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LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

Lease Agreement dated as of September 10, 1975, between CI GENERAL EQUIPMENT LEASING CORPORATION, a Delaware corporation ("Lessor"), and THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY, a Delaware corporation ("Lessee").

1. LEASE OF EQUIPMENT

Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, upon the terms and conditions hereinafter set forth 235 used railroad freight cars (the "hulks") to be rebuilt and reconstructed as provided herein into 235 rebuilt, 70 ton standard bearing open top triple hopper railroad cars (hereinafter collectively referred to as the "Equipment" and each such railroad car being sometimes referred to as a "unit"), which shall continue under lease as provided herein. Delivery of the hulks shall be in one group of 235 hulks. Deliveries of units of Equipment shall be in minimum groups of 80 units, except for the final delivery. The aggregate cost ("Lessor's Cost") for the acquisition, reconstruction and delivery of all the units of Equipment shall not exceed \$3,995,000. The term "Equipment" as used herein shall include the hulks purchased by Lessor and the rebuilt hopper railroad cars.

2. RECONSTRUCTION OF EQUIPMENT

(a) Lessor has agreed under a Contract for Purchase and Construction dated as of the date hereof (the "Reconstruction Agreement") between Lessee and Lessor to purchase from Lessee the 235 hulks for a purchase price of \$4,700 per hulk (or an aggregate purchase price of \$1,104,500). Such purchase price shall hereinafter be referred to as the "Acquisition Cost."

(b) Lessee has also agreed under the Reconstruction Agreement to rebuild and reconstruct for Lessor the hulks referred to in Section 2(a) above in order to produce 235 rebuilt railroad cars for lease as the "units of Equipment" hereunder at a reconstruction price of \$12,300 per unit (or

an aggregate reconstruction price of \$2,890,500). Such reconstruction price shall hereinafter be referred to as the "Reconstruction Cost."

3. LEASE TERM

The term of lease under this Lease Agreement of each unit of Equipment shall commence on the date of delivery to Lessor and redelivery to Lessee for rebuilding of the hulk from which such unit was rebuilt and shall end 120 months after the date (the "Commencement Date") which shall be the earlier of (i) the date as of which all rebuilt units of Equipment shall have been accepted by Lessee, or (ii) November 30, 1975.

4. RENT, NET LEASE

Lessee shall pay to Lessor rent, monthly in arrears, for the Equipment in 120 installments, each of which shall be in an amount equal to 1.24521% of Lessor's Cost of all units of Equipment. The first installment of rent shall be payable on the first monthly anniversary of the Commencement Date. Subsequent installments of rent shall be payable thereafter on each successive monthly anniversary of the Commencement Date. In addition, Lessee shall pay Lessor interim rent on the Commencement Date for the period commencing with the date of payment by Lessor of any part of Lessor's Cost and ending on the Commencement Date, which interim rent shall be in an amount equal to 127% of the prime commercial rate ("Prime Rate") of Continental Illinois National Bank and Trust Company of Chicago from time to time in effect of any part of Lessor's Cost paid by Lessor prior to the Commencement Date computed from the respective dates so paid to the date of payment of such interim rent, and computed for the actual number of days elapsed on the basis of a year consisting of 360 days. Changes in the interim rent due to changes in said Bank's Prime Rate shall be effective when and as said Bank changes its Prime Rate. All rent and other amounts due from Lessee to Lessor shall be paid to Lessor at its office at 231 South LaSalle Street, Chicago, Illinois 60693, or at such other place as Lessor

shall specify in writing. In the event any rent or other amounts due hereunder shall not be made promptly when due, Lessee shall pay Lessor, as additional rent hereunder, interest on such overdue amount from the due date thereof to the date of payment thereof at a rate equal to the lesser of (i) 10% per annum or (ii) the maximum rate permitted by law.

This Lease Agreement provides for a net lease and the rent and other amounts due hereunder from Lessee to Lessor shall not be subject to any defense, claim, reduction, set-off or adjustment for any reason whatsoever. Lessee shall promptly pay all costs, expenses and obligations of every kind and nature incurred in connection with the use or operation of the Equipment which may arise or be payable during the lease term of such Equipment hereunder, whether or not such cost, expense or obligation is specifically referred to herein.

5. PAYMENTS FOR EQUIPMENT

Lessor shall from time to time on or before the Commencement Date (not more than once in any week) make such payments as Lessee may request under a Certificate of Acceptance (a "Certificate of Acceptance") in the form of Exhibit A hereto (with respect to hulks) and in the form of Exhibit B hereto (with respect to rebuilt units of Equipment). The Certificate of Acceptance for the hulks shall cover all 235 hulks. Each such Certificate of Acceptance for the rebuilt units of Equipment (except the last) shall cover not less than 80 units. All such Certificates of Acceptance shall be accompanied by appropriate invoices, bills of sale, certificates and opinions of counsel as may be provided for in the Reconstruction Agreement or this Lease Agreement.

6. ACCEPTANCE OF EQUIPMENT

Acceptance of a unit of Equipment by Lessee under a Certificate of Acceptance shall constitute Lessee's acknowledgement that the Equipment is in good order and condition; is of the manufacture, design and capacity selected by Lessee; and is suitable for Lessee's purposes. If Lessee has not accepted all units of Equipment by the Commencement

Date, then this Lease Agreement shall cover only those units of Equipment which have theretofore been so accepted.

7. COMMITMENT FEE

Lessee agrees to pay Lessor a commitment fee (computed for the actual number of days elapsed on the basis of a year consisting of 360 days) of 1/2 of 1% per annum on the daily average unused portion of Lessor's commitment (\$3,995,000) hereunder. Such commitment fee shall commence on July 1, 1975, shall terminate on the Commencement Date and shall be payable monthly in arrears.

8. DISCLAIMER OF LESSOR'S WARRANTIES

Lessee agrees and acknowledges that all units of Equipment have been or will be ordered and reconstructed in accordance with Lessee's specifications and that LESSOR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER OF TITLE, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, OR OTHERWISE REGARDING THE REBUILT UNITS OF EQUIPMENT OR THE HULKS. Lessor shall, at Lessee's sole expense, take all action reasonably requested by Lessee to make available to Lessee to the fullest extent possible any rights of Lessor with respect to the Equipment under any express or implied warranties it may have under the Reconstruction Agreement.

9. LESSEE'S WARRANTIES

Lessee represents and warrants that:

(a) Lessee is a corporation duly organized and existing in good standing under the laws of the State of Delaware.

(b) Lessee is duly authorized to execute and deliver the Reconstruction Agreement and this Lease Agreement, and is and will continue to be duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder.

(c) The execution and delivery of the Reconstruction Agreement and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law or of the charter or by-laws of Lessee or of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party. The competitive bidding regulations prescribed by the Interstate Commerce Commission ("ICC") in 49 CFR Part 1010 pursuant to 15 U.S.C. § 20 are not applicable to this transaction.

(d) The execution, delivery and performance of the Reconstruction Agreement and this Lease Agreement by Lessee and the consummation by Lessee of the transactions contemplated hereby and thereby does not require the consent, approval or authorization of, or notice to, any Federal or State governmental authority or public regulatory body, except for the recording of this Lease Agreement and each Certificate of Acceptance with the ICC in accordance with Section 20c of the Interstate Commerce Act.

(e) Lessee's financial statement as at December 31, 1974, a copy of which has been furnished to Lessor, has been prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC applied on a basis consistent with that of the preceding fiscal year and presents fairly the financial condition of Lessee as at the date thereof, and the results of its operations for the period then ended, and since such date there has been no material adverse change in its financial condition.

(f) The Reconstruction Agreement and this Lease Agreement are the legal, valid and binding obligations of Lessee enforceable in accordance with their respective terms.

(g) There are no pending or threatened actions or proceedings before any court or administrative agency which may to a material extent adversely affect the

financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis (except as previously disclosed in writing by Lessee to Lessor).

(h) The Reconstruction Cost for each unit of Equipment has been properly allocated and attributed to the rebuilding and reconstruction cost thereof in accordance with generally accepted accounting principles and the accounting rules of the ICC. The fair market value of the hulks to be purchased by Lessor under the Reconstruction Agreement is not in excess of the Acquisition Cost therefor.

(i) Each unit of Equipment will constitute "new Section 38 property" within the meaning of Section 48(b) of the Internal Revenue Code of 1954, as amended, to the extent of the Reconstruction Cost therefor.

