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RECORDATION NO 16500 FILED 1425
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August 31, 1989

RECORDATION NO 16500/A FILED 1425
SEP 1 1989 -2 05 PM
INTERSTATE COMMERCE COMMISSION

9-244A026

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

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

Dear Ms. McGee:

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

The enclosed primary document is:

Lease Agreement dated August 31, 1989 between NBB Philadelphia Lease Co., Ltd., as lessor, and Consolidated Rail Corporation, as lessee.

The enclosed secondary documents are:

(1) Lease Supplement No. 1 dated August 31, 1989 between NBB Philadelphia Lease Co., Ltd., as lessor, and Consolidated Rail Corporation, as lessee. The primary document to which this is connected is being submitted for recording concurrently herewith.

(2) Assignment Agreement dated August 31, 1989 between Consolidated Rail Corporation, as assignor, and NBB Philadelphia Lease Co., Ltd., as assignee. The primary document to which

SEP 1 1 57 PM '89

Counterpart
Julia Barker

this is connected is being submitted for recording concurrently herewith.

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

Lease Agreement

Lessor:
NBB Philadelphia Lease Co., Ltd.
1-12-11 Nihonbashi, Chuo-ku
Tokyo 103, Japan

Lessee:
Consolidated Rail Corporation
6 Penn Center Plaza, Room 1310
Philadelphia, PA 19103

Lease Supplement

Lessor:
NBB Philadelphia Lease Co., Ltd.
1-12-11 Nihonbashi, Chuo-ku
Tokyo 103, Japan

Lessee:
Consolidated Rail Corporation
6 Penn Center Plaza, Room 1310
Philadelphia, PA 19103

Assignment Agreement

Assignor:
Consolidated Rail Corporation
6 Penn Center Plaza, Room 1310
Philadelphia, PA 19103

Assignee:
NBB Philadelphia Lease Co., Ltd.
1-12-11 Nihonbashi, Chuo-ku
Tokyo 103, Japan

The description of the equipment covered by all

three (3) of these documents is as follows:

> Six (6) General Motors GMC-EMD SD-60 diesel electric locomotives each marked on the sides in letters not less than one inch in height with the words "Ownership Subject to Documents Filed with the Interstate Commerce Commission" and bearing a nameplate with the legible inscription 'TITLE TO THIS LOCOMOTIVE IS HELD BY NBB PHILADELPHIA LEASE CO., LTD., THE LESSOR, WHICH HAS LEASED THIS LOCOMOTIVE TO CONSOLIDATED RAIL CORPORATION" and bearing the road numbers 6843, 6844, 6845, 6846, 6847, 6849.

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

Rebecca A. Craft
Morgan, Lewis & Bockius
2000 One Logan Square
Philadelphia, PA 19103

A short summary of each of the documents to appear in the index follows:

1) Lease Agreement:
Lease Agreement between NBB Philadelphia Lease Co., Ltd., lessor, a corporation formed under the laws of Japan and having its principal office at 1-12-11 Nihonbashi, Chuo-ku, Tokyo 103, Japan and Consolidated Rail Corporation, as lessee, 6 Penn Center Plaza, Philadelphia, Pennsylvania, 10193, dated as of August 31, 1989, covering six (6) General Motors EMC-EMD SD-60 diesel electric locomotives bearing road numbers 6843, 6844, 6845, 6846, 6847, 6849.

2) Lease Supplement No. 1:
Lease Supplement No. 1 between NBB

Philadelphia Lease Co., Ltd., lessor, a corporation formed under the laws of Japan and having its principal office at 1-12-11 Nihonbashi, Chuo-ku, Tokyo 103, Japan and Consolidated Rail Corporation, as lessee, 6 Penn Center Plaza, Philadelphia, Pennsylvania, 10193, dated as of August 31, 1989, covering six (6) General Motors EMC-EMD SD-60 diesel electric locomotives bearing road numbers 6843, 6844, 6845, 6846, 6847, 6849.

3) Assignment Agreement:
Assignment between Consolidated Rail Corporation, as assignor, 6 Penn Center Plaza, Philadelphia, Pennsylvania, 10193 and NBB Philadelphia Lease Co., Ltd., assignee, 1-12-11 Nihonbashi, Chuo-ku, Tokyo 103, Japan dated as of August 31, 1989 relating to the purchase of six (6) General Motors EMC-EMD SD-60 diesel electric locomotives bearing road numbers 6843, 6844, 6845, 6846, 6847, 6849.

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

Sincerely yours,

Rebecca A. Craft

RAC/jas
Enclosures

Interstate Commerce Commission

Washington, D.C. 20423

9/1/89

OFFICE OF THE SECRETARY

Rebecca A Craft
Morgan Lewis & Bockius
2000 One Logan Square
Philadelphia,PA. 19103

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 9/1/89 at 2:05pm, and assigned recordation number(s). 16500,16500-A & 16500-B 16501

Sincerely yours,

Noreta R. McGee

Noreta R. McGee
Secretary

Enclosure(s)

16500

RECORDATION NO. _____ FILED 1425

SEP 1 1989 -2 05 PM

INTERSTATE COMMERCE COMMISSION

[EXECUTION COPY]

LEASE AGREEMENT

Between

NBB PHILADELPHIA LEASE CO., LTD.,
as Lessor

and

CONSOLIDATED RAIL CORPORATION,
as Lessee

Six General Motors GMC-EMD SD-60
Diesel Electric Locomotives

Dated as of August 31, 1989

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on September __, 1989, at __:__ a.m., recordation number _____, and deposited in the Office of the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada on September__, 1989, at __:__ a.m.

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LEASE AGREEMENT

This LEASE AGREEMENT dated as of August 31, 1989 between NBB PHILADELPHIA LEASE CO., LTD., a corporation formed under the laws of Japan, with its place of business at 1-12-11 Nihonbashi, Chuo-Ku, Tokyo 103, Japan (together with its successors and permitted assigns, "Lessor") and CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation with its principal place of business at Six Penn Center Plaza, Philadelphia, Pennsylvania 19103 (together with its successors and permitted assigns, "Lessee").

W I T N E S S E T H:

Section 1. Definitions. Unless the context otherwise requires, all capitalized terms used herein without definition shall have the meanings set forth in Appendix A hereto for all purposes of this Agreement.

Section 2. Acceptance and Leasing of Items of Equipment. Lessor hereby agrees to lease to Lessee hereunder, and Lessee hereby agrees to lease from Lessor hereunder, the Items of Equipment for the Term, as evidenced by the execution and delivery on the Delivery Date in Philadelphia, Pennsylvania by Lessor and Lessee of a Lease Supplement leasing the Items of Equipment hereunder. The execution and delivery by Lessee of such Lease Supplement shall, without further act, irrevocably constitute acceptance by Lessee of the Items of Equipment for all purposes of this Agreement.

Section 3. Term and Rent

(a) Term. The Term shall commence on the Delivery Date and except as otherwise provided herein shall end on the Lease Expiry Date.

