the Finance Agreement exceed an amount equal to 0.25% of the aggregate amount of the Purchase Price of the Units paid for by the Trustee on or before the Basic Lease Commencement Date then (i) the rent payments provided for by the first and second paragraphs of this §3 shall be increased by such amounts as shall be reasonably determined by the Owner Participant (such determination to be conclusive, subject to audit by Peat, Marwick, Mitchell & Co. upon the request of the Lessee and the cost of which shall be at the expense of the Lessee, provided that the amounts determined by the Owner Participant shall be effective for all purposes of this Lease until completion of such an audit and in the event of the determination of revised amounts, any overpayment by the Lessee shall be recoverable only from the Owner Participant) to be necessary to cause the net after-tax yield and after-tax cash flow anticipated to be derived by the Owner Participant from the transaction contemplated hereby (computed on the basis of the same assumptions set forth in §8(a) of the Finance Agreement together with such other assumptions as are normally taken into account in making such computation), to be equal to the net after-tax yield and after-tax cash flow that would have been derived by the Owner Participant had such Transaction Expenses been equal to 1% of such aggregate Purchase Price, and (ii) the Casualty and Termination Values as set forth in Schedule B hereto shall be adjusted by such amounts as the Owner Participant shall reasonably determine (such determination to be conclusive, subject to audit by Peat, Marwick, Mitchell & Co. upon the request of the Lessee and the cost of which shall be at the expense of Lessee, provided that the amounts determined by the Owner Participant shall be effective for all purposes of this Lease until completion of such an audit and in the event of the determination of revised amounts, any overpayments by the Lessee shall be recoverable only from the Owner Participant) to be necessary, to cause the amounts of such Casualty and Termination Values to be equal to the amounts required to

cause such net after-tax yield and after-tax cash flow (so computed) to be equal to the net after-tax yield and after-tax cash flow that would have been derived by the Owner Participant had such Transaction Expenses been equal to 1% of such aggregate Purchase Price.

In the event that, with respect to any Unit, (a) any amendment to, or change in the official application or interpretation of the Code is enacted or adopted after the date hereof with respect to a date on or prior to the Acceptance Date of such Unit, (b) on or prior to the Acceptance Date for such Unit, any bill proposing such an amendment is reported out of any committee of the United States Congress or the Administration proposes legislation, effective as of a date on or prior to the Acceptance Date for such Unit, (c) any decision is rendered by a Court of the United States after the date hereof and on or prior to the Acceptance Date for such Unit, (d) there is any regulation proposed by the Treasury Department after the date hereof and on or prior to the Acceptance Date for such Unit, or (e) after the date hereof and on or prior to the Acceptance Date for such Unit, any similar action is taken with respect to the Tax Laws, which amendment, change, decision, regulation or similar action, in the reasonable opinion of tax counsel to the Owner Participant, is likely to cause a change in the tax benefits or assumptions stated in Section 8(a) of the Finance Agreement together with such other assumptions as are normally taken into account in making such computation (the changes referred to in clauses (a), (b), (c), (d) and (e) above being herein referred to as the "Tax Changes"), then (i) the rent payments provided for by the first and second paragraphs of this §3 shall be adjusted by such amounts as shall be reasonably determined by the Owner Participant (such determination to be conclusive subject to audit by Peat, Marwick, Mitchell & Co. upon the request of the Lessee and the cost of which shall be at the expense of Lessee, provided that the amounts determined by the Owner Participant shall be effective for all purposes of this Lease until completion of such an audit and the determination of revised amounts, any overpayments by the Lessee to be recoverable only from the Owner Participant) to be necessary to cause the net after-tax yield and after-tax cash flow anticipated to be derived by the Owner Participant from the transaction contemplated hereby (computed on the basis of the assumptions stated in §8(a) of the Finance Agreement together with such other assumptions as were used)

to be equal to the net after-tax yield and after-tax cash flow that would have been derived by the Owner Participant had the Tax Changes not occurred and (ii) the Casualty and Termination Values set forth in Schedule B hereto shall be adjusted by such amounts as the Owner Participant shall reasonably determine (such determination to be conclusive subject to audit by Peat, Marwick, Mitchell & Co. upon the request of the Lessee and the cost of which shall be at the expense of Lessee, provided that the amounts determined by the Owner Participant shall be effective for all purposes of this Lease until completion of such an audit and the determination of revised amounts, any overpayments by the Lessee to be recoverable only from the Owner Participant) to be necessary to cause the amounts of such Casualty and Termination Values to be equal to the amounts required to cause such net after-tax yield and after-tax cash flow (so computed) that would have been derived by the Owner Participant had such Tax Changes not occurred and the Owner Participant shall deliver to the Lessee a revised set of tax assumptions which shall be substituted for those set forth in §8(a) of the Finance Agreement for the purpose of calculating indemnities payable with respect to Units for which a rent adjustment has been made pursuant to this paragraph. In the event that rents are adjusted to reflect a Tax Change and it is later determined that the change in law did not have the required consequence or in the event that a change in law occurs and such change is not treated as a Tax Change because the change did not have the required consequence and it is later determined that the change in law did have the required consequence, rent shall be adjusted retroactively.

If any of the Semiannual Rent Payment dates referred to above or the date for any other payment by the Lessee hereunder is not a business day, the payment otherwise payable on such date shall be payable on the next preceding business day. The term "business day" as used herein means a day, excluding Saturdays, Sundays and any other day on which banking institutions either in New York, New York or Hartford, Connecticut are authorized or required to remain closed.

The Lessor irrevocably instructs the Lessee (unless otherwise instructed by the Lessor and the Lender) to make all the payments provided for in this Lease to be made to the Lessor (other than those referred to in the next succeeding paragraph of this §3) at the principal office of the

Lender at 399 Park Avenue, New York, New York 10043, for the account of the Lessor. The Lessee agrees to make each payment provided for in this Lease in United States dollars and in New York Clearing House funds.