(j) Under the Reconstruction Agreement each unit of Equipment on the date of delivery thereof will have an estimated useful life of at least two and one-half years beyond the expiration of the term of lease under this Lease Agreement for such unit of Equipment and an estimated fair market value at the end of such term of at least 20% of Lessor's Cost for such unit of Equipment, without including in such fair market value any increase or decrease for inflation or deflation during the term of the lease.

(k) The Equipment will not be used in connection with the performance of any prime government contract, or subcontract or purchase order thereunder, with respect to which the provisions of the Renegotiation Act of 1951, as amended, are applicable.

(l) Lessee will not become a part of Consolidated Railway Corporation pursuant to the Regional Rail Transportation Act of 1973 as amended.

10. OWNERSHIP, LOCATION, USE OF AND LIENS ON EQUIPMENT

(a) The Equipment shall be the exclusive property of Lessor, and Lessee shall have no rights therein

except the right to use it so long as Lessee is not in default hereunder.

(b) Lessee agrees that the Equipment will be used solely in the conduct of its business, with due care to prevent injury thereto or to any person or property and in conformity with all applicable laws, ordinances, rules, regulations and other requirements of any insurer or governmental body (including, without limitation, any requirements regarding licensing or registration, or evidencing title to the Equipment, all of which shall be done in such manner as shall have previously been approved in writing by Lessor). Lessor, or any duly authorized representative of Lessor, may during reasonable business hours from time to time inspect the Equipment and Lessee's records with respect thereto wherever the same may be located.

(c) Lessee agrees to comply in all respects with all laws of the jurisdictions in which the units may be operated, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the units. In the event that such laws or rules require the alteration of the units or in case any equipment or appliance on any such unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such unit in order to comply with such laws, regulations, requirements and rules, Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and Lessee agrees at its own expense to use, maintain and operate such unit in full compliance with such laws, regulations, requirements and rules so long as it is subject to this Lease Agreement; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not, in the opinion of Lessor, adversely affect the property or rights of Lessor hereunder.

(d) Lessee shall not permit any lien, charge, encumbrance, security interest, or other similar interest to arise or remain on any Equipment other than (i) liens placed by Lessor or liens of persons claiming against Lessor but not Lessee, which arise out of obligations which Lessee is not required by this Lease Agreement to pay or discharge, (ii) liens of current taxes not delinquent, and (iii) inchoate materialmen's or mechanics liens arising in the ordinary course of business and not delinquent.

(e) Lessee shall place and maintain on each side of each unit of Equipment a notice (in letters not less than one inch in height) conspicuously disclosing Lessor's ownership thereof as follows:

"CI General Equipment Leasing Corporation,
Owner-Lessor"

or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such unit and the rights of Lessor under this Lease Agreement. Lessee will not place any such unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. Lessee shall maintain on each unit of Equipment the serial and other identifying numbers, if any, set forth on the applicable Certificate of Acceptance. Lessee will not change the identifying number of any unit except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with Lessor by Lessee and filed, recorded or deposited by Lessee in all public offices where this Lease Agreement shall have been filed, recorded or deposited. Except as above provided, Lessee, so long as this Lease Agreement shall remain in effect, will not allow the name of any person, association or corporation to be placed on the units as a designation that might be interpreted as a claim of

ownership; provided, however, that Lessee may cause the units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the units as permitted under this Lease Agreement.

11. MAINTENANCE OF EQUIPMENT, EVENT OF LOSS

(a) Lessee shall at all times keep the Equipment in good repair and efficient condition and working order, reasonable wear and tear excepted. Lessee shall supply all parts, service, and other items required in the operation and maintenance of the Equipment. Lessee shall not, without the written consent of Lessor, make any improvements or additions to the Equipment except as provided in the Reconstruction Agreement. All parts, replacements and substitutions to or for any Equipment shall immediately become Equipment and the property of Lessor. Lessee assumes all risk of, and Lessee's obligations under this Lease Agreement shall continue unmodified despite, any loss, theft, destruction, damage, condemnation, requisition or taking by eminent domain or other interruption or termination of use of any Equipment regardless of the cause thereof.

(b) Upon the happening of any loss, theft, destruction, damage, condemnation, requisition, taking by eminent domain or other interruption or termination of use of any unit of Equipment regardless of the cause thereof (herein collectively called an "Event of Loss"), Lessee shall promptly make all repairs and replacements necessary to restore or repair such unit of Equipment so that the Equipment thereafter subject to lease hereunder is substantially equivalent to, and of a value not less than, the Equipment subject to lease hereunder prior to such Event of Loss; provided, however, that Lessee may instead on the next monthly rent payment date following such Event of Loss furnish Lessor with an affidavit of an officer of Lessee setting forth the fact of such Event of Loss and pay to Lessor the Stipulated Loss Value (as defined in Exhibit

C hereto and determined as of such next subsequent rent payment date) of such unit of Equipment. Upon payment of (i) such Stipulated Loss Value, (ii) any rent accrued and unpaid on such unit of Equipment to and including the rent payment date immediately preceding such next rent payment date and (iii) any other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such unit of Equipment it may have. Upon such transfer the lease of such unit of Equipment hereunder shall end.

(c) When Lessee has fulfilled the requirements of paragraph (b) regarding an Event of Loss, Lessor shall (if no event of default, or event which might mature into an event of default, has occurred and is continuing) reimburse Lessee for its costs thus incurred to the extent of any proceeds received by Lessor because of such Event of Loss either under any policies of insurance provided for in Section 12 or as satisfaction of any claim (other than one to which an insurer is or may be subrogated) by Lessor against any person or persons liable in respect of such Event of Loss, after subtracting in each instance all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor and not otherwise reimbursed by Lessee in respect thereto.

12. INSURANCE

(a) Lessee shall maintain or cause to be maintained, with respect to its activities and operations in which the units of Equipment shall be utilized, liability insurance of the scope and limits normally carried by Lessee, and in such types and limits as are customarily carried by comparable companies under similar circumstances, or as in the judgment of Lessee are adequate to protect activities and operations of Lessee, such insurance to be maintained through commercial insurers of recognized responsibility; provided that Lessee shall maintain the following minimum coverage: personal liability and

property damage liability insurance with combined single limit of Thirty-Five Million Dollars and a deductible of Two Million Dollars, covering liability of Lessee, including liability assumed under any contract or agreement, arising out of any occurrence or occurrences caused by or growing out of Lessee's operations anywhere in the world, and all operations incidental thereto.

(b) All such policies required above shall name Lessor as an additional insured and shall contain a provision to the effect that the insurer will give Lessor thirty (30) days prior written notice before cancellation, termination or modification of any such policy is effective. Lessee shall furnish Lessor or Lessor's assignee with certificates or other satisfactory evidence of the maintenance of the insurance required hereunder.

13. TAXES

Lessee agrees to pay and discharge (and does hereby agree to indemnify and hold Lessor harmless from and against) all sales, use, personal property, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon) imposed against Lessor, Lessee or the Equipment by any Federal, State or local government or taxing authority upon or with respect to the Equipment or upon the purchase, reconstruction, ownership, delivery, lease, possession, use, operation, return, sale or other disposition thereof hereunder or in connection herewith, or upon the rentals, receipts, or earnings arising therefrom, or upon or with respect to this Lease Agreement (excluding, however, taxes on, or measured by, the net income of Lessor imposed by the United States or the jurisdiction in which the principal office of Lessor is located) unless, and to the extent only that, any such tax, levy, impost, duty, charge or withholding is being contested by Lessee in good faith and by appropriate proceedings. Lessee agrees to file, on behalf of Lessor, all required tax returns and reports concerning the Equipment with all appropriate governmental agencies and to furnish a copy of each such return or

report, including evidence of payment, within 30 days after the due date of such filing. To the extent that any taxes hereinabove referred to in this Section 13 are included in Lessor's Cost for any unit, Lessee shall not be obligated under this Section 13 for indemnification with respect to such taxes.

14. INDEMNIFICATION AND EXPENSES

(a) Lessee agrees to and does hereby indemnify and hold Lessor and its agents, employees, stockholders, officers and directors, harmless from and against any and all expense, liability or loss whatsoever, including (without limitation) reasonable legal fees and expenses, relating to or in any way arising out of the Reconstruction Agreement or this Lease Agreement, or the purchase, ownership, reconstruction, delivery, lease, possession, rental, use, operation, return, sale or disposition of the Equipment hereunder or in connection herewith (including, without limitation, expense, liability or loss relating to or in any way arising out of injury to persons or property, patent or invention rights or strict liability in tort). Lessor shall give Lessee and Lessee shall give Lessor notice of any event or condition which requires indemnification by Lessee hereunder, or any allegation of such event or condition, promptly upon obtaining knowledge thereof, and, to the extent that Lessee makes or provides to the satisfaction of Lessor for payment under the indemnity provisions hereof, Lessee shall be subrogated to Lessor's rights with respect to such event or condition and shall have the right to determine the settlement of claims thereon, it being agreed that except to the foregoing extent, Lessor shall have the right to determine such settlement. Lessee shall pay all amounts due hereunder promptly on notice thereof from Lessor.