(b) Basic Rent. Lessee hereby agrees to pay to Lessor during the Term Basic Rent in arrears for each Item of Equipment in consecutive installments on the dates shown in Schedule A and in amounts computed as provided in such Schedule A.

(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whosoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall, subject to Section 15, have all rights, powers and remedies provided for

herein, in equity or at law, as in the case of nonpayment of Basic Rent.

(d) Place and Manner of Payment. Except as otherwise required by this Lease or the Participation Agreement, all Basic Rent and Supplemental Rent payable to Lessor shall be paid by Lessee to Lessor in the currency designated for the payment of such amounts pursuant to the appropriate schedules attached hereto or, in the case of indemnity payments as designated under the Participation Agreement or under Section 20 hereof, at the office of Lessor at 1-12-11 Nihonbashi, Chuo-Ku, Tokyo 103, Japan, or at such other address outside the United States as Lessor may specify in writing to Lessee. All payments of Basic Rent and Supplemental Rent shall be paid in immediately available funds.

Section 4. Lessor's Disclaimers; Certain Agreements

(a) LESSOR NEITHER MAKES NOR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, CONDITION, WORKMANSHIP, DESIGN, PATENT INFRINGEMENT, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF ANY ITEM OF EQUIPMENT OR ANY PART THEREOF OR AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM OF EQUIPMENT OR ANY PART THEREOF, except that Lessor warrants that on the Delivery Date each Item of Equipment shall be free of Lessor's Liens. Lessor shall not have any responsibility or liability to Lessee or any other Person regardless of any negligence of Lessor with respect to (w) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein, or by any other circumstance in connection therewith, (x) the use, operation or performance of any Item of Equipment or any risks relating thereto, (y) any interruption of service, loss of business or anticipated profits or consequential damages (unless caused by a breach by Lessor of Section 4(b)) or (z) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment.

(b) Except as expressly permitted by Section 15, neither Lessor nor anyone claiming through or under Lessor shall take or cause to be taken any action contrary to Lessee's right to quiet enjoyment of, or otherwise interrupt or interfere with, Lessee's continuing possession, use and operation of any Item of Equipment during the Term. Lessor shall promptly, at its own expense, take such action as is

necessary duly to discharge any Lessor's Lien with respect to each Item of Equipment, title thereto or any interest therein or in this Lease if the same shall arise at any time. If Lessor fails to take such action as is necessary duly to discharge any such Lessor's Lien that does or will materially interrupt or interfere with Lessee's operation of any Item of Equipment, Lessee may give Lessor notice of Lessee's intent to discharge such Lessor's Lien in accordance with the following sentence, which notice shall specify the action Lessee intends to take in connection therewith. In the event that Lessor fails to discharge such Lessor's Lien within 10 days after receiving such notice, Lessee shall have the right, but not the obligation, to take such action as is necessary to discharge such Lessor's Lien and the costs and expenses reasonably incurred by Lessee in connection with the discharge of such Lessor's Lien, together with interest thereon at the rate of interest specified in Section 13 of the Participation Agreement as being applicable to payments made in the currency in which such costs and expenses are paid, from the date of expenditure to but not including the date of payment, calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed, shall be payable by Lessor to Lessee on demand.

Section 5. Return of Items of Equipment and Records

(a) Return of Items of Equipment. Unless purchased by Lessee as provided in Section 9, 15 or 19, Lessee, at its own expense, shall return all Items of Equipment within fifteen days after the expiration of the Term upon such storage tracks of Lessee (which shall be at not more than two separate locations) as Lessee shall designate by written notice to Lessor at least 10 days prior to return.

(b) Fuel; Records. Upon the return of any Item of Equipment, (i) Lessee shall have no obligation with respect to the amount of fuel or oil contained in such Item of Equipment and all fuel or oil contained in such Item of Equipment at the time of such return shall be the property of Lessor without charge and (ii) Lessee shall deliver or cause to be delivered to Lessor all records, logs and other materials in the possession of Lessee or its agents that (x) are required by any applicable governmental authority having jurisdiction to be maintained in respect to such Item of Equipment or (y) are necessary or useful to the ownership, use, operation, or maintenance of such Item of Equipment; provided, that Lessee may deliver computerized compilations, photocopies or other facsimiles of such records, logs and other materials unless the original thereof is required by applicable governmental authority to be in the possession of

the Person who is in possession of the Item of Equipment to which such record, log or other materials relate.

(c) Condition of Items of Equipment. Each Item of Equipment when returned to Lessor (i) shall be free and clear of all Liens (other than Lessor's Liens and the rights of third parties under pooling, interchange, overhaul, repair or other similar arrangements permitted by the terms of this Lease) and (ii) shall be in the condition required by Section 7. As promptly as practicable after Lessee has notified Lessor that all of the Items of Equipment have been assembled and delivered in accordance with Section 5(a), Lessee and Lessor shall jointly inspect the Items of Equipment in accordance with normal railroad industry practice to determine whether the Items of Equipment are in the condition required by Section 7. Upon completion of the joint inspection with respect to any Item of Equipment meeting the requirements of Section 7, Lessee shall promptly store (or continue to store) such Item of Equipment in accordance with Section 5(d) and shall not be required to remove such Item of Equipment from storage until Lessee receives Lessor's delivery instructions in accordance with Section 5(d).

(d) Storage. Upon any expiration or termination of this Lease, (i) Lessee shall permit Lessor to store all Items of Equipment on Lessee's tracks beyond the Term until Lessee delivers written notice to Lessor that all Items of Equipment have been assembled and delivered in accordance with Section 5(a) and thereafter for a period of not more than 90 days (the "Initial Storage Period") and (ii) upon not less than 20 days' prior written notice from Lessor to Lessee, Lessee shall transport the Items of Equipment, at any time during the Initial Storage Period following delivery of the notice given pursuant to clause (i) hereof, to up to five locations on the lines of railroad operated by Lessee, or to any connecting carrier for shipment, all as directed by Lessor in any written notice given pursuant to this clause (ii); provided, however, that Lessee shall not be obligated to move any Item of Equipment after its initial storage more than once at the request of the Lessor. The movement and storage of the Items of Equipment during the Initial Storage Period will be at the sole cost, risk and expense of Lessee. Upon expiration of the Initial Storage Period, at the request of Lessor, Lessee shall store the Items of Equipment for a period of not more than 180 days thereafter at the sole risk and reasonable cost and expense of Lessor.

