

0100530053

February 20, 1995

RECORDED 19252

FEB 21 1995 4:00 PM

Mr. Vernon Williams, Secretary  
Interstate Commerce Commission  
12th and Constitution Avenue N.W.  
Washington, D.C. 20423

Dear Mr. Williams:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The document is a mortgage dated as of February 16, 1995.

The names and addresses of the parties to the documents are as follows:

Mortgagor: MK Rail Corporation  
1200 Reedsdale Street  
Pittsburgh, Pennsylvania 15233

Mortgagee: PNC Bank, National Association, as Agent  
One PNC Plaza  
Fifth Avenue and Wood Street  
Pittsburgh, Pennsylvania 15265  
Attention: Gregory A. Steve

Type of Equipment Covered: Locomotives

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
GP40	D115	MKCX 4301	34852	MKCX
GP40	D115	MKCX 4302	36170	MKCX
GP40	D115	MKCX 4303	37193	MKCX
GP40	D115	MKCX 4304	31797	MKCX
GP40	D115	MKCX 4305	38567	MKCX
F45	D126	MKCX 5525	34036	MKCX
F45	D126	MKCX 5526	34038	MKCX
F45	D126	MKCX 5527	34044	MKCX
F45	D126	MKCX 5528	34048	MKCX
F45	D126	MKCX 5529	34054	MKCX

Counterparts -  
 L. Auer  
 12th & Const. Ave.

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<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
F45	D126	MKCX 5530	34055	MKCX
SD40	D125	MKCX 9401	32094	MKCX
SD40	D125	MKCX 9402	32097	MKCX
SD40	D125	MKCX 9403	31414	MKCX
SD40	D125	MKCX 9404	31418	MKCX
SD40	D125	MKCX 9405	31436	MKCX
SD40	D125	MKCX 9406	30500	MKCX
SD40	D125	MKCX 9407	32409	MKCX
SD40-2	D125	MKCX 9408	32422	MKCX
SD40	D125	MKCX 9409	37651	MKCX
SD40	D125	MKCX 9410	37652	MKCX
SD40	D125	MKCX 9411	37909	MKCX
SD40	D125	MKCX 9412	33519	MKCX
SD40	D125	MKCX 9413	31951	MKCX
SD40	D125	MKCX 9414	37144	MKCX
SD40	D125	MKCX 9415	5794-25	MKCX
SD40	D125	MKCX 9416	36810	MKCX
SD40	D125	MKCX 9417	36816	MKCX
SD40	D125	MKCX 9418	37208	MKCX
SD40	D125	MKCX 9419	34968	MKCX
SD40	D125	MKCX 9420	74601-4	MKCX
SD45	D126	MKCX 9501	36366	MKCX
SD45	D126	MKCX 9502	36379	MKCX
SD45	D126	MKCX 9503	36380	MKCX
SD45	D126	MKCX 9504	33868	MKCX
SD45	D126	MKCX 9505	33839	MKCX
SD45	D126	MKCX 9506	33849	MKCX
SD45	D126	MKCX 9507	33786	MKCX
SD45	D126	MKCX 9508	34554	MKCX
SD45	D126	MKCX 9509	34556	MKCX
SDP45	D226	MKCX 9510	36659	MKCX
SDP45	D226	MKCX 9511	36660	MKCX
SDP45-2	D226	MKCX 9512	36661	MKCX
SADP45	D226	MKCX 9513	36664	MKCX
SDP45	D226	MKCX 9514	36665	MKCX
SDP45	D226	MKCX 9515	36882	MKCX
SDP45	D226	MKCX 9516	36885	MKCX
SD45	D126	MKCX 9517	31843	MKCX
SD45	D126	MKCX 9518	34167	MKCX
SD45	D126	MKCX 9519	34174	MKCX

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<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
SD45	D126	MKCX 9520	37722	MKCX
SD45	D126	MKCX 9521	37725	MKCX
SD45	D126	MKCX 9522	37726	MKCX
SD45	D126	MKCX 9523	37729	MKCX
SD45	D126	MKCX 9524	37734	MKCX
SD45	D126	MKCX 9525	37735	MKCX
SD45	D126	MKCX 9526	33657	MKCX
SD45	D126	MKCX 9527	38366	MKCX
SD45	D126	MKCX 9528	35478	MKCX
SD45	D126	MKCX 9529	36798	MKCX
SD45	D126	MKCX 9530	37124	MKCX
SD45	D126	MKCX 9531	37128	MKCX
SD45	D126	MKCX 9532	35489	MKCX
SD45	D126	MKCX 9534	35525	MKCX
SD45	D126	MKCX 9535	32515	MKCX
SD45	D126	MKCX 9536	32553	MKCX
SD45	D126	MKCX 9537	32511	MKCX
SD45	D126	MKCX 9538	32085	MKCX
SD45	D126	MKCX 9539	32069	MKCX
SD45	D126	MKCX 9540	32074	MKCX
SD45	D126	MKCX 9541	32532	MKCX
SD45	D126	ATSF 5348	32543	Santa Fe
SD45	D126	ATSF 5353	32540	Santa Fe
SD45	D126	ATSF 5356	32062	Santa Fe
SD45	D126	ATSF 5357	32536	Santa Fe
SD45	D126	ATSF 5359	32519	Santa Fe
SD45	D126	ATSF 5361	32067	Santa Fe
SD45	D126	ATSF 5365	32512	Santa Fe
SD45	D126	ATSF 5366	32508	Santa Fe
SD45	D126	ATSF 5367	32534	Santa Fe
SD45	D126	ATSF 5369	32083	Santa Fe
SD45	D126	ATSF 5370	32082	Santa Fe
SD45	D126	ATSF 5371	32497	Santa Fe
SD45	D126	ATSF 5372	32495	Santa Fe
SD45	D126	ATSF 5373	36500	Santa Fe
SD45	D126	ATSF 5375	36491	Santa Fe
SD45	D126	ATSF 5376	36493	Santa Fe
SD45	D126	ATSF 5501	32557	Santa Fe
F45	D126	ATSF 5951	34037	Santa Fe
F45	D126	ATSF 5954	34040	Santa Fe

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<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
F45	D126	ATSF 5961	34047	Santa Fe
F45	D126	ATSF 5964	34050	Santa Fe
F45	D126	ATSF 5966	34052	Santa Fe
F45	D126	ATSF 5967	34053	Santa Fe
F45	D126	ATSF 5971	34057	Santa Fe
F45	D126	ATSF 5973	34059	Santa Fe
F45	D126	ATSF 5974	34060	Santa Fe
F45	D126	ATSF 5978	34064	Santa Fe
F45	D126	ATSF 5979	34065	Santa Fe
F45	D126	ATSF 5980	34066	Santa Fe
F45	D126	ATSF 5984	34070	Santa Fe
F45	D126	ATSF 5986	34072	Santa Fe
F45	D126	ATSF 5987	34073	Santa Fe
F45	D126	ATSF 5988	34074	Santa Fe
F45	D126	ATSF 5989	34075	Santa Fe
SD45	D126	ATSF 5349	32562	Santa Fe
SD45	D126	ATSF 5355	32524	Santa Fe
SD45	D126	ATSF 5358	32509	Santa Fe
SD45	D126	ATSF 5364	32535	Santa Fe
SD45	D126	ATSF 5368	32531	Santa Fe
SD45	D126	ATSF 5374	36499	Santa Fe
F45	D126	ATSF 5957	34043	Santa Fe
F45	D126	ATSF 5977	34063	Santa Fe
F45	D126	ATSF 5983	34069	Santa Fe
F45	D126	ATSF 5985	34071	Santa Fe
F45	D126	MKCX 5531	34046	MKCX
SD45M	D126	URC 9012	7391-1	MKCX

A fee of \$21 is enclosed. Please return the original copy not needed by the Interstate Commerce Commission to the undersigned at 1500 One PPG Place, Pittsburgh, Pennsylvania 15222.