(b) If as to any unit of Equipment Lessor shall not be entitled under any circumstances (including any Change in Tax Law, as hereinafter defined), other than as set forth in paragraph (d) below, to any portion or

all of the maximum 10% investment credit presently allowable under Section 38(a) of the Internal Revenue Code of 1954, as amended, for new property with a useful life of more than seven years on not less than the Reconstruction Cost for such unit of Equipment, or if at any time Lessor shall lose, have recaptured or be deemed not to be entitled to any portion or all of said maximum investment credit on the Reconstruction Cost for each such unit of Equipment under any circumstances (including any Change in Tax Law), other than as set forth in such paragraph (d), then Lessee shall pay Lessor upon demand, the sum of (1) the amount of said maximum investment credit which Lessor shall have so lost, had recaptured or failed to receive; (2) the amount of any interest (net of any actual decrease in Federal income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax, which may be assessed against Lessor in connection therewith; and (3) the amount of any taxes required to be paid by Lessor in respect of the receipt of amounts referred to in clauses (1) and (2) above and the receipt of amounts pursuant to this clause (3). If, at any subsequent time, Lessor shall be allowed and receive a refund with respect to any portion or all of said maximum investment credit which it lost, had recaptured or failed to receive at any time previous and for which payment had been made to Lessor by Lessee pursuant to this paragraph (b), then, promptly after receipt of said refund, Lessor shall pay Lessee the sum of (i) all amounts with respect to such allowance paid to Lessor by the Federal government (including refunds of investment credit, interest, and penalties and any additional interest paid to Lessor by the Federal government on such refunds) reduced by all taxes required to be paid by Lessor in respect of the receipt of such amounts from the Federal government, and (ii) the amount of any taxes saved by Lessor in respect of its payment to Lessee of amounts referred to in clause (i) above and its payment to Lessee of amounts pursuant to this clause (ii). Lessor agrees to use its best efforts to take the maximum investment credit to which it shall reasonably deem itself entitled with respect to the Equipment on its Federal income tax return for the earliest possible year for which it can be taken.

(c) If Lessor in computing its Federal taxable income or its taxable income for purpose of computing its liability to any state or local taxing authority in which the principal office of Lessor is located, for any part of the lease term of any unit of Equipment shall under any circumstances (including any Change in Tax Law), other than as set forth in paragraph (d) below, lose the benefit of or the right to claim or there shall be disallowed or recaptured all or any portion of depreciation deductions for Federal, State or local income tax purposes for such unit of Equipment based on depreciation of the Lessor's Cost for such unit over a depreciable life of 10 years to a net salvage value of 10% using any appropriate depreciation method which Lessor in its complete discretion, may select, then Lessee shall pay Lessor on each rent payment date during the remaining lease term of such unit, as additional rent hereunder, an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof, shall be sufficient to yield to Lessor the same after tax cash flow as of each rent payment date as would have been realized by Lessor in respect of this Lease Agreement if such loss, disallowance, or recapture of depreciation deductions or the right to claim the same had not occurred, which amount shall, if subsequent circumstances require, be thereafter adjusted (or further appropriate adjustments shall be made in respect thereof) when and to the extent necessary so that Lessor's after tax cash flow as of each rent payment date shall be as aforesaid. In addition, Lessee shall also pay Lessor, on demand, as additional rent hereunder, an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof, shall be equal to the amount of any interest (net of any actual decrease in Federal, State or local income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax, which may be assessed against Lessor in connection with such loss, disallowance, or recapture of depreciation deductions or the right to claim the same.

(d) Lessee shall not be required to pay Lessor the amounts provided for in paragraphs (b) and (c) above if the loss or disallowance of investment credit or depreciation deductions, as the case may be, or the right to claim the same, shall result from the occurrence of any of the following events:

(i) Lessor shall fail to claim such investment credit or depreciation deductions in its income tax returns for the appropriate years or shall fail to follow the proper procedures in claiming such investment credit or depreciation deductions and such failure to claim or follow such procedures, as the case may be, shall preclude Lessor from claiming such investment credit or depreciation deductions;

(ii) Lessor shall not have sufficient income to benefit from such investment credit or depreciation deductions;

(iii) Lessor shall voluntarily transfer legal title to the Equipment (other than a transfer pursuant to Section 11(b) hereof) or dispose of or reduce its interest in such Equipment, if such transfer, disposal or reduction (A) shall be the direct cause of such loss, (B) shall occur at any time when no event of default has occurred and is continuing and (C) shall not be pursuant to the written consent of Lessee;

(iv) Lessor shall fail to take timely action in contesting a claim made by the Internal Revenue Service or any State or local taxing authority with respect to the disallowance of the investment credit or depreciation deductions pursuant to paragraph (e) below and the failure to take such action in a timely manner shall preclude all rights to contest such claim, unless Lessee shall agree to such failure; or

(v) Lessee shall have paid Lessor the Stipulated Loss Value of such unit of Equipment pursuant to Section 11(b) hereof.

(e) In the event a claim shall be made by the Internal Revenue Service or any State or local taxing authority which, if successful, would result in a loss of such investment credit or depreciation deductions under circumstances which would require Lessee to indemnify Lessor for such loss, Lessor hereby agrees to notify Lessee promptly of such claim, to not make payment of the tax claimed for at least 30 days after giving such notice, to give to Lessee any relevant information requested by it relating to such claim which may be particularly within the knowledge of Lessor and, if Lessee shall, within 30 days after such notice, request that such claim be contested, to take such action in connection with contesting such claim, including appropriate appeals from lower court decisions, as Lessee shall reasonably request in writing from time to time, but only if Lessee shall, contemporaneously with such initial request, have (i) made provision for Lessor's indemnification in a manner satisfactory to Lessor for any liability or loss which Lessor may from time to time incur as the result of contesting such claim and reimbursement for all costs and expenses, including legal fees and disbursements, which Lessor may incur in connection with the contesting of such claim and (ii) furnished Lessor with an opinion of independent tax counsel satisfactory to Lessor to the effect that a meritorious defense exists to such claim; provided, however, that at any time after having received such request from Lessee, Lessor at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service or any State or local taxing authority, as the case may be, in respect of such claim and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate United States District Court, the United States Court of Claims, or appropriate State court, as the case may be, as Lessor shall elect, or contest such claim in the United States Tax Court, or appropriate State court, as the case may be, considering, however, in good faith such request as Lessee shall make concerning the most appropriate forum in which to proceed.

(f) References in Section 13, in paragraphs (b) through (e) of this Section 14 and in paragraph (a) of Section 28 to Lessor shall be deemed to mean any affiliated group of which Lessor is a part which files a consolidated return for Federal income tax purposes, provided that only Lessor shall be obligated with respect to the covenants and duties therein expressed to be imposed on Lessor.

(g) All of the indemnities and agreements of Lessee contained in Section 13 and in this Section 14 shall survive and continue in full force and effect notwithstanding termination of this Lease Agreement or of the lease of any or all units of Equipment hereunder.

15. RETURN OF EQUIPMENT

Upon final termination of the lease term hereunder of any unit of Equipment (other than a termination under Section 11(b)), Lessee shall forthwith deliver possession of the units to Lessor in the same condition as when received, ordinary wear and tear excepted. For the purpose of delivering possession of any unit or units to Lessor as above required, Lessee shall at its own cost, expense and risk:

A. forthwith place such units upon such storage tracks of Lessee as Lessor reasonably may designate,

B. permit Lessor to store such units on such tracks at the risk of Lessee until such units have been sold, leased or otherwise disposed of by Lessor, provided that Lessor agrees to pay Lessee's reasonable storage charges for any storage after 180 days, and

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

The assembling, delivery, storage (except as above provided) and transporting of the units as hereinbefore provided shall be at the expense and risk of Lessee and are of the essence of this Lease Agreement, and upon application to any court of equity having jurisdiction in the premises Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to assemble, deliver, store and transport the units. During any storage period, Lessee shall maintain insurance on the units of Equipment in accordance with Section 12 hereof and shall permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such unit, to inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, Lessee hereby irrevocably appoints Lessor as the agent and attorney-in-fact of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any unit to Lessor, to demand and take possession of such unit in the name and on behalf of Lessee from whomsoever shall be in possession of such unit at the time.