Section 6. Liens. Lessee shall not, directly or indirectly, create, incur, assume, permit, or suffer to exist any Lien on or with respect to any Item of Equipment, title thereto or any interest therein or in this Lease except (a) the respective rights of Lessor and Lessee as herein provided

and the rights of the Lender as provided in the Loan Agreement, (b) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 7(e), (c) Lessor's Liens, (d) Liens of, or against, the Lender or any Affiliate thereof, (e) Liens resulting from any act or omission of the Lender or any Affiliate thereof not required or expressly permitted by the terms of this Lease, the Participation Agreement or any other Operative Document, (f) Liens for Taxes either not yet due or being contested in good faith by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of such Item of Equipment or interest therein and for the payment of which Taxes adequate reserves have been provided, (g) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is being contested in good faith by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of such Item of Equipment or interest therein and for the payment of which Liens adequate reserves have been provided, (h) Liens (other than Liens for Taxes) arising out of judgments or awards against Lessee with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith by appropriate proceedings and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review, and (i) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11 hereof. Lessee will promptly, at its own expense, take such action as may be necessary by bonding or otherwise duly to discharge any such Lien not excepted above if the same shall arise at any time.

Section 7. Maintenance; Operation; Records; Compliance with Laws; Possession; Identification Marks

(a) Maintenance. During the Term and the Initial Storage Period Lessee, at its own expense and in a manner comparable to that of other Class I line-haul railroads, shall maintain and service each Item of Equipment in the same manner as employed by Lessee for similar items of equipment owned or leased by it at such time and shall adhere to Lessee's applicable standard preventative maintenance schedule with respect to such Item of Equipment, which will include testing appropriate thereto, repair and overhaul so that such Item of Equipment will remain (i) in as good operating condition as when delivered to Lessee hereunder (ordinary wear and tear excepted), (ii) suitable for immediate purchase or lease and immediate regular use in main line freight service by a Class I line-haul railroad and (iii) eligible under all Manufacturer's warranties. Lessee

agrees that it will not discriminate against any Item of Equipment (as compared to other similar equipment owned or operated by Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease.

(b) Operation. The Items of Equipment will be used in the general operation of Lessee's freight rail business on Lessee's railroad system, on railroad lines over which Lessee has trackage rights, and on railroad lines of other railroads in the United States and Canada in the usual interchange of traffic or in through or run-through service.

(c) Records; Information. Lessee, at no expense to Lessor, shall: (i) during the Term maintain all records, logs and other materials required by any applicable governmental authority having jurisdiction to be maintained in respect of any Item of Equipment, and (ii) promptly furnish to Lessor such information as may be required to enable Lessor to file any reports required to be filed by Lessor with any governmental authority because of Lessor's ownership of the Items of Equipment.

(d) Compliance with Laws, Etc. Lessee agrees to comply, at all times, in all respects (including, without limitation, with respect to the use, maintenance and operation of each Item of Equipment) with the interchange rules of the Association of American Railroads, if applicable, and with all Applicable Laws to the extent that such Applicable Laws affect the title, operation, maintenance or use of such Items of Equipment. In the event that any such rule or Applicable Law requires alteration of any Item of Equipment, Lessee shall conform thereto or obtain conformance therewith at no expense to Lessor and shall maintain the Item of Equipment in proper condition under such rules and Applicable Laws; provided, however, that Lessee may in good faith contest the validity or application of any such rule or Applicable Law in any reasonable manner which does not and will not materially adversely affect Lessor.

(e) Possession. Lessee shall not, without the prior written consent of Lessor, sublease or otherwise in any manner deliver, transfer or relinquish possession of any Item of Equipment; provided, that so long as no Event of Default or Potential Event of Default shall have occurred and be continuing, and so long as the action to be taken does not and will not contemplate, permit, require, or result in the transfer of Lessor's ownership of or title to any Item of Equipment, Lessee may, without the prior written consent of Lessor, sublease any Item of Equipment to, or permit its use by, any user incorporated in the United States of America (or any state thereof or the District of Columbia), upon lines of

a railroad owned or operated by Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any state thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroads of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, further, that (i) such sublease or use shall not continue beyond the end of the Term, (ii) Lessor's prior written consent, not to be unreasonably withheld, shall be obtained for any sublease or use that is for a term longer than 12 months, (iii) such sublease or other agreement related to use shall by its terms prohibit the sublessee or user from locating an Item of Equipment outside the area comprised of the United States and Canada, (iv) the rights of any transferee who receives possession by reason of a sublease or use permitted by this Section 7(e) shall be subject and subordinate to, and any sublease or other agreement related to use permitted by this Section 7(e) shall by the terms therein contained be made expressly subject and subordinate to, all the terms of this Lease, and (v) Lessee shall furnish to Lessor a copy of any such sublease or other agreement related to use promptly after its execution. No such sublease or other relinquishment of possession of any Item of Equipment shall in any way discharge or diminish any of Lessee's obligations to Lessor hereunder or under any other Operative Document for which obligations Lessee shall be and remain primarily liable as a principal and not as a surety.

(f) Identification Marks. Lessee (i) has caused on or prior to the Delivery Date (or shall cause as soon thereafter as is practicable) the Items of Equipment to be numbered with the respective identification numbers set forth in Schedule 1 hereto, and (ii) shall keep and maintain, plainly, distinctly, permanently and conspicuously (x) marked on each side of each Item of Equipment, in letters not less than one inch in height, the words "Ownership Subject to Documents Filed with the Interstate Commerce Commission," and (y) in the case of each Item of Equipment a nameplate bearing the legible inscription "TITLE TO THIS LOCOMOTIVE IS HELD BY NBB PHILADELPHIA LEASE CO., LTD., THE LESSOR, WHICH HAS LEASED THIS LOCOMOTIVE TO CONSOLIDATED RAIL CORPORATION," with appropriate changes thereof as from time to time may be required by law, or required in the opinion of Lessor, in order to protect Lessor's title to and interest in such Item of Equipment and the rights of Lessor under this Lease. Lessee shall not place any Item of Equipment in operation or exercise any control or dominion over the same until such words shall have been so marked and shall replace promptly

any such markings which may be removed, defaced, obliterated or destroyed. Lessee will not change the identification number of any Item of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and duly filed or deposited, as the case may be, by Lessee in all public offices where this Lease shall have been filed or deposited and (ii) Lessee shall have furnished Lessor with an opinion of counsel in form and substance satisfactory to Lessor to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any federal, District of Columbia, state, provincial or local government or agency thereof is necessary to protect the rights of Lessor in such Item of Equipment. Except as provided in this Section 7(f), Lessee will not allow the name of any Person to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that an Item of Equipment may be lettered with the names or initials or other insignia customarily used by Lessee or its Affiliates.

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions

(a) Replacement of Parts. Lessee, at its own cost and expense, shall promptly replace or cause to be replaced all Parts which may from time to time be incorporated or installed in or attached to any Item of Equipment and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, Lessee may, at its own cost and expense, remove or cause to be removed in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided, that Lessee, except as otherwise provided in Section 8(b), shall, at its own cost and expense, replace or cause to be replaced such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens (except for Permitted Liens), and shall be in as good operating condition as, and shall have a value and utility at least equal to, the operating condition, value and utility that the Parts replaced would have had or been in had such replaced Parts been in the condition and repair required to be maintained by the terms of this Lease. All Parts at any time removed from any Item of Equipment shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Item of Equipment and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part

becoming incorporated or installed in or attached to such Item of Equipment as above provided, without further act, (i) ownership of and title to the replaced Part shall thereupon vest in Lessee, free and clear of all rights of Lessor, and shall cease to be a Part hereunder, (ii) ownership of and title to such replacement Part shall thereupon vest in Lessor, free and clear of all Liens (except Permitted Liens), and (iii) such replacement Part shall become subject to this Lease and be deemed part of such Item of Equipment for all purposes to the same extent as the Parts originally incorporated or installed in or attached to such Item of Equipment.