This document is a mortgage granting to PNC Bank, National Association, as Agent, a security interest in 117 locomotives owned by MK Rail Corporation and leased to railroads. The mortgage secures, in part, the obligations of MK Rail Corporation and certain of its subsidiaries in a principal amount not to exceed \$50,000,000. Such obligations are incurred under a Revolving Credit and Letter of Credit

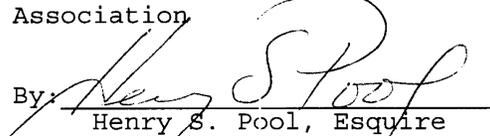
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Issuance Agreement and a companion Receivables Purchase Agreement,  
each dated as of September 30, 1994, as amended to date and as may be  
further amended.

Included in the property covered by the aforesaid mortgage are  
locomotives intended for use in interstate commerce, or interests  
therein, owned by MK Rail Corporation at the date of said mortgage or  
locomotives thereafter acquired by it by manufacture or remanufacture  
and held in inventory for the purpose of leasing to railroads for use  
in interstate commerce.

Very truly yours,

Tucker Arensberg, P.C.,  
counsel for PNC Bank, National  
Association

By:   
Henry S. Pool, Esquire

HSP:ccm:

BF 25070.1:2  
#0011-08329



Interstate Commerce Commission  
Washington, D.C. 20423-0001

2/21/95

Office Of The Secretary

Stephanie A. Parroccini  
1500 One Place  
Pittsburgh, PA. 15222

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 2/21/95 at 1:55PM, and assigned recordation number(s) 19252 and 19252-A.

Sincerely yours,

Vernon A. Williams  
Secretary

Enclosure(s)

(0100530053)  
(0100530054)

\$ 42.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

RECORDATION NO. 1-9252  
FILED 1425  
FEB 21 1995 1:00 PM  
UNIVERSITY MICROFILMS

MORTGAGE OF LOCOMOTIVES  
AND SECURITY AGREEMENT

By and Between

MK RAIL CORPORATION,  
a Delaware corporation,  
as Mortgagor

and

PNC BANK, NATIONAL ASSOCIATION  
as agent for certain  
financial institutions  
hereinafter described,  
as Mortgagee

Dated as of February 16, 1995

MORTGAGE OF LOCOMOTIVES AND SECURITY AGREEMENT

THIS MORTGAGE OF LOCOMOTIVES AND SECURITY AGREEMENT (this Mortgage of Locomotives and Security Agreement, together with all amendments, modifications, supplements, renewals or replacements, thereof or thereto, including without limitation any Supplemental Mortgage, as hereinafter defined, is referred to herein as the "Mortgage of Locomotives") dated as of February 16, 1995 is made by and between MK RAIL CORPORATION, a Delaware corporation having an office and place of business at 1200 Reedsdale Street, Pittsburgh, Pennsylvania 15233 (the "Mortgagor") and PNC BANK, NATIONAL ASSOCIATION, a national banking association, having an office and place of business at One PNC Plaza, Pittsburgh, Pennsylvania 15265, as agent (in such capacity, the "Agent") for the Lenders (as defined below) and the L/C Issuer (as defined below), and in consideration of the mutual covenants and agreements contained herein, the Mortgagor and the Agent hereby recite and agree, with the intent to be legally bound, as follows:

RECITALS

1. Ownership of Units. Mortgagor is the owner of 117 locomotives specifically identified in Schedule 1 hereto and incorporated herein by reference (all of which locomotives, together with any locomotives now or hereafter owned by Mortgagor and held for lease or otherwise, including without limitation those locomotives described from time to time hereafter on a schedule to a Supplemental Mortgage, as such term is defined below, and any other railroad rolling stock now or hereafter covered hereby, all whenever now or hereafter acquired, together with all replacements, replacement parts, additions, repairs, repair parts, accessions and accessories incorporated therein and/or affixed thereto, all special tools and devices incorporated there into, and all replacements and substitutions thereof are hereinafter referred to collectively in the plural as the "Units" and in the singular as "Unit").

2. Agreement to Finance. Pursuant to that certain Revolving Credit and Letter of Credit Issuance Agreement dated as of September 30, 1994 (the Revolving Credit and Letter of Credit Issuance Agreement, as amended, and all additional extensions, renewals, amendments, substitutions or replacements thereto referred to herein as the "Credit Agreement") by and among the Mortgagor, TOUCHSTONE, INC., a Tennessee corporation, MK ENGINE SYSTEMS COMPANY, INC., a New York corporation, MOTOR COILS MANUFACTURING CO., a Pennsylvania corporation, POWER PARTS COMPANY, a Nevada corporation, and CLARK INDUSTRIES, INC., an Illinois corporation, as the borrowers (collectively, the "Loan Parties"), and the financial institutions which are a signatory

(now or in the future) to such agreement as a lender (such a party herein referred to as a "Lender"; and collectively as the "Lenders"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association, in the capacity of the issuer of certain letters of credit under the terms of the Credit Agreement (in such capacity, the "L/C Issuer"), and the Agent, as agent for the Lenders and the L/C Issuer, the Lenders agreed to commit to lend to the Loan Parties on a revolving credit basis, upon the terms and conditions set forth in the "Credit Agreement, an amount not to exceed FIFTY MILLION DOLLARS (\$50,000,000.00), and the L/C Issuer agreed to issue certain letters of credit, from time to time, for the account of one or more of the Loan Parties with an aggregate stated amount not to exceed TWENTY MILLION DOLLARS (\$20,000,000.00); and the indebtedness of the Loan Parties to the Lenders is evidenced by one or more Notes, as amended, as such term is defined in the Credit Agreement (the Notes, as amended, and all further extensions, renewals, amendments, substitutions or replacement thereto or thereof are referred to herein collectively as the "Notes") each dated as of September 30, 1994 in the aggregate principal amount of Fifty Million (\$50,000,000) Dollars, with interest at rates provided in the Credit Agreement and to be repaid at the times and places and in the manner set forth in the Credit Agreement, and containing other terms and provisions, all of which are specifically incorporated herein by reference. The Credit Agreement and the Notes, and all of the terms and provisions thereof, are hereby specifically incorporated herein by reference and all capitalized terms defined in the Credit Agreement shall have the same meanings herein except only as otherwise defined herein.

3. Agreement to Secure Advances. Mortgagor has agreed to grant, and does by this Mortgage of Locomotives hereby grant, to Agent, for the benefit of the Agent, the L/C Issuer and the Lenders, and their respective successor and assigns, a first lien, encumbrance and a security interest in the Units and the other Mortgaged Property (as such term is defined below) to secure the payment and performance of the following (individually a "Secured Obligation" and collectively, the "Secured Obligations"):

(i) the Lender Obligations of the Mortgagor and the other Loan Parties including but not limited to the indebtedness, liabilities and obligations of the Loan Parties evidenced by and set forth in:

(a) the Notes, including, but not limited to, the payment of the Notes (including all advances heretofore and hereafter made and evidenced by the Notes) and interest thereon, as well as the reimbursement of any sums advanced by a Lender or which may otherwise be

payable to, or recoverable by, a Lender (including but not limited to collection costs), according to the provisions and conditions of the Notes, as one or more may be extended, renewed, amended, restated, substituted or replaced from time to time (the Notes as one or more may be extended, renewed, amended, restated, substituted or replaced from time to time are hereinafter referred to individually as a "Note" and collectively as the "Notes"), the terms and provisions of the Notes being specifically incorporated herein by reference thereto;

(b) the Letters of Credit, including, but not limited to, the payment of all accrued and unpaid Letter of Credit Fees payable in connection therewith under the terms of the Credit Agreement, and the reimbursement of any sums advanced by L/C Issuer or any Lender in connection with any drawing made under the terms of a Letter of Credit;