16. FINANCIAL STATEMENTS

Lessee shall furnish or cause to be furnished to Lessor, (i) within 90 days after each fiscal year of Lessee, a copy of the annual audit report of Lessee and any consolidated subsidiaries, prepared on a consolidated basis and in conformity with generally accepted accounting principles (subject to conforming railroad qualifications) applied on a basis consistent with that of the preceding fiscal year, and signed by independent certified public accountants satisfactory to Lessor, (ii) within 90 days after each fiscal year of Lessee, a copy of the ICC Rail Form R-1 of the Lessee for such year, prepared on an unconsolidated basis and in conformity with the Uniform System of Accounts for Railroad Companies

prescribed by the ICC applied on a basis consistent with that of the preceding fiscal year, and signed by a proper accounting officer of the Lessee, (iii) within 45 days after each quarter (except the last quarter) of each fiscal year of Lessee, a copy of its unaudited unconsolidated financial statement, prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC and consisting of at least a balance sheet as at the close of such quarter and a profit and loss statement and analysis of surplus for such quarter and for the period from the beginning of such fiscal year to the close of such quarter, and signed by a proper accounting officer of Lessee, (iv) with the annual audit report each year, a certificate of a responsible officer of Lessee to the effect that, except as otherwise specified therein, (x) all units of Equipment are in existence and in good and efficient condition and have been marked as required by paragraph (e) of Section 10 hereof and, (y) no event of default, or event which might mature into an event of default, has occurred and is continuing under this Lease Agreement, and (v) from time to time, such other information as Lessor may reasonably request.

17. EVENTS OF DEFAULT

(a) The following shall be events of default hereunder:

(i) Default, and continuance thereof for 15 days, in the payment of any rent or other amount hereunder;

(ii) Any obligation of Lessee or of any subsidiary of Lessee for borrowed money or payment of rent (other than any such obligation of any subsidiary to Lessee or any other subsidiary) becomes or is declared to be due and payable prior to its express maturity by reason of default by Lessee or such subsidiary in the performance or observation of any obligation or condition;

(iii) Default in the performance of any of Lessee's agreements herein set forth (and not constituting an event of default under either of

the preceding clauses of this paragraph (a)) or in the performance of any of Lessee's agreements set forth in the Reconstruction Agreement and continuance of such default for 30 days after notice thereof from Lessor to Lessee;

(iv) Any representation or warranty made by Lessee in this Lease Agreement is untrue in any material respect, or any statement, report, schedule, notice or other writing furnished by Lessee to Lessor in connection herewith is untrue in any material respect on the date as of which the facts set forth are stated or certified; or

(v) Lessee or any subsidiary becomes insolvent or admits in writing its inability to pay its debts as they mature, or applies for, consents to or acquiesces in the appointment of a trustee or a receiver for Lessee or such subsidiary or any property of any thereof; or, in the absence of such application, consent or acquiescence, a trustee or receiver is appointed for Lessee or any subsidiary, or for a substantial part of the property of any thereof, and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding is instituted by or against Lessee or any subsidiary, and, if instituted against Lessee or any subsidiary is consented to or acquiesced in by Lessee or such subsidiary, or remains for 60 days undischarged.

When used herein, unless the context otherwise requires, the term "event of default" shall mean any event described in the foregoing clauses (i) through (v) and the term "event which might mature into an event of default" shall mean any event which with the lapse of time, or with notice to Lessee and lapse of time, would constitute an event of default. Lessee shall give Lessor prompt notice of any event of default or of any event which might mature into an event of default.

(b) Upon the happening of an event of default, Lessor shall (except to the extent otherwise required by law) be entitled to:

(1) proceed by appropriate court action or actions to enforce performance by Lessee of the applicable covenants and terms of this Lease Agreement or to recover damages for the breach thereof;

(2) repossess any or all units of Equipment without prejudice to any remedy or claim hereinafter referred to;

(3) elect to sell any or all units of Equipment, after giving 30 days' notice to Lessee, at one or more public or private sales and recover from Lessee as liquidated damages for Lessee's default hereunder an amount equal to the amount, if any, by which (A) the sum of (i) the aggregate Stipulated Loss Value of such units of Equipment on the date such notice is given, (ii) all rent owing hereunder to and including the rent payment date immediately preceding the date such notice is given, (iii) all costs and expenses incurred in searching for, taking, removing, keeping, storing, repairing, restoring and selling such units of Equipment, (iv) all other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise, and (v) all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor as a result of Lessee's default hereunder, exceeds (B) the amount received by Lessor upon such public or private sales of such units of Equipment;

(4) upon notice to Lessee receive prompt payment from Lessee of an amount equal to the aggregate Stipulated Loss Value on the date such notice is given of all units of Equipment which have not been sold by Lessor pursuant to clause (3) above plus, to the extent not otherwise recovered from Lessee pursuant to said clause (3) above, (i) any rent and other amounts owing hereunder to and including the rent payment date immediately preceding the date such notice is given, (ii) all costs and expenses incurred in searching

for, taking, removing, keeping, storing, repairing and restoring such units of Equipment, and (iii) all other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise, and (iv) all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor as a result of Lessee's default hereunder; provided that upon receipt of payment in full of such amount, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such units of Equipment it may have;

(5) by notice to Lessee, declare this Lease Agreement and the Reconstruction Agreement terminated without prejudice to Lessor's rights in respect of obligations then accrued and remaining unsatisfied; or

(6) avail itself of any other remedy or remedies provided for by any statute or otherwise available at law, in equity, or in bankruptcy or insolvency proceedings.

The remedies herein set forth or referred to shall be cumulative. The references to additional rent in clauses (3) and (4) of this paragraph (b) shall each include, without limitation, interest at the applicable rate specified, in the last sentence of the first paragraph of Section 4, to the date of receipt by Lessor of the amount payable under said clause, on installments of rent owing hereunder to and including the rent payment date immediately preceding the date on which notice is given under said clause, from the respective due dates of such installments, and interest on all other costs, expenses and losses for which Lessor is entitled to payment under said clause from the respective dates incurred by Lessor.

18. SUBLEASE, ASSIGNMENT, MERGER, ETC. BY LESSEE

(a) So long as Lessee shall not be in default under this Lease Agreement, Lessee shall be entitled to

the possession and use of the units of Equipment in accordance with the terms of this Lease Agreement, but, without the prior written consent of Lessor, Lessee shall not assign any right or interest in or to this Lease Agreement or any unit of Equipment, sublet any unit of Equipment, be a party to any merger or consolidation, or sell, convey, transfer or lease all or any substantial part of its property; provided that the provisions of any mortgage hereafter created on any of the lines of railroad of Lessee may subject Lessee's leasehold interest to the lien thereof. Lessee shall not, without the prior written consent of 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 paragraph (b) below.

(b) So long as Lessee shall not be in default under this Lease Agreement, Lessee shall be entitled to the possession of the units and to the use thereof upon its lines of railroad or upon the lines of any affiliate or upon lines of railroad over which Lessee has trackage or other operating rights or over which railroad equipment of Lessee is regularly operated pursuant to contract, and also to permit the use of the units upon other railroads in the usual interchange of traffic, if customary at the time, but only upon and subject to all the terms and conditions of this Lease Agreement. Lessee may receive and retain compensation for such use from other railroads so using any of the units. Lessee agrees that during the term of this Lease Agreement Lessee will not use or permit the use of any unit outside the United States of America. No assignment, sublease or interchange entered into by Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

19. COVENANTS BY LESSEE

During the term of this Lease Agreement and until all of the obligations of Lessee hereunder shall have been fully paid and discharged, Lessee agrees that it will:

(a) Not purchase or redeem any shares of its capital stock, declare or pay any dividends (other than stock dividends) thereon, make any distribution to stockholders, or set aside any funds for any such purpose, after December 31, 1974 in an aggregate amount exceeding (i) for the year 1975, its net profits (after provision for taxes) earned during 1975 and (ii) for 1976 and subsequent years, 70% of its net profits (after provision for taxes) earned after December 31, 1975. Such net profits shall be determined on a consolidated basis and in conformity with generally accepted accounting principles applied on a basis consistent with the annual audit report of the Company as at December 31, 1974.

(b) Not make or permit to exist any loans or advances to, nor make or permit to exist any guaranties of any obligations of, the Penn Central Transportation Company (or any successor thereto as the majority stockholder of Lessee) or any of its affiliates.