The Lessee agrees to comply with its obligations under §§ 6, 7, 8 and 9 of the Finance Agreement (providing for certain indemnities), which sections are hereby incorporated herein by reference. The amounts payable under said sections as so incorporated herein shall be deemed to be additional rent payable hereunder.

§4. Term of Lease. The term of this Lease as to each Unit shall begin on the Acceptance Date for such Unit and, subject to the provisions of §§7, 11 and 14 hereof, shall, unless extended pursuant to the terms hereof, terminate on March 31, 1998, the date on which the final payment of rent in respect thereof is due pursuant to §3 hereof. The period ending on March 31, 1998 shall be referred to herein as the "initial term" of the Lease.

§5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying letters and numbers set forth in Schedule A hereto relating to such Unit. The Lessee will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Leased from The Connecticut Bank and Trust Company, as Trustee, and subject to a security interest filed with the Interstate Commerce Commission" or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required in order to protect the Lessor's and Lender's title to and property in such Unit and the rights of the Lessor under this Lease and of the Lender under the Security Document. The Lessee will not place any Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of the new number or numbers to be substituted therefor shall have been sent to the Lender and the Lessor and filed, recorded and deposited by the Lessee in

all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Lender and the Lessor an opinion of counsel to the effect set forth in paragraph D of Annex B to the Finance Agreement. The Units may be marked with the names, initials or other insignia customarily used by either (i) the Lessee or any affiliate of the Lessee or (ii) any sublessee or other user permitted under §13 hereof.

Except as aforesaid, the Lessee will not allow the name of any person or entity to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§6. Recording. The Lessee, at its own expense, (i) will cause this Lease and the Security Document to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303 on or prior to the first Acceptance Date and (ii) will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit, record (and will refile, re-register, redeposit or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Lender for the purpose of proper protection of the interest of the Lessor in the Units and the security interest provided for by the Security Document as (in the case of such security interest) a first perfected security interest (except for Trustee's Liens or Owner Participant's Liens) or for the purpose of carrying out the intention of this Lease and the Security Document. The Lessee will promptly furnish to the Lender and the Lessor evidences of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lender and the Lessor. Further, the Lessee, at its own expense, will cause each Unit to be registered at all times with The Universal Machine Language Equipment Register of the Association of American Railroads.

§7. Payment for Casualty Occurrences; Early Termination. In the event that any Unit shall be or become lost, stolen, destroyed, irreparably damaged (in the reasonable opinion of the Lessee), or worn out to the point

of impossibility of economic repair, from any cause whatsoever, or title to such Unit or the use thereof shall be taken or requisitioned by condemnation, eminent domain or otherwise, for a period, in the case of a taking or requisition of use, extending beyond the term of this Lease (each such occurrence, except for any taking or requisition of use which by its terms is indefinite or which does not extend beyond the term of this Lease, being herein called a "Casualty Occurrence", it being understood that such a taking or requisition of use which is in effect on the last day of the term of this Lease shall constitute a "Casualty Occurrence") during the term of this Lease or before possession of such Unit is delivered to the Lessor as provided in §15 hereof, the Lessee shall promptly and fully notify the Lessor and the Lender with respect thereto. On the Semiannual Rent Payment date next succeeding such notice (or, if the last Semiannual Rent Payment date has occurred, on the date 30 days following such notice) the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus an amount equal to the Casualty Value (as such term is defined below) of such Unit as of the date of such Casualty Occurrence, determined as provided in Schedule B hereto. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall 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. The Lessor hereby appoints the Lessee its agent to dispose of any Unit or any component thereof suffering a Casualty Occurrence, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor and no Event of Default has occurred and is continuing, the Lessee shall be entitled to the proceeds of any such sale or any condemnation or eminent domain award to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. In the case of the loss, theft or complete destruction of any Unit, the Lessee shall have the right to recover possession of such Unit and, provided the Lessee has previously paid the Casualty Value to the Lessor and the Unit has been lost, stolen or destroyed for a period of at least six months, the Lessor shall deliver to the Lessee, or the Lessee's assignee or designee a bill of sale for such Unit and such other documents as may be reasonably required to release such Unit

from this Lease and to transfer title to such Unit to the Lessee or such assignee or designee.

The Lessee may terminate this Lease with repect to all, but not less than all, of the Units provided that the Units have become, in the reasonable opinion of the Lessee, obsolete or economically unserviceable for use by the Lessee in its business from any cause whatsoever (herein called the "Obsolete Units"), provided that termination shall occur, upon not less than 90 days' prior notice to the Lessor, on the 15th or any subsequent Semiannual Rent Payment date occurring during the initial term (but not any extended term) of this Lease specified by the Lessee in such notice (such date being herein called the "Termination Date"), provided that no Event of Default shall have occurred and be continuing. During the period from the giving of such notice until the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of the Units. The Lessee shall certify to the Lessor in writing the amount of each bid received by the Lessee and the name and address of the person or entity (who shall not be the Lessee or party affiliated with the Lessee) submitting such bid. On the Termination Date (or such other date as may be agreed upon in writing by the Lessor and the Lessee) the Lessor shall, if so requested by the Lessee, sell the Units for cash to the maker (who shall not be the Lessee or any party affiliated with the Lessee) of the highest cash bid therefor submitted prior to such date (whether such bid has been so certified by the Lessee or obtained by the Lessor independently of the efforts of the Lessee). The Lessor's obligation to make such sale shall be subject to the conditions precedent that (i) no Event of Default shall have occurred and be continuing and (ii) the Lessee shall have paid to the Lessor all rent and other amounts owing on or prior to the date of such sale hereunder (including, without limitation, all rent payable hereunder on or before the Termination Date) and all amounts owing under the Finance Agreement and shall simultaneously pay to the Lessor the amount, if any, by which (x) the aggregate Termination Value (as such term is defined below) of the Units determined as of the Termination Date shall exceed (y) the amount of proceeds received for such sale less all reasonable expenses incurred by the Lessor in connection with such sale (including reasonable legal fees). In the event of any such sale and upon compliance by the Lessee with the provisions of this paragraph, the obligation of the