(c) the Credit Agreement, including, but not limited to, the payment of all accrued and unpaid Fees thereunder, and reimbursement of any sums advanced by Agent, a Lender or the L/C Issuer or which may otherwise be payable to, or recoverable by, Agent, a Lender or the L/C Issuer pursuant to the provisions of the Credit Agreement, as it may be amended, restated, modified or supplemented from time to time (the Credit Agreement, as it may be amended, restated, modified or supplemented from time to time is hereinafter referred to as the "Credit Agreement"), the terms and provisions of the Credit Agreement being specifically incorporated herein by reference thereto;

(d) this Mortgage of Locomotives, including, but not limited to, reimbursement of any sums advanced by Agent, a Lender or the L/C Issuer or which may otherwise become payable to, or recoverable by, Agent, a Lender or L/C Issuer pursuant to the provisions of this Mortgage of Locomotives, as it may be amended, restated, modified or supplemented from time to time (this Mortgage of Locomotives, as it may be amended, restated, modified or supplemented from time to time is hereinafter referred to as the "Mortgage of Locomotives");

(e) the other Loan Documents, including, but not limited to, the payment of all accrued and unpaid Fees thereunder, and reimbursement of any sums advanced by Agent, a Lender or the L/C Issuer or which may

otherwise be payable to, or recoverable by, Agent, a Lender or the L/C Issuer pursuant to the other Loan Documents, as one or more may be amended, modified or supplemented from time to time (the other Loan Documents, as one or more may be amended, modified or supplemented from time to time are hereinafter referred to as the "Other Credit Documents"), the terms and provisions of the Other Credit Documents being specifically incorporated herein by reference thereto; and

(ii) all other liabilities, obligations, covenants, duties and Indebtedness of the Loan Parties to the Agent, the L/C Issuer and the Lenders of any and every kind and nature, however evidenced, and whether arising under this Mortgage of Locomotives, the Notes, the Credit Agreement, the Other Credit Documents or the Transaction Documents, whether heretofore, now or hereafter owing, arising, due or payable from the Loan Parties to the Agent, the L/C Issuer or the Lenders.

4. Mortgagor's Obligations. Mortgagor's obligations hereunder shall include the total unpaid amount of the Secured Obligations, and the performance of each and every term set forth herein.

#### AGREEMENTS

5. Mortgage Interest. NOW, THEREFORE, in consideration of the recitals (each of which is hereby incorporated by reference), and with the intent of being legally bound hereby, Mortgagor hereby grants, conveys, hypothecates, pledges and assigns to the Agent, for the benefit of Agent, L/C Issuer and the Lenders, and their respective successors and assigns, as collateral security for the payment and performance of any and all of the Secured Obligations, including without limitation the Revolving Credit Loans, all of the Mortgagor's right, title and interest in and to all of the following property, whether now owned or hereafter acquired:

(a) the Units specifically identified in Schedule 1 hereto, and any and all other Units now owned or hereafter acquired by Mortgagor, including without limitation those Units identified from time to time on schedules delivered pursuant to any Supplemental Mortgage (to be further identified, supplemented and added to from time to time);

(b) all replacements, replacement parts, additions, repairs, repair parts, accessions and accessories incorporated therein and/or affixed thereto; and all

special tools and devices incorporated there into or used in connection therewith;

(c) all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection or any other temporary or permanent disposition or encumbrance of the collateral listed in items (a) and (b) above (or any part thereof) or any interest therein;

(d) all products, substitutions, renewals and improvements to, of or for any of the collateral listed in items (a) through (c) above; and

(e) all proceeds (including any claims or insurance payable by reason of loss or damage to the Units) of or for any of the collateral listed in items (a) through (d) above.

All of the Mortgagor's property described in items (a) through (e) above, both inclusive, as well as all products thereof and proceeds derived therefrom, whether now owned or existing or hereafter acquired or arising or created, and all of the Mortgagor's right, title and interest in and to and relating to all such property, or proceeds, wherever located, are hereinafter referred to collectively and individually as the "Mortgaged Property".

6. Representations and Warranties of Mortgagor.

Mortgagor does hereby warrants, represents and covenants to the Agent (for the benefit of Agent, L/C Issuer and Lenders) that:

(a) Neither the execution and delivery by Mortgagor of this Mortgage of Locomotives, nor the performance by Mortgagor of its obligations hereunder or thereunder, (i) conflicts or will conflict with or violate in any respect any currently existing law or governmental rule, regulation, judgment or order or any judicial or administrative order or decree applicable to or binding upon Mortgagor or on any of its properties, (ii) conflicts or will conflict with the articles of incorporation or by-laws of Mortgagor, (iii) conflicts or will conflict with, or contravene, violate or result in a breach of, any indenture, mortgage, loan agreement or any other agreement or instrument to which Mortgagor is a party or by which any of its properties is bound, in any such case which does or will materially adversely affect the financial condition or the business or assets of Mortgagor or its ability to perform its obligations under any indenture, mortgage, loan agreement or instrument to which it is a party or by which any of its properties is bound, (iv) results or will result in the creation or imposition of any Lien (other

than a Lien in favor of Agent for the benefit of the Lenders, the L/C Issuer and the Agent) upon any Unit or any material properties, real, personal or mixed, tangible or intangible, of Mortgagor, (v) requires or will require, on the part of Mortgagor, the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, any federal, state or local governmental or public commission, board, authority or agency or (vi) require or will require the consent or approval of its shareholders or any trustee or holders of any currently existing indebtedness or obligations of Mortgagor.

(b) Except for the filing of this Mortgage of Locomotives with the Interstate Commerce Commission (the "ICC") pursuant to Section 11303 of the Act and the filing of the applicable Uniform Commercial Code financing statements with Secretary of State of the Commonwealth of Pennsylvania and the Office of the Prothonotary of Allegheny County, Pennsylvania, no filing, recording or registration of any financing statement or other document or instrument is or will be necessary or advisable in order to create in favor of the Agent for the benefit of the Lenders, the L/C Issuer and the Agent a valid prior perfected security interest in such Units.

(c) There are no actions, suits or proceedings pending or, to the best knowledge of Mortgagor, threatened before any court or by or before any other federal, state or local governmental or public commission, board, authority or agency, or any arbitrator, domestic or foreign, which if adversely determined could reasonably be expected to have a materially adverse effect on Mortgagor's ability to perform its obligations under this Mortgage of Locomotives, or which call into question the validity of this Mortgage of Locomotives.

(d) All licenses, permits, rights of way and other authorizations, consents and other filings required by law to be obtained or made in order to permit the use and operation of the Units on railways within the United States of America have been obtained or made, where the failure to obtain any such license, permit, authorization or consent or make any such filing might have a material adverse effect on Mortgagor's ability to perform its obligations under this Mortgage of Locomotives.

(e) Mortgagor is the sole, legal and beneficial owner of, and has good and marketable right, title and interest in and to, all of the presently owned or existing Mortgaged Property, and will be the sole, legal and beneficial owner of, and will have good and marketable right, title and interest in and to, all of the Mortgaged Property hereafter acquired or created or arising, free and clear of all Liens except (i) the liens and

security interests granted hereby or by the Loan Documents or pursuant hereto or thereto, (ii) the Permitted Liens and (iii) lien filings with the Interstate Commerce Commission referencing locomotives bearing the same serial number(s) as are borne by one or more of the Units, which filings relate to the locomotive cores from which the Units were remanufactured, provided that the underlying obligations to which such filings relate shall have been paid in full.

(f) Mortgagor has, and has duly exercised, all requisite right, power and authority to enter into this Mortgage of Locomotives, and to assign and pledge, and to grant liens and security interests upon and in, the Mortgaged Property for the purposes set forth in this Mortgage of Locomotives, and to carry out the transactions contemplated by this Mortgage of Locomotives, and this Mortgage of Locomotives constitutes a legal, valid and binding obligation of Mortgagor enforceable against Mortgagor in accordance with its terms.