(c) Not enter into any equipment leases or any other transactions with Penn Central Transportation Company (or any successor thereto as the majority stockholder of Lessee) or any of its affiliates except at rentals or other consideration based on fair rental values or other fair consideration.

20. ASSIGNMENT BY LESSOR

Lessor and any direct or remote assignee of any right, title or interest of Lessor hereunder shall have the right at any time or from time to time to assign part or all of its right, title and interest in and to this Lease Agreement. Without limiting the foregoing, Lessor and any such assignee shall have the right at any time or from time to time to transfer, subject to Lessee's rights under this Lease Agreement, any unit or units of Equipment.

Lessor may obtain financing through a financial institution and secure such financial institution ("Secured Party") by granting a security interest or other lien on any or all of the Equipment, this Lease Agreement and sums due under

this Lease Agreement. In such event (a) the security agreement or lien instrument will specifically provide that it is subject to Lessee's rights as herein provided; (b) such assignment of this Lease Agreement will not relieve Lessor from its obligations hereunder or be construed to be an assumption by Secured Party of such obligations (but Secured Party may perform, at its option, some or all of Lessor's obligations); (c) upon request by Secured Party, Lessee will make all payments of rental and other amounts due hereunder directly to Secured Party; (d) Lessee's obligations hereunder, including (without limitation) its obligation to pay rent and other amounts due hereunder, shall not be subject to any reduction, abatement, defense, set off, counterclaim or recoupment for any reason whatsoever, which, however, shall not prevent Lessee from asserting any claim separately against Lessor; and (e) Lessee will not, after obtaining knowledge of any such assignment, consent to any modification of this Lease Agreement without the consent of Secured Party.

21. LESSOR'S RIGHT TO PERFORM

If Lessee fails to make any payments required by this Lease Agreement, or to perform any of its other agreements contained herein, Lessor may itself, but shall not be required to, make any such payments or perform any such obligations. The amount of any such payment and Lessor's expenses, including (without limitation) reasonable legal fees and expenses in connection therewith and with such performance, shall thereupon be and become payable by Lessee to Lessor upon demand as additional rent hereunder.

22. RECORDING; FURTHER ASSURANCES

Lessee will cause this Lease Agreement and any assignment hereof, and each Certificate of Acceptance, to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by Lessor for the

purpose of proper protection, to Lessor's satisfaction, of Lessor's interest in the units, or for the purpose of carrying out the intention of this Lease Agreement or the assignment thereof by Lessor; and Lessee will promptly furnish to Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor. This Lease Agreement and each Certificate of Acceptance shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit of Equipment. All filings, recordings and other actions required to be taken pursuant to this Section 22 shall be at Lessee's expense.

23. LESSEE'S RIGHT OF FIRST REFUSAL

Lessor agrees that, unless an event of default shall have occurred and be continuing, it will not, before the expiration of 30 days after the end of the initial lease term, enter into any agreement to sell any units of Equipment unless Lessor shall have given Lessee at least ten days' prior notice of Lessor's intent to sell the units of Equipment to a bona fide purchaser unrelated to Lessor and of the terms of such sale and shall have offered to Lessee the right to purchase the units of Equipment on the same terms.

24. RENEWAL OPTIONS

Lessee shall have separate options to renew for three (3) additional renewal terms ("renewal terms") of two (2) years each the lease term of all of the units of Equipment then under lease provided no event of default or event which might mature into an event of default has occurred and is then continuing immediately prior to the commencement of the renewal term being then elected by Lessee. If Lessee desires to exercise any such option to renew, it shall give Lessor written notice of its election to renew at least 90 days (and not more than 180 days) prior to the commencement of the renewal term then being elected stating Lessee's opinion as to the fair market rental value for the Equipment to be leased during such renewal term, and upon the expiration of the then current term the lease of such Equipment shall be renewed for such renewal term at the fair

market rental value as hereinafter provided. A determination shall be made of the fair market rental value of the Equipment as of the date of the expiration of such current term. If Lessee and Lessor are unable to agree upon such fair market rental value within 30 days after receipt by Lessor of such notice, such fair market rental value shall be determined by an independent appraiser selected by mutual agreement of Lessor and Lessee. The fee of such appraiser shall be paid by Lessee. All of the provisions of the Lease shall be applicable during any such renewal term except for the amount of each installment of rent which shall be as hereinabove provided. "Lease term" as used in this Lease Agreement shall, except where the context otherwise requires, be deemed to include any such renewal term.

25. CERTAIN DEFINITIONS

When used herein, the following terms shall have the meanings indicated:

The term "subsidiary" shall mean a corporation of which Lessee and its other subsidiaries own, directly or indirectly, such number of outstanding shares as have the power (disregarding any voting power, solely by reason of the happening of any default, of shares of any class) to elect a majority of the board of directors.

The term "affiliate" shall mean a corporation directly or indirectly controlling, controlled by, or under common control with, Lessee.

26. CONDITIONS TO LESSOR'S OBLIGATIONS

Lessor shall not be obligated to make payment for any unit of Equipment hereunder unless at the date such payment is requested by Lessee:

(a) All of Lessee's representations and warranties in Section 9 of this Lease Agreement shall be true and correct as though made as of such date;

(b) No litigation or governmental proceedings shall be threatened or pending against Lessee or any

subsidiary which in Lessor's opinion may to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis;

(c) No event of default, or event which might mature into an event of default, shall have occurred or be continuing hereunder;

(d) Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following on or prior to the date of the first requested payment hereunder:

(i) resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary, authorizing the lease of such Equipment hereunder and the execution, delivery and performance by Lessee of the Reconstruction Agreement and this Lease Agreement;

(ii) a favorable opinion of counsel for the Lessee, acceptable to the Lessor, to the effect that:

(A) Lessee is a corporation duly organized and existing in good standing under the laws of the State of Delaware;

(B) Lessee is duly authorized to execute and deliver the Reconstruction Agreement and this Lease Agreement, and is and will continue to be duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder;

(C) The execution and delivery of the Reconstruction Agreement and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law or of the charter or by-laws of Lessee or of any indenture, mortgage,

deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party;

(D) The execution, delivery and performance of the Reconstruction Agreement and this Lease Agreement by Lessee and the consummation by Lessee of the transaction contemplated hereby and thereby does not require the consent, approval or authorization of, or notice to, any Federal or State governmental authority or public regulatory body, except for the recording of this Lease Agreement and each Certificate of Acceptance with the ICC in accordance with Section 20c of the Interstate Commerce Act;

(E) The Reconstruction Agreement and this Lease Agreement are the legal, valid and binding obligations of Lessee enforceable in accordance with their respective terms;

(F) There are to the knowledge of such counsel no pending or threatened actions or proceedings before any court or administrative agency which may to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis; and

(G) This Lease Agreement and the Certificate of Acceptance (for the first group of units of Equipment for which such payment has been requested) have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and that such filing and recording, together with the requisite filing and recording with the ICC of each additional Certificate of Acceptance delivered by Lessee hereunder for each additional group of units of Equipment, will protect Lessor's interests in and to the units covered by such Certificate

of Acceptance and no further filing or recording (or giving of notice) with any other Federal, State or local government is necessary in order to protect the interests of Lessor in and to the units;

(iii) an appraisal certificate (required with the first payment requested hereunder for hulks) issued by Mr. Alex Kerr, an independent appraiser, to the effect that (A) the fair market value of the hulks purchased and to be purchased by Lessor from Lessee under the Reconstruction Agreement was not and will not be in excess of \$4,700 per hulk and (B) setting forth the manner in which such fair market value was determined; and

(iv) an appraisal certificate (required with the first payment requested hereunder for rebuilt units of Equipment) issued by Mr. Alex Kerr to the effect that (A) the fair market value of the units of Equipment upon completion of their rebuilding and reconstruction under the Reconstruction Agreement was and will be at least equal to \$17,000 per unit, (B) the units of Equipment on the date of delivery thereof to Lessor upon completion of their rebuilding and reconstruction under the Reconstruction Agreement will have an estimated useful life of at least two and one-half years beyond the expiration of the term of lease under this Lease Agreement and an estimated fair market value at the end of such term of at least 20% of Lessor's Cost for such unit of Equipment, without including in such fair market value any increase or decrease for inflation or deflation during the term of the lease, and (C) setting forth the manner in which such fair market value and useful life were determined; and

(e) Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following documents:

(i) the documents referred to in paragraphs (i)-(iv) of Section 2 of Part I, or paragraphs (i)-(vii) of Section 9(a) of Part II, as the case may be, of the Reconstruction Agreement covering the units of Equipment for which such payment is requested; and

(ii) such other releases, financing statements, waivers and other documents as Lessor may reasonably request to insure that the Equipment will not be subject to any lien, charge, encumbrance, security interest or other similar interest.