Lessee to pay rent hereunder with respect to the Units for any periods commencing on or after the Termination Date shall cease and the term of this Lease for the Units shall end on the Termination Date. If for any reason no sale shall be made consequent upon any such notice of termination, the term of this Lease shall continue with respect to the Units, but the Lessee may at any time or from time to time thereafter give a further notice or notices of termination with respect to the Units under this paragraph. The Lessor shall be under no obligation to solicit bids (although it shall be entitled to do so), to inquire into the efforts of Lessee to obtain bids or otherwise to take any action in connection with any sale pursuant to this paragraph other than to transfer to the maker of the highest bid against receipt of payment in the amount of such bid, all of the Lessor's right, title and interest in and to the Units as provided in this paragraph.

The "Casualty Value" of a Unit as of the date on which payment is to be made as provided above and the "Termination Value" of a Unit as of a Termination Date shall be that percentage of the Purchase Price of such Unit as is set forth in the appropriate column in Schedule B opposite the Semiannual Rent Payment date which precedes such date or Termination Date. Notwithstanding the foregoing, the Casualty Value of each Unit as of the date on which payment is to be made as aforesaid which occurs during any extended term provided for by paragraph (b) of §14 hereof shall mean a sum equal to (i) the Fair Market Value of such Unit as of the last day of such extended term (determined as of the first day of such extended term as provided in said §14) plus (ii) an amount determined by multiplying (x) an amount equal to the excess of the Fair Market Value of such Unit as of the first day of such extended term (determined as of such first day as provided in said §14) over such Fair Market Value as of the last day of such extended term by (y) a fraction of which the numerator shall be the number of days in such extended term following such date and of which the denominator shall be the total number of days in such extended term (it being agreed that such Fair Market Values shall be determined as provided in said §14 concurrently with the determination of Fair Market Rental thereunder).

In the event that during the term of this Lease the use of any Unit is requisitioned or taken by any governmental authority by condemnation, under the power of eminent

domain or otherwise under circumstances which do not constitute a Casualty Occurrence, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

Except as hereinabove in this §7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit until possession of such Unit is delivered to the Lessor pursuant to §15 hereof.

§8. Insurance. The Lessee will, at all times while this Lease is in effect and until return of the possession of each Unit to the Lessor, at its own expense, cause to be carried and maintained property insurance in respect of the Units, and public liability insurance in respect of the Units, in the amounts and against the risks set forth in Annex I hereto and the proceeds of such property insurance shall be payable to the Lender, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, secured by the Security Document shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Each such policy of insurance shall provide that coverage thereunder shall not be rescinded, impaired or invalidated by any act or neglect of the Lessee. All policies of insurance shall further provide for a thirty-day minimum written cancellation notice to the Lender and Lessor. Any property insurance proceeds as the result of insurance carried by the Lessee received by the Lessor, and any condemnation payments received by the Lessor, in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this §7. If the Lessor shall receive any such insurance proceeds or condemnation payments after the Lessee shall have made payments pursuant to this §7 without deduction for such insurance proceeds or such condemnation payments, the Lessor shall promptly pay, provided no Event of Default has occurred and is continuing, such proceeds or condemnation payments to the Lessee up to an amount equal to the amount paid by the Lessee and any balance of such proceeds or condemnation payments shall

remain the property of the Lessor. Provided that no Event of Default shall have occurred and be continuing all insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired. The Lessee shall, at the request of the Lessor but not more frequently than annually, furnish a certificate of a reputable insurance broker to the effect that the insurance that the Lessee has procured and is maintaining satisfies in all respects the requirements of this paragraph.

§9. Reports. On or before March 31 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor and the Lender an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from service pending repairs (other than running repairs) during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Lender may reasonably request, (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by §5 hereof and the Security Document have been preserved or replaced and (iii) stating that all reports required to be made to the Lessor hereunder during the preceding year have been made. The Lessor and the Lender shall have the right by their respective agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Lender (as the case may be) may request during the continuance of this Lease.

As soon as available and in any event within 60 days after the end of each quarterly fiscal period of the Lessee, the Lessee will furnish to the Lessor and the Lender a consolidated and consolidating balance sheet of the Lessee and its consolidated subsidiaries as at the end of such period, and a consolidated and consolidating income statement of the Lessee and its consolidated subsidiaries for such period, setting forth comparative figures for the

corresponding quarter of the preceding fiscal year, all in reasonable detail and certified by the principal accounting officer of the Lessee. As soon as available and in any event within 120 days after the end of each fiscal year of Lessee, the Lessee will furnish to each of said parties its annual financial statements (including its annual report to stockholders) with the opinion thereon of its independent certified public accountants and prepared in accordance with generally accepted accounting principles. The Lessee will also furnish to each of the Lessor and the Lender such additional financial information as such party may reasonably request.

As soon as available and in any event within 120 days after the end of each fiscal year of the Lessee, the Lessee will deliver to the Lessor and the Lender a certificate signed by a senior officer (who shall, unless otherwise agreed to by the Lessor, be the chief executive officer or chief operating officer or chief financial officer of the Lessee) stating that a review of the activities of the Lessee during such year has been made under his supervision with a view to determining whether the Lessee has kept, observed, performed and fulfilled all of its covenants and obligations under this Lease and the Security Document and that to the best of his knowledge the Lessee during such year has kept, observed, performed and fulfilled each and every covenant and obligation contained herein and in the Security Document and no Event of Default specified in §11 hereof, and no event which with notice and/or lapse of time would become such an Event of Default (each such Event of Default or event being herein called a "Default"), has occurred or, if a Default shall exist, specifying such Default and the nature and status thereof.