(g) Except for Permitted Liens, Mortgagor has not heretofore assigned or pledged, or granted any other Lien upon or in, any of the Mortgaged Property; no Lien, including any Permitted Lien, is senior in priority to the Lien created in the Mortgaged Property by this Mortgage of Locomotives although the records of the Interstate Commerce Commission may reflect lien filings bearing an earlier date than the filings in favor of PNC Bank and referencing locomotives bearing the same serial number(s) as are borne by one or more of the Units, which filings relate to the locomotive cores from which the Units were remanufactured, provided that the underlying obligations to which such filings relate shall have been paid in full; at its expense, Mortgagor shall generally warrant title to the Mortgaged Property, and shall defend the Mortgaged Property, and the right, title and interest of the Agent (for the benefit of Agent, L/C Issuer and Lenders) therein and thereto, against all claims and demands of any and all Persons whomsoever; Mortgagor shall not grant, create, incur or permit to exist any Lien on or in any of the Mortgaged Property, other than the liens and security interests granted hereby or pursuant hereto and the Permitted Liens; Mortgagor shall not permit any of the Mortgaged Property to be levied upon under any legal process; Mortgagor shall not assign, transfer or otherwise dispose of any of the Mortgaged Property without the prior written consent of the Agent; and Mortgagor shall not do, or permit to be done, anything that may impair the value of any of the Mortgaged Property or any of the liens and security interests granted hereby or pursuant hereto.

(h) Neither the value of the Mortgaged Property upon disposition thereof, nor the ability to freely transfer the Mortgaged Property, is limited by any licenses, franchises,

management agreement, leases, subleases or other general intangible or contract rights, to which Mortgagor is a party or which is otherwise applicable to Mortgagor or the Mortgaged Property, except a Permitted Locomotive Lease Agreement.

7. Repairs, Alterations, Additions, Improvements and Expenses. (a) During the effectiveness hereof, Mortgagor will make, or cause to be made, such repairs, alterations, additions and improvements as are or may be required from time to time to insure compliance herewith and with all laws, rules and regulations to which reference is made in paragraph 8 hereof. Without the prior written consent of Agent, Mortgagor shall not make or cause or permit to be made other alterations, additions or improvements to any Unit, unless such may be made without reduction of the value of that Unit below the amount that it would have been had no alteration, addition or improvement been made, and without impairment to the condition and working order required hereby.

(b) Mortgagor will keep, or cause to be kept, each Unit in a condition appropriate and suitable to the business of Mortgagor or any permitted lessee, as the case may be. Mortgagor will furnish, or cause to be furnished, all parts, mechanisms and devices required to keep each Unit in compliance with the laws to which reference is made in paragraph 8 hereof. Agent shall have no responsibility for any cost arising under this paragraph or for any expense arising out of or necessary for the operation and use of the Units, including but not limited to maintenance, repairs and replacement parts, storage, tolls, tariffs, fines, registration and insurance fees for all insurance required hereby.

(c) Mortgagor and Mortgagee acknowledge that Mortgagor is in the business of remanufacturing failed locomotives and that in the ordinary course of Mortgagor's business locomotives subject to this Mortgage may not be in good repair, condition and working order.

8. Use and Standards of Use and Repair. Mortgagor (and any permitted lessee) will repair, keep in repair and cause the Units to be used in a careful and proper manner consistent with the design and intended use thereof, subject, however, to the reasonable requirements of Mortgagor's business, and will comply with and conform to and with all current and future federal, state, municipal, police and other laws, ordinances and regulations relating to the possession, use or maintenance of the Units. Mortgagor will comply, and cause any permitted lessee to comply, with all rules, interpretations, codes and orders governing use, hire, condition, repair and all other matters interpreted as being applicable to the Units during the

effectiveness hereof by and of the American Association of Railroads ("AAR") and any other organization, association, agency or governmental authority, including the Interstate Commerce Commission and the Department of Transportation, which may during the effectiveness hereof be responsible for or have authority to promulgate such rules, interpretations, codes and orders. Mortgagor agrees to indemnify and hold Agent safe and harmless from and against any and all claims, costs, expenses (including without limitation attorney's fees), damages and liabilities claimed, arising from or pertaining to such laws, ordinances, regulations, rules, interpretations, codes and orders. Mortgagor will not remove or permit the removal of any Unit from the United States of America without the prior written consent of Agent; provided, however, that up to forty (40) of the Units may be utilized in Canada or Mexico, in which case Mortgagor shall give Agent notice as promptly as possible of such use identifying the Units so used.

9. Supplemental Mortgages and Schedules and Identifications.

a. Supplemental Mortgages. Mortgagor shall promptly notify Agent when any locomotive, not previously described on a schedule to this Mortgage of Locomotives or any Supplemental Mortgage, is to be held by Mortgagor for lease (each such locomotive, an "Additional Unit"). Upon request of Agent, Mortgagor shall (i) deliver to Agent a copy of the lease agreement relating to such Additional Unit, (ii) forthwith prepare and submit to Agent supplemental schedules describing the Additional Unit(s) in form and substance satisfactory to Agent and (iii) execute and deliver a supplement to this Mortgage of Locomotives, substantially in the form of Exhibit "A" attached hereto and made a part hereof, with appropriate insertions therein (each such supplement, a "Supplemental Mortgage").

b. Identifications. Mortgagor will affix or cause to be affixed to each Unit and maintain throughout the effectiveness hereof, labels, plates or other markings identifying the Units and stating that the ownership of the Units is subject to a security agreement filed with the Interstate Commerce Commission, including without limitation the marks and stencils recited in the Schedule. Mortgagor agrees to join with Agent in the execution of any documents and to pay all recording costs, fees and taxes associated therewith which Agent may request to give evidence of Agent's interest (on behalf of Agent, lenders and L/C Issuer) in the Units and Mortgagor agrees that, upon the occurrence of an Event of Default, Agent may give notice of such interest to any and all of Mortgagor's creditors.

10. Insurance. In addition to the provisions of the Credit Agreement respecting insurance coverage, Mortgagor further warrants and covenants that it will keep and maintain or cause to be kept and maintained, the following insurance on and in respect of the Mortgaged Property:

(a) Coverage. Mortgagor (or a permitted lessee) will carry, at its cost and at no cost to Agent, with insurers of recognized responsibility comprehensive public liability and property damage insurance in respect of the operation and use of the Units as follows:

(i) comprehensive public liability insurance in an amount not less than \$15,000,000 per occurrence; and

(ii) all risk physical loss and damage coverage in an amount of \$15,000,000.

(b) Delivery of Certificates of Insurance. Mortgagor shall deliver to Agent copies of each certificate of insurance relating to the insurance coverage required in paragraph 10(a) above upon or prior to the execution hereof. In addition, updated certificates of insurance with respect to the insurance coverage required in paragraph 10(a) above covering any Additional Units shall be delivered to Agent concurrently with the delivery of any Supplemental Mortgage applicable to such Additional Unit. Each such insurance certificate shall name Agent (for the benefit of Agent, Lenders and L/C Issuer) as additional insured and lender loss payee/mortgagee, as its interests may appear, and shall provide that the underlying insurance policies may be cancelled or materially changed only upon thirty (30) days' prior written notice of such cancellation or material change to Agent.