(b) Alterations, Modifications and Additions. Lessee, at its own expense, shall make or cause to be made such alterations and modifications of and additions to the Items of Equipment as may be required from time to time to meet the interchange rules of the Association of American Railroads, if applicable, and all Applicable Laws; provided, however, that Lessee may at its own expense, in good faith, contest the validity or application of any rule or Applicable Law in any reasonable manner that does not and will not adversely affect any Item of Equipment or the rights of Lessor therein or under this Lease. In addition, Lessee, at its own expense, may from time to time make or cause to be made such alterations and modifications of and additions to any Item of Equipment as Lessee may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts which Lessee deems obsolete or no longer suitable or appropriate for use in an Item of Equipment (for purposes of this Section 8(b) called "Obsolete Parts"); provided, that no such alteration, modification, addition or removal shall materially diminish the value, utility, performance, or durability of such Item of Equipment or impair the condition thereof below the value, utility, performance, durability and condition that such Item of Equipment would have had or been in immediately prior to such alteration, modification, addition or removal had such Item of Equipment then been of the value, utility, performance and durability and in the condition required to be maintained by the terms of this Lease, except that the value (but not the utility, performance, durability or condition) of the Item of Equipment may be reduced by the value of the Obsolete Parts which shall have been removed. Ownership of and title to all Parts incorporated or installed in or attached or added to an Item of Equipment as the result of such alteration, modification or addition shall, without further act, vest in Lessor. Lessor shall not be required under any circumstance to pay directly for any alteration, modification or addition to the Items of Equipment or to reimburse Lessee for the cost thereof. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and be continuing, Lessee may,

at any time during the Term, remove any Part; provided, that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to such Item of Equipment at the time of delivery thereof hereunder or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Item of Equipment pursuant to the first sentence of this Section 8(b) and (iii) such Part can be removed from such Item of Equipment without materially diminishing the value, utility, performance or durability of such Item of Equipment or materially impairing the condition thereof below the value, utility, performance, durability and condition that such Item of Equipment would have had or been in had such Item of Equipment been in the condition and repair required by the terms of this Lease at the time of such removal had the addition of such Part not occurred. Upon the removal by Lessee of any Part as provided in the immediately preceding sentence or the removal of any Obsolete Part permitted by this Section 8(b), ownership thereof and title thereto shall, without further act, vest in Lessee, and such Part shall no longer be deemed part of the Item of Equipment from which it was removed. Any Part not removed by Lessee as provided in such sentence prior to the return of such Item of Equipment to Lessor hereunder shall remain the property of Lessor.

Section 9. Early Termination of Lease and Sale of Items of Equipment

(a) Lessee's Right of Voluntary Termination. Lessee shall have the right at its option on a Termination Date (which Termination Date shall not be less than 30 and not more than 120 days following the date of delivery by Lessee of a notice specifying such Termination Date) to terminate the Lease and purchase all (but not less than all) of the Items of Equipment. Such Termination Date may be on or at any time after the sixth anniversary of the Delivery Date.

(b) Lessee's Right of Termination for Cause. Lessee shall have the right at its option to terminate this Lease, upon not less than two and not more than 10 days' notice specifying a proposed Termination Date, at any time after United States Taxes which are indemnified against by Lessee pursuant to Section 11(b) or (in the case of Taxes imposed pursuant to Section 887 of the Code) Section 11(a) of the Participation Agreement are or, in the opinion of nationally recognized tax counsel to Lessee, a copy of which shall be provided to Lessor, would be imposed or assessed on or with respect to, or required to be deducted or withheld from, any payment of Rent to be made by Lessee or any other

Person pursuant to this Lease or any other Operative Document.

(c) Illegality. Each party hereto shall have the right, upon not less than two and not more than 10 days' notice specifying a proposed Termination Date, to terminate, at its option, this Lease at any time (i) if it shall become unlawful under the laws of any applicable jurisdiction for such party to participate, or continue to participate, in the transactions contemplated by this Lease and the other Operative Documents or to perform a material obligation hereunder or thereunder, and such party shall have furnished to the other party an opinion of counsel describing those actions, obligations or provisions the performance of or compliance with which is unlawful and stating that no reasonable course of action is available to such party which would render the performance of such actions or obligations or the compliance with such provisions lawful under the laws of such jurisdiction; or (ii) if (w) it shall become unlawful under the laws of any applicable jurisdiction for a party hereto other than the party wishing to terminate to participate, or continue to participate, in the transactions contemplated by this Lease and the other Operative Documents or to perform a material obligation hereunder or thereunder, (x) such other party either shall have failed to perform a material obligation hereunder or thereunder or shall have obtained an opinion of counsel describing those actions, obligations, or provisions the performance of, or compliance with, which is unlawful and stating that no reasonable course of action is available to such party which would render the performance of such actions or obligations, or the compliance with such provisions, lawful under the laws of such jurisdiction, (y) the illegality has a material adverse effect upon the party wishing to terminate and (z) if the party whose actions will become unlawful fails to perform and does not obtain the opinion of counsel described in clause (x) above, the party wishing to terminate shall obtain such an opinion of counsel prior to its termination of this Lease.

(d) Other Terminations

(i) Lessee shall have the right to terminate this Lease upon notice to Lessor at any time after the occurrence of a Lessor Event of Default as defined in Section 24(b) and the Termination Date shall be the Business Day occurring on or next succeeding the date Lessee gives notice of such termination.

(ii) This Lease shall terminate on the date the Lender accelerates payment of the Loan pursuant to Section 3.6(b), 3.7 or 5.1 of the Loan Agreement and the Termination Date shall be such date of acceleration.

(iii) Lessor shall have the right at its option to terminate this Lease at any time, upon not less than 10 days' notice specifying a Termination Date and the amount of the Tax referred to below, if as a result of a Change in Law a consumption, sale, use, value-added or similar tax is, or in the opinion of nationally recognized tax counsel to Lessor, a copy of which shall be provided to Lessee, would be, imposed with respect to amounts receivable by Lessor hereunder or under any other Operative Document.

(iv) Lessor shall have the right at its option to terminate this Lease at any time upon not less than two nor more than 10 Business Days' notice specifying a Termination Date.