§10. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance. THE LESSOR (i) MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER AND (ii) 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, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor hereby irrevocably appoints and constitutes the

Lessee its agent and attorney-in-fact during the term of this Lease, so long as no Event of Default has occurred and is continuing, to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Manufacturers under the Purchase Orders. The execution and delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that each Unit described therein is 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 but such acceptances shall not constitute as between the Lessee or the Lessor and the Manufacturer of any Unit a waiver of any rights which either the Lessee or the Lessor may have against such Manufacturer.

The Lessee agrees to comply or to cause compliance in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all 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 regulations and rules of the 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, regulations and rules affect the title, operation or use of the Units. In the event that such laws, regulations or rules require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided that, so long as no Event of Default has occurred and is continuing and the Lessor is not subject to any risk of criminal proceedings (in its opinion), the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Lender, adversely affect the property or rights of the Lessor or the Lender under this Lease or under the Security Document.

The Lessee agrees that, at its own cost and expense, it will maintain and keep (or cause to be maintained and kept) each Unit in good order and repair, ordinary wear and tear excepted.

Any and all additions to any Unit which are required by governmental authorities and any and all parts installed on and additions and replacements made to any Unit, shall constitute accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free from any Lien (except for Lessor's Liens, as below defined) shall immediately be vested in the Lessor and the Lender as their respective interests appear in such Unit itself provided that the foregoing shall not apply to additions which (i) are not replacements but have been added to such Unit by the Lessee, the cost of which is not included in the Purchase Price of such Unit, (ii) are not required for the operation or use of such Unit by the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body and (iii) can be removed without damage to and without impairing the originally intended function or use of such Unit and are so removed without cost or expense to the Lessor prior to the end of the initial term or any extended term of this Lease, except that full ownership of all such additions which are not so removed prior to the end of such term shall, upon the end of such term, be vested in the Lessor as aforesaid.

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 federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the interest of the Lender therein or the leasing thereof to the Lessee. The Lessee shall furnish to the Lessor with each such report to be filed by the Lessor instructions as to the filing thereof.

§11. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur and be continuing:

A. the Lessee shall fail to pay any part of the rental provided in §3 hereof (other than the indemnities referred to in the last paragraph of said §3), and such failure shall continue for ten days;

B. the Lessee shall fail to maintain insurance as required by §7 hereof or shall make or permit any unauthorized assignment or any unauthorized transfer of this Lease or of possession of any Units;

C. the Lessee shall fail to observe or perform any of its other covenants and agreements contained herein (including any failure to pay any indemnity referred to in the last paragraph of §3 hereof), or any of its covenants and agreements in the Finance Agreement and such failure shall continue for 30 days after notice thereof to the Lessee;

D. any representation or warranty made by the Lessee herein or in the Finance Agreement or by the Lessee or any of its officers or representatives pursuant to this Lease or the Finance Agreement shall prove to have been incorrect in any material respect when made;

E. the Lessee shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (vii) acquiesce to, or fail to controvert in a timely manner, any petition filed against the Lessee in an involuntary case under such bankruptcy laws, or (viii) take any corporate action for the purpose of effecting any of the foregoing;

F. a case or other proceeding shall be commenced, without the application or consent of the Lessee, in any court of competent jurisdiction, seeking the liquidation, reorganization, dissolution, winding up, or composition or readjustment of debts, of the Lessee, the appointment of a trustee, receiver, custodian, liquidator or the like of the Lessee or of all or any substantial part of its assets, or any similar action

with respect to the Lessee under the federal bankruptcy laws (as now or hereafter in effect) or any other laws relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 30 days, or an order for relief against the Lessee shall be entered in an involuntary case under such bankruptcy laws; or

G. the Lessee shall (i) default in the payment of principal or interest on any obligation for borrowed money or the deferred purchase price of property or of any obligation to pay money under a capital lease beyond the period of grace, if any, with respect thereto or (ii) default in the performance or observance of any other term, condition or agreement contained in any such obligation or in any agreement relating thereto and, as a result thereof, the holder or holders of such obligation (or a trustee or agent on behalf of such holder or holders) shall cause such obligation to become due prior to its stated maturity; provided that the amount so in default as contemplated by clause (i) above, or the aggregate amount of the obligations affected by the occurrence specified in clause (ii) above, shall exceed $100,000;

then, in any such case, the Lessor, at its option, may declare this Lease to be in default and at any time thereafter, so long as the Lessee shall not have previously remedied all outstanding Events of Default, Lessor may do one or more of the following as the Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with, any mandatory requirements of, applicable law then in effect:

(a) at any time or from time to time demand that the Lessee, and the Lessee shall upon the demand of the Lessor, return the Units or any of them (as specified by the Lessor) promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, §12 hereof, or the Lessor, at its option, may enter into the premises where any Unit or Units are located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability to the Lessor for or by reason of such entry or taking of possession, whether for the

restoration of damage to property caused by such taking or otherwise;

(b) at any time or from time to time, sell the Units or any of them at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (e) below if the Lessor elects to exercise its rights under said paragraph), in which event the Lessee's obligation to pay rent hereunder for such Units for rental periods commencing after the date of such sale shall terminate (except to the extent that such rent is to be included in computations under paragraph (d) or paragraph (e) below if the Lessor elects to exercise its rights under either of said paragraphs);

(c) at any time or from time to time, hold, keep idle or lease to others the Units or any of them, as the Lessor in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that Lessee's obligation to pay rent with respect to such Units for rental periods commencing after the Lessee shall have been deprived of possession of such Units pursuant to this §11 shall be reduced by the net proceeds, if any, received by the Lessor from leasing such Units to any person or entity other than the Lessee for the same rental periods or any portion thereof;