(c) Assignment of Insurance. Mortgagor hereby assigns and sets over to the Agent (for the benefit of Agent, Lenders and L/C Issuer) all monies which may become payable on account of all insurance covering the Mortgaged Property, including without limitation any return of unearned premiums which may be due upon cancellation of any such insurance, and Mortgagor shall direct the insurers to pay directly to the Agent (for the benefit of Agent, Lenders and L/C Issuer) any amount so due. The Agent, its officers, employees and agents, are hereby appointed the attorneys-in-fact of Mortgagor to endorse any draft, check, instrument or other item of payment that may be payable to Mortgagor in order to collect the proceeds of such insurance or any return of unearned premiums. Subject to paragraph 14 hereof, any such proceeds or returns of unearned premiums shall be applied by Agent first to the payment of the accrued and unpaid

interest on the Notes, then to the unpaid principal outstanding under the Notes and then, in such order and manner as the Agent shall elect in its sole discretion, to the payment of the other Secured Obligations; any balance of insurance proceeds or unearned premiums remaining in the possession of the Agent after payment in full of the Secured Obligations shall be paid to Mortgagor or its order as Mortgagor shall instruct the Agent in writing.

11. Loss or Damages. If damage occurs to any of the Units which consists of an insurable loss, Mortgagor shall:

- (a) Cause the Unit which has suffered the damage to be placed in the repair, condition and working order required hereby; and
- (b) With the prior consent of (which consent shall not be unreasonably withheld) or on the demand of Agent declare that the Unit has suffered an Event of Loss (as such term is defined below).

In the event the Mortgagor repairs the Unit which suffered the damage Agent will, upon proof satisfactory to it of the completion of all necessary repair, release to the Mortgagor any insurance proceeds received by Agent as a result of the occurrence of the damage. In the event the Mortgagor declares that the Unit has suffered an Event of Loss, Agent shall apply insurance proceeds related to the Event of Loss to repay Mortgagor's Secured Obligations to be applied as the Agent (on behalf of Agent, Lenders and L/C Issuer) shall select in its sole discretion. If the Secured Obligations have been paid in full, the obligation of the Lenders to extend credit to the Loan Parties has been terminated, at the time it receives the insurance proceeds it shall deliver those proceeds to the Mortgagor.

For the purposes of this paragraph 11, the term "Event of Loss" shall mean with respect to any Unit, any of the following events with respect to such Unit: (i) such Unit suffers an actual or constructive total loss or shall be or become in the good faith opinion of Mortgagor worn out or shall be destroyed or irreparably damaged, or uneconomical to repair, or rendered unfit for commercial use from any cause whatsoever, (ii) title to such Unit shall be taken by any governmental agency or authority by condemnation or otherwise, (iii) use of such Unit shall be taken or requisitioned by any governmental agency or authority, for a period which shall exceed twelve (12) months, (iv) such Unit shall be or become lost or stolen for a period in excess of one hundred eighty (180) days, or (v) as a result of any rule,

regulation, order or other action by any governmental agency or authority, the use of such Unit in a manner consistent with Mortgagor's (or any lessee of Mortgagor's) actual business activities shall have been prohibited for a period of eighteen (18) consecutive months.

12. Assignment; Permitted Lease. (a) Except as provided pursuant to any Permitted Locomotive Lease Agreement (as such term is defined below) Mortgagor will not sell, assign, sublet, pledge, hypothecate or otherwise encumber or suffer a lien upon or against any interest in the Units without the prior written consent of Agent. Agent may assign this Mortgage or any right and title it has hereunder upon written notice thereof to Mortgagor and such assignment shall be on terms and conditions not inconsistent herewith.

(b) For the purposes of this paragraph 12, the term "Permitted Locomotive Lease Agreement" shall mean and refer individually and collectively to any agreement entered into by Mortgagor respecting the lease of one or more locomotives held by Mortgagor to any operating railroad or other person intending to use such locomotive or locomotives in a manner relating to interstate commerce, provided that such agreement shall be assignable to Agent and shall otherwise contain such terms and provisions as are acceptable to Agent and such agreement shall be in a form sufficient for recording or filing with the Interstate Commerce Commission.

(c) The Mortgagor shall promptly deliver to Agent a copy of each Permitted Locomotive Lease Agreement, the terms and conditions of which shall not conflict with or otherwise impair Mortgagor's duties hereunder or Agent's liens, rights or remedies hereunder.

(d) The Mortgagor shall not consent to any amendment or modification of the terms of, or waiver of any rights under, any Permitted Locomotive Lease Agreement which would reduce the rents due from the lessee thereunder or would otherwise materially and adversely affect the rights and interests of Agent, Lenders and L/C Issuer hereunder, unless Agent shall give its prior consent in writing to such amendment, modification or waiver.

(e) The Mortgagor, unless the Agent shall direct otherwise in writing, shall exercise each and all of its rights under, and enforce each and all of the terms of each Permitted Locomotive Lease Agreement with reasonable promptness and diligence and in accordance with the terms and provisions thereof. Mortgagor shall promptly forward to Agent copies of all notices received from a lessee under and with respect to any

Permitted Locomotive Lease Agreement, and shall give to Agent prompt notice upon obtaining actual knowledge of any default or event of default thereunder, or any cure thereof.

13. Default. Mortgagor shall be deemed to be in default hereunder in the event that (a) an Event of Default should occur under Section 8.01 of the Credit Agreement; (b) any representation or warranty made by Mortgagor hereunder was not true at the time such representation or warranty was made; (c) a breach of the covenant under paragraph 12(a) hereof occurs; or (d) a breach of any other covenant or agreement hereunder shall occur and remain uncured after thirty (30) days.

14. Enforcement of Security and Remedies. (a) In the event of default hereunder, then, or at any time thereafter (such default not having previously been cured), Agent may declare all of the Secured Obligations to be immediately due and payable, without notice or demand therefor, and shall then, on behalf of Agent, Lenders and L/C Issuer have all remedies hereunder, under the Credit Agreement and the Other Credit Documents and all the remedies of a secured party under the laws of the Commonwealth of Pennsylvania, or any other applicable laws, including, without limitation, the right to take possession of the Units and for that purpose Agent (a) may require Mortgagor to make the Units and the records thereof available to Agent at a place to be designated by Agent reasonably convenient to both parties and (b) may, so far as Mortgagor can give authority therefor, enter upon any premises on which the Units or any part or records thereof may be situated and remove the same therefrom, and Mortgagor hereby waives and releases Agent, Lender and L/C Issuer of and from any and all claims in connection with such removal.

(b) The parties hereto recognize that the Units may and probably will be widely scattered geographically, difficult of preservation and disposition, important to the continued operation of shippers and subject to complex maintenance and management requirements. Accordingly, the parties agree that, after default, Agent is to have the widest possible latitude of action to preserve and protect the Units and its security therein and agree further that, at its option, Agent shall have the unqualified right to appointment of receivers for the preservation, possession, protection and disposition of all or part of the Units and the collection and protection for Agent, Lender and L/C Issuer of any proceeds of or use or disposition thereof and/or to do any other thing and exercise any rights or remedies which Agent may or might, with or without judicial process, do or exercise.

(c) After Agent, on behalf of Agent, Lenders and L/C Issuer takes or receives possession of the Units following

default, Agent may sell, lease or otherwise dispose of the Units in any manner permitted by law, and if notice is required by law, Agent will give Mortgagor written notice of the time and place of any public sale of the Units or of the time after which any private sale or other intended disposition thereof is to be made, and at any such public or private sale Agent, on behalf of Agent, Lenders and L/C Issuer may purchase all or any part of the Units. The parties hereto agree that notice under this paragraph shall not be unreasonable as to time if given in compliance herewith five (5) days prior to sale or other disposition.

(d) To the extent permitted by applicable law, Mortgagor hereby waives any rights now or hereafter conferred by statute or otherwise which may require Agent to sell, lease or otherwise use any Units in mitigation of Agent's damages as set forth in this paragraph or which may otherwise limit or modify any of Agent's rights or remedies under this paragraph.

(e) Mortgagor shall pay to Agent, on demand and as part of the obligations secured hereunder, all costs and expenses, including court costs, legal expenses and reasonable attorneys' fees, incurred by Agent in exercising any of its right or remedies hereunder or enforcing any of the terms, conditions or provisions hereof.