27. COMMENCEMENT DATE

On the Commencement Date, Lessee shall furnish to Lessor in form and substance satisfactory to Lessor;

(a) A certificate of the President or a Vice President and the Treasurer or an Assistant Treasurer of Lessee, dated the Commencement Date, to the effect that:

(i) All of Lessee's representations and warranties in Section 9 of this Lease Agreement are true and correct as though made as of such date;

(ii) No litigation or governmental proceedings are threatened or pending against Lessee or any subsidiary which may to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis;

(iii) No event of default, or event which might mature into an event of default, has occurred and is continuing hereunder;

(iv) Since the date of this Lease Agreement, there has been no material adverse change in the financial condition of Lessee from that shown by the financial statement referred to in subsection (e) of Section 9 hereof; and

(v) All units of Equipment have been delivered to and accepted by Lessee for lease under this Lease Agreement, and the Lease Agreement is in full force and effect;

(b) Resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary on the Commencement Date, authorizing the lease of the Equipment hereunder and the execution, delivery and performance by Lessee of the Reconstruction Agreement and this Lease Agreement;

(c) An opinion of counsel for Lessee, acceptable to Lessor, dated the Commencement Date and addressed to Lessor, to the same effect as the opinion given to Lessor pursuant to Section 26(d)(ii) hereof on the first payment date hereunder, except that paragraph (G) of said opinion shall cover the ICC filing and recording of this Lease Agreement and the Certificates of Acceptances covering all units of Equipment leased hereunder; and

(d) Such other documents and evidence with respect to this Lease Agreement and the Reconstruction Agreement as Lessor may reasonably request in order to establish the consummation of the transactions contemplated by the Reconstruction Agreement and this Lease Agreement, the taking of all corporate proceedings in connection herewith and compliance with all conditions set forth in the Reconstruction Agreement and this Lease Agreement.

28. MISCELLANEOUS

(a) Notwithstanding any other provisions of this Lease Agreement, Lessor shall not be obligated to make payment of Lessor's Cost for any unit of Equipment if on or prior to the requested date of payment there shall have been (i) an amendment to the Internal Revenue Code of 1954, as amended (the "Code") which changes the Federal income tax rate (in excess of the corporate surtax exemption) of Lessor from 48%, or (ii) any amendment, modification, addition or change made in or to the provisions of the Code, the Treasury Regulations under the Code (including the Treasury Regulations relating to the Asset Depreciation Range System of

depreciation under Section 167(m) of the Code), published Internal Revenue Service Revenue Procedures, Revenue Rulings or other administrative interpretations, or applicable judicial precedents (all of the foregoing being hereinafter collectively referred to as a "Change in Tax Law"), which Change in Tax Law in the opinion of Lessor or in the opinion of its counsel might preclude Lessor from taking (a) investment credit at the rate of 10% of the Lessor's Cost for such unit on the basis that 72.35% of such unit is "new section 38 property", or (b) depreciation deductions with respect to the Lessor's Cost of such unit over a depreciable life of 10 years to a net salvage value of 10% therefor, computed initially under the double declining balance method of depreciation provided in Section 167(b)(2) of the Code and then changing to the sum-of-the-years digits method of depreciation provided in Section 167(b)(3) of the Code, with the annual allowance determined without reduction for salvage and with the first year's depreciation deduction being maximized by the election of either the "half year convention" or the "modified half year convention" pursuant to Treasury Regulation Section 1.167(a)-11(c)(2) (as in effect on the date of execution of this Lease Agreement).

(b) Any provision in this Lease Agreement that Lessee shall take any action shall require Lessee to do so at its sole cost and expense.

(c) Any notice hereunder shall be in writing and, if mailed, shall be deemed to be given when sent by registered or certified mail, postage prepaid, and addressed: (i) if to Lessee, at its address shown below, (ii) if to Lessor, at 231 South LaSalle Street, Chicago, Illinois 60693, or (iii) to any party at such other address as it may, by written notice received by the other party, designate as its address for purposes of notice hereunder.

(d) If this Lease Agreement or any provision hereof shall be deemed invalid, illegal, or unenforceable in any respect or in any jurisdiction, the validity, legality and enforceability of this Lease Agreement in other respects and other jurisdictions shall not be in any way impaired or affected thereby. Each of the

parties hereto acknowledges that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies under this Lease Agreement unless such waiver is in writing, and such writing shall be binding only to the extent therein provided and only upon the party signing it. A waiver on any one occasion shall not be construed as a waiver on any future occasion. Without limiting the foregoing, Lessor's rights and Lessee's duties shall in no way be affected by Lessor's inspection of, or failure to inspect, the Equipment or any of the documents referred to in this Lease Agreement or by Lessor's failure to inform Lessee of any failure to comply with any of Lessee's obligations under this Lease Agreement. Lessee hereby waives any right to assert that Lessor cannot enforce this Lease Agreement or that this Lease Agreement is invalid because of any failure of Lessor to qualify to do business in any jurisdiction. This Lease Agreement has been delivered for acceptance by Lessor in Chicago, Illinois, shall be governed by the laws of the State of Illinois, shall be binding upon Lessor and Lessee and their respective successors and assigns, and shall inure to the benefit of Lessor and Lessee and the successors and assigns of Lessor.

(e) The section headings in this Lease Agreement are for convenience of reference only and shall not be considered to be a part of this Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first above written.

THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY
(Lessee)

By  President

(CORPORATE SEAL)

Attest:


Asst Secretary

Address:
The Pittsburgh and Lake Erie Railroad
Terminal Building
Pittsburgh, Pennsylvania 15219

CI GENERAL EQUIPMENT LEASING CORPORATION
(Lessor)

By
Vice President

(CORPORATE SEAL)

ATTEST:

Secretary

STATE OF PENNSYLVANIA)
) SS.
COUNTY OF ALLEGHENY)

On this *10th* day of September, 1975, before me personally appeared H. G. Allyn, Jr., to me personally known, who being by me duly sworn, says that he is the President of THE PITTSBURGH AND LAKE ERIE RAILROAD 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.

Donna R. Smocer

Notary Public

DONNA R. SMOCER, Notary Public
Pittsburgh, Allegheny Co., Pa.
My Commission Expires
February 3, 1976

(SEAL)

My Commission Expires: *2-3-76*

STATE OF ILLINOIS)
) SS.
COUNTY OF C O O K)

On this *12th* day of September, 1975, before me personally appeared **T. L. BRUGGEMAN**, to me personally known, who being by me duly sworn, says that he is a Vice President of CI GENERAL EQUIPMENT LEASING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Adam E. Szmurlo

Notary Public ADAM E. SZMURLO

(SEAL)

My Commission Expires:

MY COMMISSION EXPIRES
NOVEMBER 25, 1978

EXHIBIT A

CI General Equipment Leasing Corporation
231 South LaSalle Street
Chicago, Illinois 60693

CERTIFICATE OF ACCEPTANCE
(HULKS)

Gentlemen:

1. The undersigned Resident Engineer is your authorized representative designated under the Contract for Purchase and Reconstruction dated as of September 10, 1975 (the "Reconstruction Agreement") between you and The Pittsburgh and Lake Erie Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you as follows:

(a) that the used railroad cars (hulks) described below have been duly delivered in good order by the Railroad Company under the Reconstruction Agreement, have been duly inspected and accepted on the respective dates there shown by the undersigned as your authorized representative and conform in all respects to the requirements and specifications of the Reconstruction Agreement; and

(b) that each such car was at its delivery marked with the Lessee's identifying numbers herein-after set forth.

2. The undersigned, The Pittsburgh and Lake Erie Railroad Company ("Lessee"), is the Lessee under the Lease Agreement dated as of September 10, 1975 (the "Lease Agreement") between you and the Lessee. As such Lessee, we hereby request you to pay the attached invoices for the acquisition of the used railroad cars (hulks) described below. We hereby represent and certify to you as follows:

(a) that all of our representations and warranties set forth in Section 9 of the Lease Agreement are true and correct as of the date hereof as though made on this date;

(b) that the used railroad cars (hulks) described below have been delivered to us, as Lessee under the Lease Agreement, on the dates indicated and have been duly inspected and are hereby accepted by us for rebuilding and reconstruction under the Reconstruction Agreement and for lease under the Lease Agreement; and

(c) that no event of default, or event which might mature into an event of default, has occurred and is continuing under the Lease Agreement.