(d) whether or not the Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under subparagraph (a), (b) or (c) above with respect to the Units or any of them, the Lessor, by notice to the Lessee specifying a payment date (the "Payment Date") which shall not be earlier than 10 days after the date of such notice, may demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, on the Payment Date, as liquidated damages for loss of a bargain and not as a penalty in lieu of the rent for such Units due after the Determination Date (as below defined) the aggregate of all rental payments due and unpaid as of the Determination Date plus whichever of the following amounts the Lessor, in its sole

discretion, shall specify in such notice (together with interest on such amount at the Agreed Default Rate from the Determination Date to the date of actual payment): (i) an amount equal to the excess, if any, of the aggregate Casualty Value of such Units, determined as of the rent payment date next preceding the Payment Date (such next preceding rent payment date being herein called the "Determination Date") over the aggregate Fair Market Rental (determined as hereinafter provided) of such Units for the remainder of the then current term after discounting such aggregate Fair Market Rental (on the Semiannual Rent Payment dates for the remainder of the term) to present worth as of the Determination Date at the rate of 12.5% per annum, or (ii) an amount equal to the excess, if any, of the aggregate Casualty Value for such Units, determined as of the Determination Date, over the aggregate Fair Market Value of such Units (determined as hereinafter provided) as of the Determination Date provided that if a sale of Units has been made under subparagraph (b) or (e) of this §11 and the proceeds of such sale exceed the aggregate Casualty Value of such Units, no payment may be demanded under this subparagraph (d) with respect to such Units and any payment previously demanded and paid shall be refunded after all obligations of the Lessee under this Lease shall have been paid and performed in full;

(e) if the Lessor shall have sold any Units pursuant to paragraph (b) above, the Lessor, in lieu of exercising its rights under paragraph (d) above with respect to such Units, may, if it shall so elect, demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the rent for such Units due for rental periods after the rental period in which such sale occurs), any unpaid rent for such Units due for periods up to and including the rental period in which such sale occurs plus the amount of any deficiency between the net proceeds of such sale and the Casualty Value of such Units, determined as of the rental payment date next preceding the date of such sale, together with interest at the Agreed Default Rate on the amount of such deficiency from the date of such sale until the date of actual payment; and/or

(f) the Lessor may exercise any other right or remedy, either at law or in equity, which may be available to it under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease as to any or all of the Units.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid rent due hereunder before or during the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event or Events of Default or the exercise of the Lessor's rights and remedies with respect thereto, including all reasonable costs and expenses incurred in connection with the return of any Units in accordance with §12 hereof or in placing such Unit in the condition required by said §12, and in removing or discharging all Liens as required by §13 hereof and, without limiting the effect of the obligations of the Lessee set forth in §6 of the Finance Agreement, any and all loss, liability, cost and expense incurred by the Lessor by reason of the exercise by the Lender of any of its rights and remedies in connection with the occurrence of an Event or Events of Default.

For the purpose of paragraph (d) above, if the Lessor so elects, the Fair Market Rental or the Fair Market Value (as such terms are defined in §14 hereof) of any Unit shall be zero if the Lessor is unable to recover possession of such Unit (as provided in paragraph (a) above) within four months. After payment and performance in full by the Lessee of its obligations hereunder and under the Finance Agreement the Lessor will convey title to the Lessee to each Unit as to which the Lessor shall have exercised its rights specified in said paragraph (d) on the basis of a zero Fair Market Rental or Fair Market Value as aforesaid (except to the extent that the Lessor shall have sold or otherwise disposed of such Units and applied the proceeds thereof to the satisfaction of such obligations).

At any sale of a Unit pursuant to this section the Lessor or the Lender may bid for and purchase such Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies

in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the Semiannual Rent Payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

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. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

The Lessee agrees to furnish the Lessor and the Lender, promptly upon any responsible officer becoming aware of any condition which constitutes a Default, a notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

§12. Return of Units Upon Default. If this Lease shall terminate pursuant to §11 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Units to the Lessor as above required, the Lessee shall, at its own cost, expense and risk, to the extent requested by the Lessor:

(a) forthwith and in the usual manner take such measures as shall be necessary to insure the return of the Units (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which such Units have been interchanged to return such Units so interchanged) and place such Units upon storage

tracks of the Maryland and Pennsylvania Railroad Company, or of CONRAIL proximate to the tracks of the Maryland and Pennsylvania Railroad Company, as the Lessor may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for rent or storage for a period with respect to each Unit not exceeding the longer of (i) six months after such Unit is delivered to such tracks or (ii) six months after not less than 80% of the Units then subject to this Lease are delivered to such tracks; and/or

(c) transport such Units to any place designated by Lessor within 3,145 miles of their respective current locations.

The assembling, delivery, storage and transporting of 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 jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so as to assemble, deliver, store and transport such Units. During any storage period, the Lessee will, at its own cost and expense, maintain, or cause to be maintained, and keep, or cause to be kept, the Units in good order and repair and will permit the Lessor or any person or entity designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any Unit, to inspect the same.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this §12, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney 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.