(f) After the occurrence of an Event of Default, the Agent shall apply the proceeds of any sale or lease of or other disposition or realization upon the Mortgaged Property as follows:

(i) First, to the payment or reimbursement of all reasonable advances, expenses and disbursements of the Agent (including, without limitation, the reasonable fees and disbursements of its counsel and agents) incurred in connection with the administration and enforcement of, or the preservation of, any of the Agent's, any Lender's or the L/C Issuer's rights, powers and remedies under this Mortgage of Locomotives, the Notes, the Credit Agreement, or any Other Credit Documents or other agreement, document or instrument evidencing or securing the Secured Obligations, including but not limited to the acquisition, completion, protection, removal, storage, sale or delivery of the Mortgaged Property;

(ii) Second, to the repayment of the Secured Obligations whether for principal, interest, fees or expenses, in such order and manner as the Agent, in its sole discretion, shall determine; and

(iii) Third, any balance to be distributed as required by law.

In no event shall the Agent, any Lender or the L/C Issuer be liable to the Mortgagor for interest on any surplus. If the proceeds of any such sale of or other disposition or realization upon the Mortgaged Property are insufficient to pay and perform the Secured Obligations in full, then the Mortgagor shall remain liable for such deficiency.

(g) The Mortgagor shall have full responsibility for taking any and all steps to preserve and protect the Mortgaged Property in its possession or subject to its control or in the possession or subject to the control of any permitted lessee. The Mortgagor agrees that neither the Agent, Lenders or L/C Issuer, nor any of their respective officers, directors, employees or agents will be liable for any acts of commission or omission, or for any error of judgment or mistake of fact or law, with respect to the preservation or protection of any Mortgaged Property in their custody except for acts of commission or omission that constitute recklessness or willful misconduct.

15. Concurrent Remedies; Other Security. (a) No right or remedy of Agent, for and on behalf of the Lenders and the L/C Issuer, hereunder shall be exclusive of any other remedy herein or by law provided; each right or remedy shall be cumulative and in addition to every other right or remedy and, in addition, the exercise of any remedy by Agent hereunder shall not of itself constitute a recognition of a default of all provisions hereof or of an intent by Agent to terminate all the provisions hereof. Moreover, a failure of Agent to insist upon strict compliance with the terms hereof or to assert any right or remedy hereunder shall not be waiver of any default and shall not be determined to constitute a modification of the agreements of the parties hereto or the terms hereof or to establish any claim or defense.

(b) The Agent, L/C Issuer or any Lender may have or in the future may hold other security and/or guaranties to secure all or any part of the Secured Obligations, but it is specifically understood and agreed that neither the execution and delivery of this Mortgage of Locomotives nor the holding of any other security and/or guaranty shall at any time or in any wise operate to prevent or hinder the Agent, L/C Issuer or any Lender from resorting first to such other security and/or guaranty or first to the Mortgaged Property, or first from time to time to both; and the Agent (on behalf of Agent, Lenders and L/C Issuer) may from time to time as the Agent sees fit, in the Agent's sole and uncontrolled discretion, resort to all or any part of the Mortgaged Property without resorting to all or any other security and/or guaranty securing such Secured Obligations, or to all or any part of any other security and/or guaranty securing the Secured Obligations without resorting to all or any part of the Mortgaged Property, and such action on the Agent's part shall not

in any wise be considered as a waiver of any of the benefits or rights of the Agent relating to the Mortgaged Property or such other security and/or guaranties.

16. Mortgagee's Payment. In the event that Mortgagor should fail duly and promptly to perform any of the matters required to be performed hereunder, Agent may, at its option, immediately or at any time thereafter, perform the same for the account of Mortgagor without thereby waiving any default, and any amount paid or expenses or liability incurred by Agent in such performance, together with interest thereon at the rate of two percent (2%) per annum in excess of the sum of the Base Rate plus the Applicable Base Rate Margin as that rate may change from time to time until paid shall be payable to Agent by Mortgagor on demand and shall be and become part of the Secured Obligations secured hereunder.

17. Notice. Except as otherwise specifically provided herein, notice shall be deemed to have been properly given to Mortgagor when deposited in the United States mail, first class postage prepaid and addressed to Mortgagor at 1200 Reedsdale Street, Pittsburgh, Pennsylvania 15233. Any communication to Agent shall be deemed properly given if similarly mailed to PNC Bank, National Association, One PNC Plaza, Fifth Avenue and Wood Street, Pittsburgh, Pennsylvania 15265, Attention: Arlene M. Ohler, with a copy to PNC Bank, National Association, One PNC Plaza, Fifth Avenue and Wood Street, Pittsburgh, Pennsylvania 15265, Attention: Gregory A. Steve. Either party hereto may at any time change its address for notification purposes by mailing, as aforesaid, a notice stating the change and setting forth the new address.

18. Miscellaneous. (a) All covenants and agreements in this Mortgage contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not, except that Mortgagor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Agent.

(b) Upon the full discharge and satisfaction of the Secured Obligations and the termination of the Revolving Credit Commitment, (a) all right, title and interest herein assigned to the Agent, Lenders or L/C Issuer, shall terminate, and all right, title and interest of the Agent, Lenders or L/C Issuer in and to each and every one of the items of Mortgaged Property shall revert to the Mortgagor and (b) the Agent shall, at the expense of Mortgagor, file all requisite release or termination statements and do all such other acts as are reasonably required

of it to evidence the termination of the liens and security interests granted hereby or pursuant hereto.

(c) Mortgagor, at its own expense, shall cause this Mortgage of Locomotives and each Supplemental Mortgage relating to the Units to be filed with the Interstate Commerce Commission pursuant to Section 11303 of the Interstate Commerce Act, as amended (49 U.S.C. §10101, et seq.) promptly after execution and delivery thereof by all parties thereto. Mortgagor, at its own expense, shall further cause this Mortgage of Locomotives, each Supplemental Mortgage and/or appropriate financing statements or continuation statements to be filed and recorded in accordance with the applicable provisions of the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania (and, if Mortgagor changes its chief executive office to any other state, in such state) and in any other state where filing is necessary to the reasonable satisfaction of counsel to Agent and shall do such other things to preserve and maintain the perfection and priority of the lien granted herein and in the Supplemental Mortgages (if any) to Agent (on behalf of Agent, Lenders and L/C Issuer) as such counsel may reasonably request.

(d) Mortgagor, in addition to the requirements set forth above, will from time to time do and perform in a timely manner any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, rerecord or redeposit whenever required) any and all further instruments required by law (including without limitation continuation statements) or reasonably requested by Agent for the purpose of proper protection, to its sole satisfaction, of its interest (on behalf of Agent, Lenders and L/C Issuer) in the Units and the other Mortgaged Property, or for the purpose of carrying out the intention of this Mortgage of Locomotives.

(e) The titles to the various paragraphs of this Mortgage are solely for convenience and are not a part of the Mortgage for purposes of interpreting the provisions hereof.

(f) This Mortgage, the Schedule, any Supplemental Mortgage or schedule thereto, or any other instruments, documents or agreements to be delivered hereunder, are being executed and delivered and are intended to be performed in the Commonwealth of Pennsylvania. The parties hereto agree that the law of the Commonwealth of Pennsylvania shall govern their rights and duties hereunder, excepting applicable federal law.

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(g) This written agreement is exclusive as to its subject matter and no inconsistent oral agreement shall be binding.

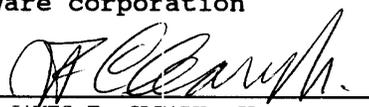
IN WITNESS WHEREOF, the parties hereto have caused this Mortgage of Locomotives and Security Agreement to be duly executed by their respective duly authorized officers as of the 16<sup>th</sup> of February, 1995.