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the used railroad cars (hulks) described below are hereby declared to be leased by us thereunder.

Resident Engineer and authorized
representative, as aforesaid, and
signing as to the matters in para-
graph 1 above

Dated: _____, 1975

THE PITTSBURGH AND LAKE ERIE RAILROAD
COMPANY, Lessee, and signing as to the
matters in paragraphs 2 and 3 above

By _____
Its _____

Dated: _____, 1975

Accepted:

CI GENERAL EQUIPMENT LEASING CORPORATION

By _____

Dated: _____, 1975

DESCRIPTION OF USED RAILROAD CARS (HULKS)

Total No.
of Items

Lessee's Identifying
Nos.

Delivery and
Acceptance Date

Invoice
Amount

EXHIBIT B

CI General Equipment Leasing Corporation
231 South LaSalle Street
Chicago, Illinois 60693

CERTIFICATE OF ACCEPTANCE
(REBUILT RAILROAD CARS)

Gentlemen:

1. The undersigned Resident Engineer is your authorized representative designated under the Contract for Purchase and Reconstruction dated as of September 10, 1975 (the "Reconstruction Agreement") between you and The Pittsburgh and Lake Erie Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you as follows:

(a) that the rebuilt railroad cars described below have been duly delivered in good order by the Railroad Company under the Reconstruction Agreement, have been duly inspected and accepted on the respective dates there shown by the undersigned as your authorized representative and conform in all respects to the requirements and specifications of the Reconstruction Agreement; and

(b) that each such car was at its delivery properly marked on each side thereof with the legend provided in Section 10(e) of the Lease Agreement between you and the Railroad Company.

2. The undersigned, The Pittsburgh and Lake Erie Railroad Company ("Lessee"), is the Lessee under the Lease Agreement dated as of September 10, 1975 (the "Lease Agreement") between you and the Lessee. As such Lessee, we hereby request you to pay the attached invoices for the reconstruction and delivery of the rebuilt railroad cars described below. We hereby represent and certify to you as follows:

(a) that all of our representations and warranties set forth in Section 9 of the Lease Agreement

are true and correct as of the date hereof as though made on this date;

(b) that the rebuilt railroad cars described below have been delivered to us, as Lessee under the Lease Agreement, on the dates indicated and have been duly inspected and are hereby accepted by us for lease under the Lease Agreement; and

(c) that no event of default, or event which might mature into an event of default, has occurred and is continuing under the Lease Agreement.

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the rebuilt railroad cars described below are hereby declared to be leased by us thereunder. The Lease Agreement was filed and recorded with the Interstate Commerce Commission on _____, 1975 at ____:____.M. with Recordation No. _____.

Resident Engineer and authorized representative, as aforesaid, and signing as to the matters in paragraph 1 above
Dated: _____, 1975

THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY, Lessee, and signing as to the matters in paragraphs 2 and 3 above

By _____
Its _____
Dated: _____, 1975

Accepted:

CI GENERAL EQUIPMENT LEASING CORPORATION

By _____

Dated: _____, 1975

DESCRIPTION OF REBUILT CARS

Total No.
of Items

Lessee's Identifying
Nos.

Delivery and
Acceptance Date

Invoice
Amount

EXHIBIT C

STIPULATED LOSS VALUE

"Stipulated Loss Value" of any unit of Equipment as of a particular date shall mean the product derived from multiplying (i) the percentage figure opposite the notation for the appropriate rental period set forth in the table appearing below by (ii) Lessor's Cost of such unit. Stipulated Loss Value does not include any amounts for which Lessor may be entitled to indemnification under Sections 13 and 14 of the Lease Agreement.

STIPULATED LOSS VALUE TABLE

	<u>%</u>
On or Before Rent Payment Date No.....1	101.752074
Thereafter, But On or Before Rent Payment Date No.....2	101.746602
Thereafter, But On or Before Rent Payment Date No.....3	101.728719
Thereafter, But On or Before Rent Payment Date No.....4	101.698347
Thereafter, But On or Before Rent Payment Date No.....5	101.655407
Thereafter, But On or Before Rent Payment Date No.....6	101.599824
Thereafter, But On or Before Rent Payment Date No.....7	101.531518
Thereafter, But On or Before Rent Payment Date No.....8	101.450408
Thereafter, But On or Before Rent Payment Date No.....9	101.356417
Thereafter, But On or Before Rent Payment Date No.....10	101.249463

Thereafter, But On or Before Rent Payment Date No.....11	101.129466
Thereafter, But On or Before Rent Payment Date No.....12	100.996347
Thereafter, But On or Before Rent Payment Date No.....13	100.850020
Thereafter, But On or Before Rent Payment Date No.....14	100.693993
Thereafter, But On or Before Rent Payment Date No.....15	100.528202
Thereafter, But On or Before Rent Payment Date No.....16	100.352590
Thereafter, But On or Before Rent Payment Date No.....17	100.167093
Thereafter, But On or Before Rent Payment Date No.....18	99.971651
Thereafter, But On or Before Rent Payment Date No.....19	99.766201
Thereafter, But On or Before Rent Payment Date No.....20	99.550683
Thereafter, But On or Before Rent Payment Date No.....21	99.325031
Thereafter, But on or Before Rent Payment Date No.....22	99.089185
Thereafter, But On or Before Rent Payment Date No.....23	98.843080
Thereafter, But On or Before Rent Payment Date No.....24	98.586653
Thereafter, But On or Before Rent Payment Date No.....25	98.319838

Thereafter, But On or Before Rent Payment Date No.....	26	98.044226
Thereafter, But On or Before Rent Payment Date No.....	27	97.759761
Thereafter, But On or Before Rent Payment Date No.....	28	97.466390
Thereafter, But On or Before Rent Payment Date No.....	29	97.164054
Thereafter, But On or Before Rent Payment Date No.....	30	96.852700
Thereafter, But On or Before Rent Payment Date No.....	31	96.532271
Thereafter, But On or Before Rent Payment Date No.....	32	96.202712
Thereafter, But On or Before Rent Payment Date No.....	33	95.863965
Thereafter, But On or Before Rent Payment Date No.....	34	95.515971
Thereafter, But On or Before Rent Payment Date No.....	35	95.158675
Thereafter, But On or Before Rent Payment Date No.....	36	94.792019
Thereafter, But On or Before Rent Payment Date No.....	37	89.584693
Thereafter, But On or Before Rent Payment Date No.....	38	89.200480
Thereafter, But On or Before Rent Payment Date No.....	39	88.808076
Thereafter, But On or Before Rent Payment Date No.....	40	88.407430

Thereafter, But On or Before Rent Payment Date No.....41	87.998493
Thereafter, But On or Before Rent Payment Date No.....42	87.581211
Thereafter, But On or Before Rent Payment Date No.....43	87.155533
Thereafter, But On or Before Rent Payment Date No.....44	86.721408
Thereafter, But On or Before Rent Payment Date No.....45	86.278782
Thereafter, But On or Before Rent Payment Date No.....46	85.827603
Thereafter, But On or Before Rent Payment Date No.....47	85.367817
Thereafter, But On or Before Rent Payment Date No.....48	84.899371
Thereafter, But On or Before Rent Payment Date No.....49	84.422210
Thereafter, But On or Before Rent Payment Date No.....50	83.937364
Thereafter, But On or Before Rent Payment Date No.....51	83.444785
Thereafter, But On or Before Rent Payment Date No.....52	82.944425
Thereafter, But On or Before Rent Payment Date No.....53	82.436235
Thereafter, But On or Before Rent Payment Date No.....54	81.920167
Thereafter, But On or Before Rent Payment Date No.....55	81.396170

Thereafter, But On or Before Rent Payment Date NO.....	56	80.864198
Thereafter, But On or Before Rent Payment Date No.....	57	80.324200
Thereafter, But On or Before Rent Payment Date No.....	58	79.776124
Thereafter, But On or Before Rent Payment Date No.....	59	79.219923
Thereafter, But On or Before Rent Payment Date No.....	60	78.655544
Thereafter, But On or Before Rent Payment Date No.....	61	73.251673
Thereafter, But On or Before Rent Payment Date No.....	62	72.671664
Thereafter, But On or Before Rent Payment Date No.....	63	72.084208
Thereafter, But On or Before Rent Payment Date No.....	64	71.489257
Thereafter, But On or Before Rent Payment Date No.....	65	70.886766
Thereafter, But On or Before Rent Payment Date No.....	66	70.276687
Thereafter, But On or Before Rent Payment Date No.....	67	69.658973
Thereafter, But On or Before Rent Payment Date No.....	68	69.033576
Thereafter, But On or Before Rent Payment Date No.....	69	68.400450
Thereafter, But On or Before Rent Payment Date No.....	70	67.759545