§13. Assignment; Liens; Possession and Use. This Lease and all rent and other sums due and to become due hereunder (other than amounts payable under the last para-

graph of §3 hereof) have been assigned to the Lender pursuant to the Security Document, and all such rent and other sums due and to become due hereunder (other than the amounts payable under the last paragraph of §3 hereof) shall be paid by the Lessee to the Lender as provided in §3 hereof until the indebtedness secured by the Security Document shall have been paid in full. Without limiting the foregoing or without limiting §1 or any other provision of this Lease, the Lessor and the Lessee further acknowledge and agree that (i) the rights of the Lender in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of any defect in the Lessor's title, or any interruption from whatsoever cause (other than from a wrongful or grossly negligent act of the Lender) in the use, operation or possession of the Units or any part thereof, or any damage to or loss or destruction of the Units or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person or entity or to any governmental authority or for any other cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay the Lender all of the rents and other sums which are the subject matter of such assignment, until the indebtedness secured by the Security Document shall have been paid in full and (ii) as between the Lessor and the Lender (but without affecting the Lessor's rights under the Security Document) the Lender shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Lender) which by the terms of this Lease are permitted or provided to be exercised by the Lessor until the indebtedness secured by the Security Document shall be paid in full.

So long as no Event of Default shall have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a Lien (other than a Lessor's Lien as hereinafter defined) upon or with respect to any Unit, including any accession

thereto, or the interest of the Lessor or the Lender therein, and will promptly discharge any Lien (other than a Lessor's Lien) which arises. The Lessee shall not, without the prior consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph. As used herein, the term "Lessor's Liens" shall mean Trustee's Liens (as such term is defined in the Trust Agreement, as in effect on the date hereof), Owner Participant's Liens (as such term is defined in the Finance Agreement) and the Liens created by the Security Document.

So long as no Event of Default shall have occurred and be continuing, the Lessee may (a) sublease any Units to any person or entity or (b) subject any Unit to an assigned service agreement pursuant to the Car Service Rules of the Association of American Railroads (an "Assigned Service Agreement") with any person or entity, in each case for a term not extending beyond the expiration date of the initial term of the Lease or the expiration date of the extended term of this Lease (whichever is then in effect), provided that each such sublease or Assigned Service Agreement shall be made expressly subject and subordinate to this Lease and the Security Document. Furthermore, the Lessee agrees that on the Acceptance Date with respect thereto (i) each of the Units shall be subject to a 10-year, non-cancellable sublease meeting the requirements of the preceding sentence and (ii) the Lessee shall use its best efforts to subject at least one-half of the Units to 3-year, non-cancellable Assigned Service Agreements meeting the requirements of the preceding sentence. If at any time prior to the end of the initial term of this Lease, any Unit which remains subject to this Lease is no longer subject to a 10-year non-cancellable sublease, the Lessee shall within six months of the date on which the Unit is no longer subject to such a sublease, subject such Unit to another non-cancellable sublease, having an expiration date not earlier than the earlier of (a) a date 10 years from the date of such new sublease or (b) the end of the initial term of this Lease.

Anything in this Lease to the contrary notwithstanding, the Lessee shall not use or permit the use of any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

§14. Purchase and Renewal Options; Right of First Refusal.

(a)Provided that (i) this Lease has not been earlier terminated, (ii) the Lessee has exercised its right under paragraph (b) below to renew the term of this Lease for two extended terms and (iii) no Event of Default shall have occurred and be continuing, the Lessee may, by notice to the Lessor (which shall be effective upon receipt) not less than six months prior to the end of the second such extended term of this Lease, elect to purchase at the end of such term all, but not fewer than all, of the Units then subject to this Lease for a purchase price equal to the Fair Market Value of such Units as of the end of such second extended term. For purposes of this §14 and §§3, 7 and 11 hereof, "Fair Market Value" shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer (other than a lessee currently in possession and a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value and the Units shall be assumed to be in the condition in which they are required to be maintained pursuant to §10 hereof. If on or before four months prior to the expiration of the second extended term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such value shall be determined in accordance with the preceding definition by the Appraiser. The term "Appraiser" shall mean such independent appraiser as the Lessor may select with the approval of the Lessee, or failing such approved selection, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected (provided that, for purposes of §11 hereof, if the Lessee fails to appoint an appraiser within 10 days there shall be only one appraiser). The Appraiser shall be instructed to make such determination within a period of 30 days following appointment. If three appraisers are appointed, the values determined by the three shall be averaged, the determination which differs most from such average shall be excluded and the remaining two determinations shall be averaged to produce the final determination. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The

expenses and fees of the Appraiser shall be borne by the Lessee.

Upon payment of the purchase price, the Lessor shall at the request of the Lessee and at Lessee's expense execute and deliver to the Lessee, or to the Lessee's assignee or designee, a bill of sale for such Units and such other documents as may be reasonably required to release such Units from this Lease and to transfer title thereto to the Lessee or such assignee or designee, in such form as may reasonably be requested by the Lessee (subject to §18 hereof).

(b) Provided that this Lease has not been earlier terminated and that no Event of Default shall have occurred and be continuing, the Lessee may, by notice delivered to the Lessor not less than six months prior to the end of the initial or the first extended term of this Lease, elect to extend the term of this Lease with respect to all but not fewer than all of the Units then covered by this Lease for not more than two such extended terms at a Fair Market Rental (as such term is defined below) payable in semiannual payments on the semiannual anniversaries of the expiration of the initial term or the preceding extended term. Each such extended term shall be of five years duration. For the purposes of this §14 and §§3, 7 and 11 hereof, "Fair Market Rental" shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) which shall be a person or entity in the business of leasing railroad equipment under wholesale leases and re-leasing such equipment under a retail lease and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental and the Units shall be assumed to be in the condition under which they are required to be maintained pursuant to §10 hereof. If, on or before four months prior to the expiration of the then current term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such value shall be determined by the Appraiser in accordance with paragraph (a) of this §14 (including the fourth, fifth and sixth sentences thereof). The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall

promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

(c) Provided that this Lease has not been terminated pursuant to either § 7 or §11 hereof, the Lessor agrees that it will not sell any Unit returned to it pursuant to §15 hereof during the period commencing on the expiration of the initial term of this Lease and ending on the date 10 years thereafter unless it shall first have offered to sell such Unit to the Lessee (subject to the rights of any lessee of such Unit from the Lessor) for a purchase price equal to the then Fair Market Value thereof and the Lessee shall have failed to (i) accept such offer within 10 days after the date of such offer (subject only to an acceptable Fair Market Value being determined) or (ii) pay the purchase price thereof within 10 days after the determination of such Fair Market Value.