Attest: (Seal)

By   
Name THOMAS J. REINICKE  
Title EXECUTIVE VICE PRESIDENT

MORTGAGOR

MK RAIL CORPORATION, a Delaware corporation

By   
Name JAMES F. CLEARY, JR.  
Title EXECUTIVE VICE PRESIDENT-  
FINANCE AND ADMINISTRATION  
MORTGAGEE

PNC BANK, NATIONAL ASSOCIATION, as Agent for L/C Issuer and the Lenders

By   
Name GREGORY A. STEVE  
Title COMMERCIAL BANKING OFFICER

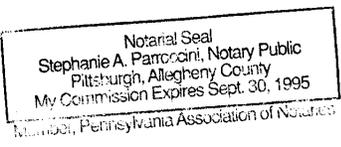
BF 24665.

CERTIFICATE OF ACKNOWLEDGEMENTS

COMMONWEALTH OF PENNSYLVANIA )  
 )  
COUNTY OF ALLEGHENY ) SS:

On this 10<sup>th</sup> day of February, 1995, before me, a Notary Public, the undersigned officer, personally appeared DANES F. CROTTY JR., who acknowledged himself/herself to be the EXECUTIVE VICE PRESIDENT of MK RAIL CORPORATION, a Delaware corporation, and that he/she as such EXECUTIVE VICE PRESIDENT, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself/herself as EXECUTIVE VICE PRESIDENT.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

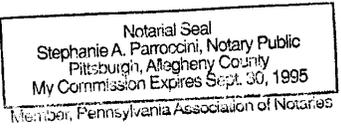


[Signature]

COMMONWEALTH OF PENNSYLVANIA )  
 )  
COUNTY OF ALLEGHENY ) SS:

On this 16<sup>th</sup> day of February, 1995 officer, personally appeared FREDMY A. STEVE who acknowledged himself/herself to be the COMMERCIAL BANKING OFFICER of PNC Bank, National Association, a national banking association and that he as such COMMERCIAL BANKING OFFICER, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation, as agent as above described, by himself as COMMERCIAL BANKING OFFICER.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



[Signature]

BF 24665

SCHEDULE 1

To Mortgage of Locomotives and Security Agreement

Description of Locomotives Mortgaged:

<u>Model</u>	<u>AAR Designation</u>	<u>Road Number</u>	<u>Serial Number</u>	<u>Identifying Mark</u>
GP40	D115	MKCX 4301	34852	MKCX/
GP40	D115	MKCX 4302	36170	MKCX/
GP40	D115	MKCX 4303	37193	MKCX/
GP40	D115	MKCX 4304	31797	MKCX/
GP40	D115	MKCX 4305	38567	MKCX/
F45	D126	MKCX 5525	34036	MKCX/
F45	D126	MKCX 5526	34038	MKCX/
F45	D126	MKCX 5527	34044	MKCX/
F45	D126	MKCX 5528	34048	MKCX/
F45	D126	MKCX 5529	34054	MKCX/
F45	D126	MKCX 5530	34055	MKCX/
SD40	D125	MKCX 9401	32094	MKCX/
SD40	D125	MKCX 9402	32097	MKCX/
SD40	D125	MKCX 9403	31414	MKCX/
SD40	D125	MKCX 9404	31418	MKCX/
SD40	D125	MKCX 9405	31436	MKCX/
SD40	D125	MKCX 9406	30500	MKCX/
SD40	D125	MKCX 9407	32409	MKCX/
SD40-2	D125	MKCX 9408	32422	MKCX/
SD40	D125	MKCX 9409	37651	MKCX/
SD40	D125	MKCX 9410	37652	MKCX/
SD40	D125	MKCX 9411	37909	MKCX/
SD40	D125	MKCX 9412	33519	MKCX/
SD40	D125	MKCX 9413	31951	MKCX/
SD40	D125	MKCX 9414	37144	MKCX/
SD40	D125	MKCX 9415	5794-25	MKCX/
SD40	D125	MKCX 9416	36810	MKCX/
SD40	D125	MKCX 9417	36816	MKCX/
SD40	D125	MKCX 9418	37208	MKCX/
SD40	D125	MKCX 9419	34968	MKCX/
SD40	D125	MKCX 9420	74601-4	MKCX/
SD45	D126	MKCX 9501	36366	MKCX/
SD45	D126	MKCX 9502	36379	MKCX/
SD45	D126	MKCX 9503	36380	MKCX/
SD45	D126	MKCX 9504	33868	MKCX/
SD45	D126	MKCX 9505	33839	MKCX/
SD45	D126	MKCX 9506	33849	MKCX/
SD45	D126	MKCX 9507	33786	MKCX/
SD45	D126	MKCX 9508	34554	MKCX/
SD45	D126	MKCX 9509	34556	MKCX/
SDP45	D226	MKCX 9510	36659	MKCX/
SDP45	D226	MKCX 9511	36660	MKCX/
SDP45-2	D226	MKCX 9512	36661	MKCX/
SADP45	D226	MKCX 9513	36664	MKCX/
SDP45	D226	MKCX 9514	36665	MKCX/
	AAR		Serial	45

<u>Model</u>	<u>Designation</u>	<u>Road Number</u>	<u>Number</u>	<u>Identifying Mark</u>
SDP45	D226	MKCX 9515	36882	MKCX
SDP45	D226	MKCX 9516	36885	MKCX
SD45	D126	MKCX 9517	31843	MKCX
SD45	D126	MKCX 9518	34167	MKCX
SD45	D126	MKCX 9519	34174	MKCX
SD45	D126	MKCX 9520	37722	MKCX
SD45	D126	MKCX 9521	37725	MKCX
SD45	D126	MKCX 9522	37726	MKCX
SD45	D126	MKCX 9523	37729	MKCX
SD45	D126	MKCX 9524	37734	MKCX
SD45	D126	MKCX 9525	37735	MKCX
SD45	D126	MKCX 9526	33657	MKCX
SD45	D126	MKCX 9527	38366	MKCX
SD45	D126	MKCX 9528	35478	MKCX
SD45	D126	MKCX 9529	36798	MKCX
SD45	D126	MKCX 9530	37124	MKCX
SD45	D126	MKCX 9531	37128	MKCX
SD45	D126	MKCX 9532	35489	MKCX
SD45	D126	MKCX 9534	35525	MKCX
SD45	D126	MKCX 9535	32515	MKCX
SD45	D126	MKCX 9536	32553	MKCX
SD45	D126	MKCX 9537	32511	MKCX
SD45	D126	MKCX 9538	32085	MKCX
SD45	D126	MKCX 9539	32069	MKCX
SD45	D126	MKCX 9540	32074	MKCX
SD45	D126	MKCX 9541	32532	MKCX
SD45	D126	ATSF 5348	32543	Santa Fe
SD45	D126	ATSF 5353	32540	Santa Fe
SD45	D126	ATSF 5356	32062	Santa Fe
SD45	D126	ATSF 5357	32536	Santa Fe
SD45	D126	ATSF 5359	32519	Santa Fe
SD45	D126	ATSF 5361	32067	Santa Fe
SD45	D126	ATSF 5365	32512	Santa Fe
SD45	D126	ATSF 5366	32508	Santa Fe
SD45	D126	ATSF 5367	32534	Santa Fe
SD45	D126	ATSF 5369	32083	Santa Fe
SD45	D126	ATSF 5370	32082	Santa Fe
SD45	D126	ATSF 5371	32497	Santa Fe
SD45	D126	ATSF 5372	32495	Santa Fe
SD45	D126	ATSF 5373	36500	Santa Fe
SD45	D126	ATSF 5375	36491	Santa Fe
SD45	D126	ATSF 5376	36493	Santa Fe
SD45	D126	ATSF 5501	32557	Santa Fe
F45	D126	ATSF 5951	34037	Santa Fe
F45	D126	ATSF 5954	34040	Santa Fe
F45	D126	ATSF 5961	34047	Santa Fe
F45	D126	ATSF 5964	34050	Santa Fe
F45	D126	ATSF 5966	34052	Santa Fe
F45	D126	ATSF 5967	34053	Santa Fe
F45	D126	ATSF 5971	34057	Santa Fe
F45	D126	ATSF 5973	34059	Santa Fe
F45	D126	ATSF 5974	34060	Santa Fe
	AAR		Serial	