(e) Purchase of Items of Equipment on Termination

(i) Upon any termination pursuant to Section 9(a), 9(b) or 9(c) (where the illegality arises under the laws of a jurisdiction other than Japan), Lessee may, at its option, acquire all (but not less than all) of the Items of Equipment by (x) as the purchase price for the Items of Equipment, paying or having made provision as contemplated by Section 21(b) for payment to Lessor of the Basic Termination Payments for such Items of Equipment applicable to such event of termination, computed as provided in Schedule B with reference to the Termination Date, and (y) in addition, paying to Lessor on the Termination Date the Special Termination Payment for such Items of Equipment applicable to such event of termination, computed with reference to such Termination Date and the Monthly Dates and U.S. Dollar amounts set forth in Column A of Schedule D and in an amount calculated in accordance with Paragraph A of Schedule D.

(ii) Upon any termination pursuant to Section 9(c) (where the illegality arises under the laws of Japan) or 9(d)(i), 9(d)(ii) or 9(d)(iii) (collectively, the "Unwind Events"), Lessee may, at

its option, acquire all (but not less than all) of the Items of Equipment by (x) as the purchase price for the Items of Equipment, paying or having made provision as contemplated by Section 21(b) for payment to Lessor of the Basic Termination Payments for such Items of Equipment applicable to such event of termination, computed as provided in Schedule B with reference to such Termination Date, and (y) in addition, paying to Lessor the Special Termination Payment for the Items of Equipment applicable to such event of termination, computed with reference to such Termination Date and the Monthly Dates and U.S. Dollar amounts set forth in Column B of Schedule D and in an amount calculated in accordance with Paragraph B of Schedule D. For Unwind Events occurring prior to August 31, 1993, the Special Termination Payment will be payable on August 31, 1993 and the obligation to make such payment will be evidenced by a payment acknowledgment in the form of Exhibit B hereto (the "Payment Acknowledgment") delivered to Lessor on or prior to the Termination Date. For Unwind Events occurring on or subsequent to August 31, 1993, the Special Termination Payment will be payable on the Termination Date.

(iii) Upon termination pursuant to Section 9(d)(iv), Lessee may, at its option, acquire all (but not less than all) of the Items of Equipment by (x) as the purchase price for the Items of Equipment, paying or having made provision for payment as contemplated by Section 21(b) for payment to Lessor of the Basic Termination Payments, for the Items of Equipment applicable to such event of termination, computed as provided in Schedule B with reference to such Termination Date, and (y) in addition, paying to Lessor the Special Termination Payment for the Items of Equipment applicable to such event of termination, computed with reference to such Termination Date and the Monthly Dates and U.S. Dollar amounts and in an amount calculated in accordance with Schedule D.

(iv) In the event Lessee elects to exercise its option to purchase the Items of Equipment pursuant to subparagraph (i), (ii) or (iii) of this Section 9(e), then upon payment (or provision for such payment as contemplated by Section 21) of the Basic Termination Payment, payment of the Special Termination Payment computed in the manner set forth in Section 9(e)(i)(y), 9(e)(ii)(y), or 9(e)(iii)(y) as the case may be (or receipt of a

Payment Acknowledgment in lieu of such Special Termination Payment pursuant to Section 9(e)(ii)(y)), and payment of all other amounts of Supplemental Rent then due, Lessor shall without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee as of the Termination Date all of Lessor's right, title and interest in and to all of the Items of Equipment in as-is, where-is condition and shall at Lessee's expense execute and deliver to Lessee such bills of sale and other documents and instruments as Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to such Items of Equipment in Lessee, free and clear of all right, title and interest of Lessor or any Affiliate thereof and Lessor's Liens. In the event Lessee does not exercise either option prior to the Termination Date, the provisions of Section 19 regarding sale of the Items of Equipment, payments of (or provisions for) Basic Termination Payments and payments of Special Termination Payments, application of proceeds and the payment of any deficiency or surplus, as the case may be, shall be applied mutatis mutandis; provided, that for this purpose the terms "Purchase Price" and "Deficiency Payment" shall mean and refer to the amounts set forth in subparagraph (i), (ii) or (iii) of this Section 9(e) (whichever shall be applicable) and references to the term "Lease Expiry Date" shall mean and refer to the applicable Termination Date.

(f) Termination of Lease. Upon any sale of the Items of Equipment pursuant to this Section 9, the obligation of Lessee to pay Basic Rent shall cease for any Lease Period ending on each Lease Period Date occurring subsequent to the date of such sale (unless such sale occurs on a Lease Period Date, in which case the Basic Rent for the Lease Period ending on such Lease Period Date is included in the computation of Basic Termination Payment payable pursuant to this Section 9 and accordingly the obligation of Lessee to pay Basic Rent shall cease for the Lease Period ending on such Lease Period Date and for all subsequent Lease Periods), and in each case the Term shall end effective as of the date of such sale.

Section 10. Loss, Destruction, Requisition, Etc.

(a) Event of Loss

(i) Replacement of Items of Equipment. Upon the occurrence during the Term of an Event of Loss with respect to an Item of Equipment, Lessee shall forthwith (and, in any event, within 15 days after such occurrence) give Lessor written notice of such Event of Loss and shall, subject to the provisions of Section 10(a)(ii), compensate Lessor in respect of such Event of Loss by furnishing Lessor with a Replacement Item of Equipment, to be leased hereunder, in the manner and subject to the conditions set forth in this Section 10(a)(i):

(w) As promptly as practicable after the Event of Loss, and in any event on or before the Business Day next preceding the 91st day next following the date of the occurrence of such Event of Loss, Lessee shall designate in its sole discretion a proposed Replacement Item of Equipment and shall deliver to Lessor all information regarding such proposed Replacement Item of Equipment as Lessor may reasonably request for the purpose of making the calculations referred to in clause (x) of this Section 10(a)(i).

(x) As promptly as practicable after Lessee shall have notified Lessor of the proposed Replacement Item of Equipment (and in any event within 30 days after such notice), Lessor shall (A) obtain, at Lessee's expense, an opinion from Lessor's independent tax advisor as to the Japanese tax consequences to Lessor resulting from the proposed replacement of the Item of Equipment and the leasing of the Replacement Item of Equipment by Lessor to Lessee pursuant to the terms hereof, (B) calculate the semi-annual amounts required to be paid by Lessee to Lessor or by Lessor to Lessee, as the case may be, in order to preserve Lessor's after-tax rate of return, using the information supplied by Lessee pursuant to clause (w) above and such opinion of Lessor's independent tax advisor and based on the same assumptions as Lessor used in evaluating its investment in the Item of Equipment on the Delivery Date (but including the assumption of no reinvestment by any Kumiai-in), and assuming that Lessor (and each Kumiai-in, if necessary or appropriate) has taken all available steps to defer any income or gain resulting from the replacement and to claim the Japanese tax benefits attributable