§15. Return of Units upon Expiration of Term. Upon the expiration of the initial term or any extended term of this Lease with respect to any Unit not purchased by the Lessee or subjected to an extended term hereunder, the Lessee will, at its own cost and expense, deliver possession of such Unit to the Lessor upon such storage tracks of the Maryland and Pennsylvania Railroad Company or of CONRAIL proximate to the tracks of the Maryland and Pennsylvania Railroad Company, as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period with respect to each Unit not exceeding the longer of (i) three months after such Unit is delivered to such tracks or (ii) three months after not less than 80% of the Units then subject to this Lease, are delivered to such tracks, and transport the same, at any time within such three-month period, to any reasonable place within 500 miles of its then current location, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person or entity designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of such Unit, to inspect the same; provided that Lessee shall not be

liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease. Upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit if returned to the Lessor pursuant to this §15 (i) shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) unless returned at the end of the second extended term of this Lease, shall meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization having jurisdiction.

§16. Opinion of Counsel. On or before the first Acceptance Date under the Finance Agreement, the Lessee will deliver to the Lessor four counterparts of the written opinion of counsel for the Lessee, addressed to the Lessor and the Lender, in form and substance satisfactory to the Lessor, the Owner Participant, the Lender and their respective counsel, in substantially the form of Annex B to the Finance Agreement.

§17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals or other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest at the Agreed Default Rate on the overdue rentals and other obligations for the period of time during which they are overdue (or such lesser amount as may be legally enforceable). All interest and other amounts hereunder on a per annum basis payable will be computed on the basis of a 360-day year of twelve 30-day months.

§18. Sales by Lessor. Each Unit sold or conveyed by Lessor pursuant to any provision of this Lease (to the Lessee or any other person or entity) shall be sold or conveyed on an "as-is, where is" basis, without any recourse to, or representation or warranty (except against Owner Participant's Liens and Trustee's Liens) by, the Lessor (and all bills of sale and other documents relating to such sale shall reflect such terms).

§19. Notices. Any notice or other communication required or permitted to be given by either party hereto to the other shall be deemed to have been given (unless otherwise specified herein) when sent by telex, telegram, cable or mailed (first-class certified) addressed as follows:

(a) if to the Lessor

1 Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department

(b) if to the Lessee

490 East Market Street
York, Pennsylvania 17403

Copy to:

Greenberg, Irwin, Pellman & Slade
540 Madison Avenue
New York, New York 10022
Attention: Melvin S. Slade

or addressed to either party at such other address as such party shall hereafter furnish to the other party.

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

This Lease and the other documents referred to herein exclusively and completely state the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersede all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§21. Execution in Counterparts; Dating. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided that the parties shall be entitled to all rights conferred by Section 11303 of the Interstate Commerce Act. Anything in this Lease to the contrary notwithstanding, the obligation of the Lessee to pay interest or other sums of money under this Lease (whether at the Agreed Rate or the Agreed Default Rate or any other rate) shall be subject to the limitation that, to the extent the provisions of the Penal Law of the State of New York relating to usury are applicable to the recipient, payment of interest shall not be required to the extent that the receipt thereof would be contrary to such applicable provisions.

§23. No Recourse. Except as otherwise provided herein, The Connecticut Bank and Trust Company, as Trustee under the Trust Agreement (or any entity acting as successor trustee under the Trust Agreement) is entering into this Lease as Trustee under the Trust Agreement and not in its individual capacity and in no case whatsoever shall The Connecticut Bank and Trust Company (or any entity acting as such successor trustee), or any Owner Participant, be personally liable on, or for any loss in respect of, any of the representations, warranties, agreements or obligations of the Lessor hereunder as to all of which the parties hereto

agree to look solely to the Trust Estate (as such term is defined in the Trust Agreement), except, in the case of The Connecticut Bank and Trust Company (or any entity acting as such successor trustee), or any Owner Participant for any loss caused by its own wilful misconduct or gross negligence.

§24. Payment of Proceeds. Any insurance proceeds or other monies otherwise payable to the Lessee which are paid to and/or retained by the Lessor hereunder because an Event of Default has occurred and is continuing shall be paid over to the Lessee at such time as no Events of Default are continuing.

§25. Assignment of Subleases. As security for the payment by the Lessee of its obligations hereunder, the Lessee agrees to assign and hereby pledges, assigns and grants a security interest to the Lessor in all Subleases together with all of the Lessee's rights thereunder and all payments due and to become due thereunder. The Lessee agrees to deliver to the Lessor the original copy of such Subleases and such other documents as may be requested by the Lessor to evidence, confirm and perfect the interest conveyed herein. The Lessor acknowledges that so long as no Event of Default has occurred and is continuing, the Lessee may continue to collect all rental and other payments which become due and to exercise all rights as sublessor pursuant to the terms of such Subleases.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

THE CONNECTICUT BANK AND TRUST COMPANY,
as Trustee under the Trust Agreement

By _____
Title: AVP

[Corporate Seal]

Attest:
_____
Title: Asst Sec

EMONS INDUSTRIES, INC.

By _____
Title: V. Pres. Sen

[Corporate Seal]

Attest:
_____
Title: Asst. Secy.

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 22nd ~~th~~ day of January, 1980, before me personally appeared Clark Whitcomb, to me personally known, who, being by me duly sworn, says that he is a Asst. V.P. of The Connecticut Bank and Trust Company, 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.