<u>Model</u>	<u>Designation</u>	<u>Road Number</u>	<u>Number</u>	<u>Identifying Mark</u>
F45	D126	ATSF 5978	34064	Santa Fe
F45	D126	ATSF 5979	34065	Santa Fe
F45	D126	ATSF 5980	34066	Santa Fe
F45	D126	ATSF 5984	34070	Santa Fe
F45	D126	ATSF 5986	34072	Santa Fe
F45	D126	ATSF 5987	34073	Santa Fe
F45	D126	ATSF 5988	34074	Santa Fe
F45	D126	ATSF 5989	34075	Santa Fe
SD45	D126	ATSF 5349	32562	Santa Fe
SD45	D126	ATSF 5355	32524	Santa Fe
SD45	D126	ATSF 5358	32509	Santa Fe
SD45	D126	ATSF 5364	32535	Santa Fe
SD45	D126	ATSF 5368	32531	Santa Fe
SD45	D126	ATSF 5374	36499	Santa Fe
F45	D126	ATSF 5957	34043	Santa Fe
F45	D126	ATSF 5977	34063	Santa Fe
F45	D126	ATSF 5983	34069	Santa Fe
F45	D126	ATSF 5985	34071	Santa Fe
F45	D126	MKCX 5531	34046	MKCX
SD45M	D126	URC 9012	7391-1	MKCX

Legend to be placed on each unit in one inch letters:

Ownership subject to a security agreement filed with the Interstate Commerce Commission.

BF 24665.4

EXHIBIT "A" TO MORTGAGE OF LOCOMOTIVES  
AND SECURITY AGREEMENT

SUPPLEMENT NO. \_\_\_\_\_ TO MORTGAGE OF LOCOMOTIVES  
AND SECURITY AGREEMENT

SUPPLEMENT NO. \_\_\_ TO MORTGAGE OF LOCOMOTIVES AND SECURITY AGREEMENT dated as of \_\_\_\_\_, 199\_\_ (this "Supplemental Mortgage") to the Mortgage of Locomotives and Security Agreement dated as of February \_\_, 1995 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, the "Initial Mortgage of Locomotives"), between MK RAIL CORPORATION, a Delaware corporation (the "Mortgagor") and PNC BANK, NATIONAL ASSOCIATION, as agent (in such capacity, the "Agent") for the Lenders and the L/C Issuer (as such terms are defined in the Initial Mortgage of Locomotives).

R E C I T A L S:

WHEREAS, all undefined terms used herein shall have the respective meanings set forth therefor in the Initial Mortgage of Locomotives; and

WHEREAS, subject to the terms and provisions of the Initial Mortgage of Locomotives, the Mortgagor agreed to execute and deliver from time to time Supplemental Mortgages substantially in the form hereof with respect to locomotives held by Mortgagor for lease to third parties and not previously described on a schedule to the Initial Mortgage of Locomotives; and

WHEREAS, Mortgagor is the owner of \_\_\_ locomotives which Mortgagor has leased, or intends to lease, pursuant to a Permitted Locomotive Lease Agreement (such locomotives as described in more detail on Supplemental Schedule 1 attached hereto and made a part hereof, are herein referred to as the "Additional Units"); and

WHEREAS, Mortgagor desires to execute and deliver this Supplemental Mortgage for the purpose of describing and subjecting the Additional Units to the lien of the Initial Mortgage of Locomotives in favor of Agent (on behalf of Agent, Lenders and the L/C Issuer).

NOW THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Schedule 1 to the Initial Mortgage of Locomotives is hereby supplemented by adding thereto as of \_\_\_\_\_, 199\_\_ the Additional Units described on Supplemental Schedule 1 hereto. Schedule 1 to the Initial Mortgage of Locomotives is hereby further supplemented to include the identification information set forth on Supplemental Schedule 1 hereto.

2. Effective on the date hereof, the Mortgagor's right, title and interest in and to (i) the Additional Units described on Supplemental Schedule 1 attached hereto, (ii) all replacements, replacement parts, additions, repairs, repair parts, accessions and accessories incorporated therein and/or affixed thereto, and all special tools and devices incorporated there into or used in connection therewith, (iii) all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection or any other temporary or permanent disposition or encumbrance of the collateral listed in items (i) and (ii) of this paragraph 2 (or any part thereof) or any interest therein, (iv) all products, substitutions, renewals and improvements to, of or for any of the collateral listed in items (i) through (iii) of this paragraph 2, and (v) all proceeds (including any claims or insurance payable by reason of loss or damage to the Units) of or for any of the collateral listed in items (i) through (iv) of this paragraph 2 are deemed included in the Mortgaged Property and are subjected to the lien, encumbrance and mortgage created by the Mortgage of Locomotives.

3. This Supplemental Mortgage shall be construed in connection with and as part of the Initial Mortgage of Locomotives; and the Initial Mortgage of Locomotives is hereby modified to include this Supplemental Mortgage, and all terms, conditions, representations, warranties, covenants and agreements set forth therein, except as herein modified, are hereby confirmed and ratified (including without limitations the representations and warranties of Mortgagor set forth in paragraph 6 of the Initial Mortgage of Locomotives) and shall remain in full force and effect, except that such terms, conditions, representations, warranties, covenants and agreements shall be deemed to extend to and include this Supplemental Mortgage. From this date any references to the "Mortgage of Locomotives", "Unit(s)" and "Mortgaged Property" shall be deemed to be references to such terms as amended or supplemented in connection with this Supplemental Mortgage.

4. THIS SUPPLEMENTAL MORTGAGE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, EXCEPTING APPLICABLE FEDERAL LAW AND EXCEPT ONLY TO THE EXTENT PRECLUDED BY THE MANDATORY APPLICATION OF THE LAW OF ANOTHER JURISDICTION.

5. This Supplemental Mortgage may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same Supplemental Mortgage.

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement No. \_\_\_ to Mortgage of Locomotives and Security Agreement to be duly executed and delivered as of the date and year first above written.

ATTEST: (SEAL)

MORTGAGOR:

MK RAIL CORPORATION, a  
Delaware corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Agreed and Accepted this \_\_\_ day  
of \_\_\_\_\_, 199\_\_:

MORTGAGEE:

PNC BANK, NATIONAL ASSOCIATION, as  
Agent for Lenders and L/C Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BF 24810.1  
02/9/95:2  
0011-08329

Supplemental Schedule 1 to Supplement No. \_\_\_\_\_  
To Mortgage of Locomotives and Security Agreement

ADDITIONAL UNITS

Description of Locomotives (Units):

<u>Type</u>	<u>ARR Mechanical Designation</u>	<u>Number of Units</u>
[Model AMD 103-SM Passenger Locomotives]	Locomotives	_____

Identifying Marks      and      Road Serial Numbers

Legend to be placed on each unit in one inch letters:

Ownership subject to a security agreement filed with the  
Interstate Commerce Commission.

CERTIFICATE OF ACKNOWLEDGEMENTS

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1995, before me, a Notary Public, the undersigned officer, personally appeared \_\_\_\_\_, who acknowledged himself/herself to be the \_\_\_\_\_ of MK RAIL CORPORATION, a Delaware corporation, and that he/she as such \_\_\_\_\_, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself/herself as \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1995 officer, personally appeared \_\_\_\_\_ who acknowledged himself/herself to be the \_\_\_\_\_ of PNC Bank, National Association, a national banking association and that he as such \_\_\_\_\_, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation, as agent as above described, by himself as \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_