to the Replacement Item of Equipment on a basis which provides Lessee with the best economic results, (C) calculate the lump sum amount which, if paid by Lessee to Lessor or by Lessor to Lessee on the date Lessee proposes to furnish the proposed Replacement Item of Equipment to Lessor, would maintain Lessor's anticipated after-tax yield (using the same information and assumptions described in subclause (B) of this Section 10(a)(i)(x)), (D) recompute the Special Termination Payments with respect to the Replacement Item of Equipment so that (I) in the case of the Special Termination Payments calculated by reference to Column A of Schedule D, Lessor's anticipated after-tax yield is preserved and, to the greatest extent possible consistent with the foregoing, the economic losses that could be suffered by Lessee from the transactions contemplated by the Operative Documents upon a termination of the Lease of such Replacement Item of Equipment pursuant to Section 9, 10 or 15 are limited and (II) in the case of the Special Termination Payments calculated by reference to Column B of Schedule D, no amount set forth in such Column B exceeds the corresponding amount calculated by reference to Column A of Schedule D, and (E) deliver to Lessee a certificate signed by an officer of Lessor setting forth such calculations and recomputations and the basis therefor in reasonable detail and setting forth the amounts computed pursuant to subclauses (B) and (C) above and stating whether such amounts are payable by Lessor to Lessee or by Lessee to Lessor.

(y) If the certificate delivered by Lessor pursuant to clause (x) above shows a net amount computed pursuant to subclause (C) above payable by Lessee to Lessor, Lessee shall, on the date Lessee furnishes the Replacement Item of Equipment to Lessor pursuant to clause (z) below, pay to Lessor such amount, or if such certificate shows a net amount computed pursuant to subclause (C) above payable by Lessor to Lessee, Lessor shall, upon the replacement of the Item of Equipment, if any, as contemplated by this clause (y), pay to Lessee on each date on which Basic Rent, Basic Termination Payments, Casualty Value Termination Payments, Special

Termination Payments or amounts payable under Section 19 are payable in Yen, an amount in Yen equal to the lesser of (A) the amount then payable to Lessor in Yen and (B) the amount which would maintain Lessor's after-tax yield (as computed pursuant to subclause (C) of clause (x) above).

(z) Not later than the 30th day after receipt of Lessor's certificate pursuant to clause (x) above, Lessee shall convey or cause to be conveyed to Lessor, and Lessor shall lease to Lessee hereunder, the proposed Replacement Item of Equipment, free and clear of all Liens other than Permitted Liens and having a value, utility, performance and durability at least equal to, and in as good operating condition as, the value, utility, performance, durability and operating condition that the Item of Equipment so replaced would have had or have been in had such Item of Equipment been in the condition and repair required by the terms of this Lease and shall, in connection with such replacement:

(A) furnish Lessor with a warranty bill or bills of sale conveying to Lessor the Replacement Item of Equipment, free of Liens other than Permitted Liens;

(B) cause a Lease Supplement substantially in the form of Exhibit A hereto, evidencing the Lease of the Replacement Item of Equipment and incorporating by reference all the terms and provisions of this Lease, duly executed by Lessee, to be delivered to Lessor for execution (and Lessor shall promptly execute such Lease Supplement) and, upon execution by Lessor, cause such Lease Supplement to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and in the office of the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada;

(C) cause a precautionary financing statement or statements with respect to the Replacement Item of Equipment to be filed in such place or places as are

necessary in order to evidence and perfect the interest of Lessor therein;

(D) furnish Lessor with evidence of compliance with the insurance provisions of Section 11 with respect to the Replacement Item of Equipment substantially similar to that furnished to Lessor at the time Lessor originally leased the Item of Equipment to Lessee pursuant to Section 2;

(E) furnish Lessor with an opinion of counsel, reasonably satisfactory in form and substance to Lessor, to the effect that good and marketable title to the Replacement Item of Equipment has been conveyed to Lessor, free and clear of all Liens other than Permitted Liens;

(F) furnish Lessor with a certificate signed by a duly authorized financial officer or executive of Lessee certifying that, upon consummation of such replacement, no Event of Default or Potential Event of Default will exist hereunder;

(G) furnish Lessor with a certificate of an engineer (who may be an employee of Lessee) certifying that the Replacement Item of Equipment has a value, utility, performance and durability at least equal to, and is in as good operating condition as, the value, utility, performance, durability and operating condition that the Item of Equipment so replaced would have had or have been in had such Item of Equipment been in the condition and repair required by the terms of this Lease immediately prior to the occurrence of such Event of Loss;

(H) cause to be delivered to Lessor an opinion of counsel, reasonably satisfactory in form and substance to Lessor, as to due filing of the Lease Supplement; and

(I) take such other actions and furnish such other certificates and

documents as Lessor may reasonably require in order to assure that the Replacement Item of Equipment are duly and properly conveyed to Lessor and leased to Lessee to the same extent as the Item of Equipment replaced thereby.

Upon the delivery of the bill or bills of sale covering the Replacement Item of Equipment to Lessor, (1) the lease hereunder of the replaced Item of Equipment shall cease, (2) Lessor shall, without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee all of Lessor's right, title and interest in and to the replaced Item of Equipment, and shall, at Lessee's expense, execute and deliver such bills of sale and other documents and instruments as Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to such replaced Item of Equipment in Lessee, all in as-is where-is condition, free and clear of all right, title and interest of Lessor or any Affiliate thereof and Lessor's Liens, and (3) any insurance proceeds less any amounts payable to Lessor pursuant to clause (y) of this Section 10(a)(i), pursuant to a certificate timely given pursuant to clause (x) of this Section 10(a)(i), above, remaining unpaid shall be paid over to or retained by Lessee, and (4) Lessor shall assign to Lessee all claims against third Persons for damage relating to such replaced Item of Equipment arising from the Event of Loss. During the period between the occurrence of the Event of Loss and the date of the replacement of the Item of Equipment pursuant to clause (z) of this Section 10(a)(i), the obligation of Lessee to pay Rent pursuant to Section 3 shall continue unchanged, except that upon such replacement, it shall become an obligation to pay such Rent in respect of the Replacement Item of Equipment. For all purposes hereof, upon delivery of such Lease Supplement and bill or bills of sale covering the Replacement Item of Equipment to Lessor, such Replacement Item of Equipment, if any, shall be leased hereunder, the Replacement Item of Equipment shall be an Item of Equipment as defined herein.