Patrice A. Marchese
Notary Public

[Notarial Seal]

PATRICE A. MARCHESE
Notary Public, State of New York
No. 03—4696611
Qualified in Bronx County
Certificate filed in New York County
Commission Expires March 30, 1981

My commission expires: March 30, 1981

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 22nd ~~th~~ day of January, 1980, before me personally appeared Carl L. Smith, to me personally known, who, being by me duly sworn, says that he is a Vice President of Emons Industries, Inc., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Patrice A. Marchese
Notary Public

[Notarial Seal]

PATRICE A. MARCHESE
Notary Public, State of New York
No. 03—4696611
Qualified in Bronx County
Certificate filed in New York County
Commission Expires March 30, 1981

My commission expires: March 30, 1981

[Form of Certificate of Acceptance]

To: The Connecticut Bank and Trust Company (the "Trustee")

From: Emons Industries, Inc. (the "Lessee")

The undersigned, the duly authorized representative of the Lessee, does hereby certify that:

Under authority of the Lessee, I have, on the date hereof (the "Acceptance Date" for such Units) received delivery of, and inspected and accepted delivery of, the following described units of railroad equipment (the "Units") as conforming in all respects to the specifications, requirements and standards of the related Purchase Orders and the Lease of Railroad Equipment dated as of January 21, 1980 (the "Lease") between the Trustee and the Lessee:

Quantity	Description	Serial Numbers

I also certify that there was plainly, distinctly, permanently and conspicuously marked on each side of each

Unit, at the time of its acceptance, in letters not less than one inch in height, the words required by Section 5 of the Lease, as follows:

> "Leased from The Connecticut Bank and Trust Company, as Trustee, and subject to a security interest filed with the Interstate Commerce Commission."

I further certify that the Units have been accepted by the Lessee on the Acceptance Date for all purposes of the Lease.

Dated: _____

By_____
Title:

Schedule A

To Lease

Quantity	Description of Units	Serial Numbers
95	70-Ton, 50'6" Single Sheathed Rigid Underframe Plate C Boxcars	MPA 37905 through MPA 37999, inclusive.
95	" "	MPA 7905 through MPA 7999, inclusive.
22	" "	MPA 38758 through MPA 39779, inclusive.
120	" "	MPA 39880 through MPA 39999, inclusive.
~~13~~ 80	" "	MPA 31000 through MPA ~~31012~~ 31079, inclusive.

412 (Total)

37905 - 37917
37920 - 37999
7905 - 7999

Schedule B

EMONS INDUSTRIES, INC.
TABLE 1

I. This table applies with respect to Units to which the rentals specified in the first paragraph of §3 of the Lease are applicable.

Semiannual Rent Payment Date	Termination Value as a Percentage of Purchase Price	Casualty Value as a Percentage of Purchase Price
1	105.7030	106.0032
2	110.1375	110.7148
3	109.7918	110.6463
4	112.9027	114.0343
5	112.3582	113.7669
6	114.2038	115.8897
7	105.4309	107.3940
8	106.3460	108.5862
9	105.0969	107.6142
10	104.9011	107.6956
11	95.3821	98.4537
12	94.4574	97.8062
13	92.4331	96.0590
14	90.7969	94.6999
15	80.4393	84.6195
16	78.5274	82.9847
17	76.0549	80.7893
18	73.8059	78.8174
19	71.1879	76.4765
20	68.5671	74.1329
21	65.7408	71.5837
22	62.7767	68.8968
23	59.6389	66.0361
24	56.3165	62.9908
25	52.8462	59.7977
26	49.3478	56.5765
27	45.8908	53.3965
28	42.4983	50.2812
29	39.1966	47.2566
30	36.0036	44.3408

Semiannual Rent Payment Date	Termination Value as a Percentage of Purchase Price	Casualty Value as a Percentage of Purchase Price
31	32.9470	41.5613
32	29.7213	38.6127
33	26.3229	35.4915
34	22.7430	32.1887
35	18.9720	28.6949
36	15.0000	25.0000

EMONS INDUSTRIES, INC.

TABLE 2

II. This table applies with respect to Units to which the rentals specified in the second paragraph of §3 of the Lease are applicable.

Semiannual Rent Payment Date	Termination Value as a Percentage of Purchase Price	Casualty Value as a Percentage of Purchase Price
1	104.2681	104.5683
2	107.4146	107.9920
3	107.5453	108.3999
4	109.7869	110.9185
5	109.7280	111.1368
6	111.1006	112.7865
7	102.7670	104.7300
8	103.4905	105.7307
9	102.8429	105.3602
10	102.8061	105.6006
11	93.8633	96.9349
12	93.2983	96.6470
13	92.0234	95.6493
14	90.9475	94.3505
15	81.2373	85.4174
16	79.7309	84.1881
17	77.7534	82.4879
18	75.7918	80.8034
19	73.5134	78.8021
20	71.1396	76.7055
21	68.5772	74.4202
22	65.8698	71.9898
23	63.0175	69.4147
24	60.0269	66.7013
25	56.9114	63.8629
26	53.6781	60.9067
27	50.3343	57.8401
28	46.8820	54.6649
29	43.3199	51.3800
30	39.6443	47.9814
31	35.8518	44.4661

Semiannual Rent Payment Date	Termination Value as a Percentage of Purchase Price	Casualty Value as a Percentage of Purchase Price
32	31.9385	40.8299
33	27.9008	37.0694
34	23.7344	33.1802
35	19.4357	29.1586
36	15.0000	25.0000

ANNEX I
TO LEASE

Property Insurance

1. Risks covered: all risks of property damage customarily insured against by railroad companies.

2. Amount: not less than aggregate Casualty Value of the Units as in effect from time to time (but not exceeding $5,000,000 per occurrence), subject to a deductible of $500,000 per occurrence.

Public Liability Insurance

1. Risks covered: all risks of death and injury and damage to the property of others.

2. Amount: $10,000,000, per occurrence.