Thereafter, But On or Before Rent Payment Date No.....	71	67.110814
Thereafter, But On or Before Rent Payment Date No.....	72	66.454207
Thereafter, But On or Before Rent Payment Date No.....	73	65.789676
Thereafter, But On or Before Rent Payment Date No.....	74	65.117883
Thereafter, But On or Before Rent Payment Date No.....	75	64.438782
Thereafter, But On or Before Rent Payment Date No.....	76	63.752328
Thereafter, But On or Before Rent Payment Date No.....	77	63.058475
Thereafter, But On or Before Rent Payment Date No.....	78	62.357177
Thereafter, But On or Before Rent Payment Date No.....	79	61.648387
Thereafter, But On or Before Rent Payment Date No.....	80	60.932060
Thereafter, But On or Before Rent Payment Date No.....	81	60.208147
Thereafter, But On or Before Rent Payment Date No.....	82	59.476603
Thereafter, But On or Before Rent Payment Date No.....	83	58.737380
Thereafter, But On or Before Rent Payment Date No.....	84	57.990429
Thereafter, But On or Before Rent Payment Date No.....	85	52.404451

Thereafter, But On or Before Rent Payment Date No.....86	51.642478
Thereafter, But On or Before Rent Payment Date No.....87	50.873212
Thereafter, But On or Before Rent Payment Date No.....88	50.096609
Thereafter, But On or Before Rent Payment Date No.....89	49.312622
Thereafter, But On or Before Rent Payment Date No.....90	48.521206
Thereafter, But On or Before Rent Payment Date No.....91	47.722315
Thereafter, But On or Before Rent Payment Date No.....92	46.915902
Thereafter, But On or Before Rent Payment Date No.....93	46.101921
Thereafter, But On or Before Rent Payment Date No.....94	45.280324
Thereafter, But On or Before Rent Payment Date No.....95	44.451064
Thereafter, But On or Before Rent Payment Date No.....96	43.614093
Thereafter, But On or Before Rent Payment Date No.....97	42.769363
Thereafter, But On or Before Rent Payment Date No.....98	41.917295
Thereafter, But On or Before Rent Payment Date No.....99	41.057841
Thereafter, But On or Before Rent Payment Date No.....100	40.190958

Thereafter, But On or Before Rent Payment Date No.....	101	39.316597
Thereafter, But On or Before Rent Payment Date No.....	102	38.434713
Thereafter, But On or Before Rent Payment Date No.....	103	37.545259
Thereafter, But On or Before Rent Payment Date No.....	104	36.648188
Thereafter, But On or Before Rent Payment Date No.....	105	35.743452
Thereafter, But On or Before Rent Payment Date No.....	106	34.831004
Thereafter, But On or Before Rent Payment Date No.....	107	33.910796
Thereafter, But On or Before Rent Payment Date No.....	108	32.982780
Thereafter, But On or Before Rent Payment Date No.....	109	32.046907
Thereafter, But On or Before Rent Payment Date No.....	110	31.103508
Thereafter, But On or Before Rent Payment Date No.....	111	30.152536
Thereafter, But On or Before Rent Payment Date No.....	112	29.193944
Thereafter, But On or Before Rent Payment Date No.....	113	28.227686
Thereafter, But On or Before Rent Payment Date No.....	114	27.253712
Thereafter, But On or Before Rent Payment Date No.....	115	26.271975

Thereafter, But On or Before Rent		
Payment Date No.....	116	25.282427
Thereafter, But On or Before Rent		
Payment Date No.....	117	24.285019
Thereafter, But On or Before Rent		
Payment Date No.....	118	23.279703
Thereafter, But On or Before Rent		
Payment Date No.....	119	22.266429
Thereafter, But On or Before Rent		
Payment Date No.....	120	21.245197
Thereafter.....		20.000000

CI General Equipment Leasing Corporation
231 South LaSalle Street
Chicago, Illinois 60693

CERTIFICATE OF ACCEPTANCE
(HULKS)

Gentlemen:

1. The undersigned Resident Engineer is your authorized representative designated under the Contract for Purchase and Reconstruction dated as of September 10, 1975 (the "Reconstruction Agreement") between you and The Pittsburgh and Lake Erie Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you as follows:

(a) that the used railroad cars (hulks) described below have been duly delivered in good order by the Railroad Company under the Reconstruction Agreement, have been duly inspected and accepted on the respective dates there shown by the undersigned as your authorized representative and conform in all respects to the requirements and specifications of the Reconstruction Agreement; and

(b) that each such car was at its delivery marked with the Lessee's identifying numbers herein-after set forth.

2. The undersigned, The Pittsburgh and Lake Erie Railroad Company ("Lessee"), is the Lessee under the Lease Agreement dated as of September 10, 1975 (the "Lease Agreement") between you and the Lessee. As such Lessee, we hereby request you to pay the attached invoices for the acquisition of the used railroad cars (hulks) described below. We hereby represent and certify to you as follows:

(a) that all of our representations and warranties set forth in Section 9 of the Lease Agreement are true and correct as of the date hereof as though made on this date;

(b) that the used railroad cars (hulks) described below have been delivered to us, as Lessee under the Lease Agreement, on the dates indicated and have been duly inspected and are hereby accepted by us for rebuilding and reconstruction under the Reconstruction Agreement and for lease under the Lease Agreement; and

(c) that no event of default, or event which might mature into an event of default, has occurred and is continuing under the Lease Agreement.

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the used railroad cars (hulks) described below are hereby declared to be leased by us thereunder.

William P. Duft Jr
Resident Engineer and authorized representative, as aforesaid, and signing as to the matters in paragraph 1 above

Dated: September 11, , 1975

THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY, Lessee, and signing as to the matters in paragraphs 2 and 3 above

By Gordon E. Nevenschwand
Its Vice President

Dated: September 11, , 1975

Accepted:

CI GENERAL EQUIPMENT LEASING CORPORATION

By Alan J. Bryner
VICE PRESIDENT

Dated: 9-12 , 1975

DESCRIPTION OF USED RAILROAD CARS (HULKS)

<u>Total No. of Items</u>	<u>Lessee's Identifying Nos.</u>	<u>Delivery and Acceptance Date</u>	<u>Invoice Amount</u>
235	See attached Schedule	September 11, 1975	\$1,104,500.00

Schedule A

SCHEDULE OF HULK NUMBERS

68011	68566	69167	69655	70221
68098	68578	69170	69665	70262
68100	68672	69179	69669	70290
68126	68728	69190	69676	70306
68143	68793	69261	69739	70337
68168	68799	69274	69772	70338
68212	68826	69315	69776	70374
68235	68828	69320	69778	70390
68259	68833	69322	69785	70395
68275	68853	69381	69826	70396
68325	68880	69426	69828	70401
68327	68924	69433	69835	70428
68334	68940	69458	69881	70429
68357	68952	69469	69928	70521
68363	68970	69475	69947	70537
68389	68981	69478	69979	70538
68430	68982	69489	70015	70548
68433	68987	69515	70017	70571
68441	68994	69527	70047	70575
68448	69010	69536	70095	70594
68510	69030	69544	70144	70624
68516	69088	69547	70157	70636
68518	69093	69569	70167	70638
68534	69129	69573	70183	70643
68548	69131	69612	70202	70665
68561	69138	69631	70208	70669

SCHEDULE OF HULK NUMBERS (Cont'd)

70670	71394	72048	72632	73673
70677	71424	72059	72651	
70715	71502	72061	72674	
70793	71540	72064	72707	
70830	71571	72080	72711	
70845	71604	72112	72735	
70865	71605	72114	72754	
70891	71612	72123	72760	
70905	71640	72144	72766	
70908	71641	72164	72767	
70909	71646	72175	72783	
70929	71687	72185	72802	
71015	71690	72212	72828	
71030	71738	72215	72830	
71042	71771	72229	72846	
71085	71773	72236	72887	
71095	71779	72263	72942	
71210	71789	72314	72955	
71233	71792	72322	72966	
71236	71801	72361	72969	
71243	71852	72363	72989	
71298	71854	72365	73095	
71345	71939	72433	73096	
71346	71985	72454	73137	
71354	72013	72557	73196	
71378	72042	72607	73488	