(ii) <u>Lessee's Purchase Option; Termination of Lease</u>. Notwithstanding the provisions of Section 10(a)(i), if Lessee shall have determined at any time prior to full compliance with Section 10(a)(i) not to replace an Item of Equipment as provided herein, or if such replacement shall not have been effected (other than by fault of Lessor) by the 181st day following the

Event of Loss, Lessee shall promptly notify Lessor of such determination and, as compensation for such Event of Loss, shall (x) pay to Lessor, on or before the fifteenth Business Day following Lessee's notice of its election not to perform pursuant to Section 10(a)(i) or such 181st day, as the case may be, or shall have made provision for payment pursuant to Section 21(b) of, the Casualty Value Termination Payment for such Item of Equipment computed as provided in Schedule C with reference to the Termination Date, (y) pay to Lessor, on or before the fifteenth Business Day following Lessee's notice of its election not to perform pursuant to Section 10(a)(i) or such 181st day, as the case may be, the Special Termination Payment computed with reference to the Monthly Dates and U.S. Dollar amounts set forth in Column A of Schedule D and in an amount calculated in accordance with Schedule D and (z) pay to Lessor upon demand an amount in the nature of interest on the after-tax amount of depreciation benefit with respect to such Item of Equipment that would otherwise have been available to Lessor in the period from the date of the Event of Loss to the date such Special Termination Payment is made, in an amount sufficient to preserve Lessor's after-tax yield, such interest to be calculated from the date such depreciation would have resulted in tax benefit to Lessor to the date such Special Termination Payment is made, such depreciation benefit to be calculated on the same assumptions (including assumptions with respect to Japanese Taxes) used by Lessor in evaluating its investment in such Item of Equipment on the Delivery Date.

Upon payment, or the provision for payment as contemplated by Section 21(b), of such Casualty Value Termination Payment and upon payment of such Special Termination Payment for such Item of Equipment, (1) the obligation of Lessee to pay Basic Rent hereunder with respect to such Item of Equipment on any Lease Period Date occurring on such date of payment or subsequent thereto shall terminate, (2) the Term with respect to such Item of Equipment shall end, (3) Lessor shall without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee all of Lessor's right, title and interest in and to such Item of Equipment with respect to which such Event of Loss occurred, in as-is where-is condition, and shall, at Lessee's expense, execute and deliver such bills of sale and other documents and instruments as Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to such Item of Equipment in Lessee,

free and clear of all right, title and interest of Lessor or any Affiliate thereof and Lessor's Liens, (4) any insurance proceeds shall be paid over to or retained by Lessee and (5) Lessor shall assign to Lessee all claims against third Persons for damage relating to such Item of Equipment arising from the Event of Loss.

(b) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds) received at any time by Lessor or by Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, or seizure of, or requisition of title to or use of, an Item of Equipment by the Government will be applied as follows:

(i) if such payments are received with respect to an Item of Equipment that has been or is being replaced by Lessee pursuant to Section 10(a), such payments shall be paid over to, or retained by, Lessee; and

(ii) if such payments are received with respect to an Item of Equipment that has not been and will not be replaced pursuant to Section 10(a) and Lessee shall have paid or made provision for payment of the Casualty Value Termination Payment as contemplated by Section 21, so much of such payment as shall not exceed the Special Termination Payment required to be paid by Lessee pursuant to Section 10(a) shall be applied to pay to Lessor such Special Termination Payment if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment thereof and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, Lessee.

(c) Requisition for Use by the Government of an Item of Equipment. In the event of the requisition for use during the Term by the Government of an Item of Equipment Lessee shall promptly notify Lessor of such requisition and until such requisition becomes an Event of Loss all of Lessee's obligations under this Lease with respect to such Item of Equipment shall (to the extent feasible with respect to obligations other than payment obligations) continue to the same extent as if such requisition had not occurred; provided, that if such Item of Equipment is not returned by the Government prior to the end of the Term, Lessee shall be obligated to return such Item of Equipment to Lessor pursuant to, and in all other respects to comply with the provisions

of, Section 5 promptly upon its return by the Government unless Lessee shall have purchased such Item of Equipment at the end of the Term. Subject to Section 10(d) all payments received by Lessor or Lessee from such governmental authority for the use of such Item of Equipment prior to the time such requisition becomes an Event of Loss shall be paid over to, or retained by, Lessee, and all payments received by Lessor or Lessee from such governmental authority for the use of such Item of Equipment after such time shall be paid over to, or retained by, Lessor unless Lessee shall have fully performed the terms of Section 10(a) with respect to such Event of Loss, in which event all such payments shall be paid over to, or retained by, Lessee.

(d) Application of Payments During Existence of Event of Default. Any amount referred to in Section 10(b) or Section 10(c) which is payable to Lessee shall not be paid to Lessee, or, if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default or Potential Event of Default shall have occurred and be continuing, but shall be paid to and held by Lessor as security for the obligations of Lessee under this Lease, and at such time as there shall not be continuing any such Event of Default or Potential Event of Default, such amount shall be paid to Lessee.

Section 11. Insurance. Lessee will at all times prior to the return of all Items of Equipment to Lessor, as part of an insurance program including appropriate risk retention and self-insurance, and at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Items of Equipment in such amounts, against such risks and on such terms and conditions as is customarily obtained by Lessee in respect of similar equipment owned or leased by it and comparable to such coverage maintained by other Class I railroads. All policies with respect to such insurance shall (a) name Lessor as an additional insured and loss payee, (b) include waivers by the insurer of all claims for premiums against Lessor, (c) to the extent such insurance is available and is customarily obtained by Lessee in respect of similar equipment owned or leased by it, provide that in respect of the interest of the Lessor in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's interest regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee and (d) provide that, if such insurance is cancelled for any reason whatsoever, or any substantial change is made in the coverage which affects the interest of Lessor, or if such insurance is allowed to lapse for non-payment of premium, such cancellation, change or lapse shall not be effective as to Lessor for 30 days after

receipt by Lessor of written notice from such insurers of such cancellation, change or lapse (and Lessee shall provide 30 days' prior written notice to Lessor in any such event). Each such insurance policy shall provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of Lessee) shall operate in the same manner as if there were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by Lessor. Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. On or before the Delivery Date, and annually not later than June 15th of each year with respect to public liability insurance and November 15th of each year with respect to casualty insurance, commencing on June 15, 1990 and November 15, 1990, respectively, Lessee shall furnish to Lessor a certificate of an independent insurance broker acceptable to Lessor evidencing the maintenance of the insurance required. Lessee shall, not later than 30 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Items of Equipment under this Section 11, furnish to Lessor a written notice to the effect that (a) Lessee is in good faith negotiating the renewal of such policy or policies and (b) Lessee expects to furnish to Lessor certificates evidencing renewal of such policy or policies, as promptly as practicable. Lessee shall furnish to Lessor certificates evidencing renewal of such policy or policies not later than 15 days after the expiration date of such policy or policies. Lessee shall furnish to Lessor a prompt telephonic notice of (and shall promptly confirm in writing) any material adverse change in Lessee's insurance program. In the event that Lessee shall fail to maintain insurance as herein provided, and has failed to obtain separate policies reasonably satisfactory to Lessor, Lessor may at its option on five Business Days' prior written notice to Lessee provide such insurance (giving Lessee prompt written notice thereof) and, in such event, Lessee shall, upon demand from time to time, reimburse Lessor, as Supplemental Rent, for the cost thereof together with interest on the amount of such cost from the date of payment of such cost to the date of such reimbursement at the Overdue Rate. Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. If Lessor shall receive any insurance proceeds or condemnation payments in respect of any Item of Equipment suffering an Event of Loss, Lessor shall, subject to Lessee's having complied with the provisions of Section 10(a)(i) or (ii) hereof, as the case may be, in respect of such Item of Equipment and, provided that no Event of Default or Potential Event of Default shall have occurred

and be continuing, pay such insurance proceeds or condemnation payments to Lessee. All insurance proceeds received by Lessor in respect of any Item of Equipment not suffering an Event of Loss shall be paid to Lessee upon proof satisfactory to Lessor that any damage to such Item of Equipment in respect of which such proceeds were paid has been fully repaired, provided that no Event of Default or Potential Event of Default shall have occurred and be continuing. Any amounts paid or payable to Lessor under the insurance required to be maintained pursuant to this Section 11 shall not be reduced on account of any amount which may be paid or payable to Lessor by reasons of claims made under any other policies of insurance under which Lessor is a beneficiary claimant. Notwithstanding the foregoing, Lessor shall in no event be obligated to participate in the funding of any self-insurance program of Lessee. Lessor shall have the right to carry insurance on the Items of Equipment for its own benefit; provided, that such insurance is carried at the expense of a Person other than Lessee.

Any amount referred to in the preceding paragraph which is payable to Lessee shall not be paid to Lessee, or, if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default or Potential Event of Default shall have occurred and be continuing, but shall be paid to and held by Lessor, as security for the obligations of Lessee under this Lease, and at such time as there shall not be continuing any such Event of Default or Potential Event of Default, such amount shall be paid to Lessee; provided, that if (i) any such amount has been so held by Lessor as security for more than 360 days, (ii) Lessee is not subject to a petition under the federal bankruptcy laws and (iii) Lessor shall not have exercised any remedy available to it under Section 15, then such amount shall be paid to Lessee.

Section 12. Inspection. At all reasonable times during the Term applicable to an Item of Equipment, including any applicable storage period provided in Section 5, upon not less than five days' notice to Lessee, Lessor or its authorized representatives may at the expense and risk of Lessor inspect such Item of Equipment and the books and records of Lessee relating thereto at the location on Lessee's premises where such Item of Equipment or such books and records are then located or at any other location at which Lessee or its authorized representatives have access to such Item of Equipment or any books and records relating thereto. Upon the prior written request of Lessor, Lessee shall advise Lessor promptly in writing of the location of any Item of Equipment or books and records relating thereto. No inspection pursuant to this Section 12 shall materially interfere with the safe use, operation or maintenance of any

such Item of Equipment or the normal conduct of Lessee's business, and Lessee shall not incur any liability or obligation to Lessor by reason of the negligence of Lessor or its authorized representative during any such inspection. Lessor shall have no duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection.

Section 13. Assignment; Merger, Etc.; Registered Agreement

(a) Assignment. Except as otherwise expressly provided herein, Lessee will not, without the prior written consent of Lessor, assign, convey or transfer any of its rights hereunder. Lessor will not, without the prior written consent of Lessee, assign or convey any of its right, title and interest in and to this Lease or any Item of Equipment except as otherwise expressly permitted or required hereby or by the other Operative Documents. The terms and provisions of this Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors and permitted assigns. This Lease does not purport to impose any rights or obligations on any third party.

(b) Merger, Etc. Lessee shall not reorganize, consolidate with or merge into any other corporation, or permit any other corporation to merge into it, or convey, transfer or lease in one or more transactions all or substantially all of its assets to any Person, unless:

(i) the corporation formed by such reorganization, consolidation or into which Lessee is merged or which merges into Lessee or the Person which acquires by conveyance, transfer or lease all or substantially all of the assets of Lessee (the "Successor") (a) shall be a corporation organized and existing under the laws of the United States of America or any state or the District of Columbia, (b) shall have a Net Worth equal to or greater than 75% of the Net Worth of Lessee immediately prior to such reorganization, consolidation, merger, conveyance, transfer or lease, (c) shall execute and deliver to Lessor an agreement, in form satisfactory to Lessor in its sole discretion, containing an assumption by the Successor of the due and punctual performance and observance of each covenant and condition of this Lease and the other Operative Documents to be performed or observed by Lessee and an undertaking to be bound by all of the terms and provisions of this Lease and the other Operative Documents with the same effect as though named Lessee herein and therein and (d) shall make

such filings and recordings as shall be necessary, desirable or otherwise required by Lessor to evidence such reorganization, consolidation, merger, conveyance, transfer or lease;

(ii) immediately after giving effect to such transaction, no Event of Default or Potential Event of Default shall have occurred and be continuing; and

(iii) Lessee shall have delivered to Lessor an Officer's Certificate and an opinion of counsel to the Successor, such opinion to be in form and substance satisfactory to Lessor, each stating that (A) such reorganization, consolidation, merger, conveyance, transfer or lease and the assumption agreement described in clause (i) comply with such clause (i) (and, in the case of such certificate, clause (ii) of this Section 13(b) also), (B) the agreements entered into to effect such reorganization, consolidation, merger, conveyance, transfer or lease and the assumption agreement described in clause (i) above, are legal, valid and binding obligations of the Successor enforceable against the Successor in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium and other similar laws and equitable principles affecting the enforcement of creditors' rights generally, (C) all conditions precedent herein provided for relating to such transactions have been complied with and (D) such other matters relating to such reorganization, consolidation, merger, conveyance, transfer or lease as Lessor may reasonably request.

Upon any reorganization, consolidation or merger, or any conveyance, transfer or lease of all or substantially all of the assets of Lessee in accordance with this Section 13(b), the Successor shall succeed to, be substituted for, and may exercise every right and power of, and shall assume every obligation and liability of, Lessee under this Agreement and the other Operative Documents with the same effect as if the Successor had been named as Lessee herein and therein. No such reorganization, conveyance, transfer or lease of all or substantially all of the assets of Lessee shall have the effect of releasing Lessee or any Successor which shall theretofore have become such in the manner prescribed in this Section 13(b) from its liability hereunder. Nothing contained herein shall permit any lease, sublease or other arrangement for the use, operation or

possession of the Items of Equipment except in compliance with the applicable provisions of this Lease.

(c) Registered Agreement. This Lease is a registered agreement. A manually signed copy of this Lease and each Lease Supplement shall be only evidence of Lessor's rights and neither the Lease nor any Lease Supplement is a bearer instrument. Lessee will keep the Lessee's Record of Ownership in which it will reflect by book entry, and reflect by book entry any transfer of, Lessor's interest in the Items of Equipment, in this Lease and in the rights to receive any payments hereunder.

No transfer by Lessor (whether or not with Lessee's consent) of any interest in the Items of Equipment, this Lease or in the rights to receive any payments hereunder shall be permitted unless a book entry of such transfer is made upon the Lessee's Record of Ownership. Lessor may transfer its interest in the Items of Equipment, this Lease and the rights to receive any payments hereunder only by written application to Lessee, stating the name of the proposed transferee and otherwise complying with the terms of the Operative Documents. No such transfer shall be effective until, and such transferee shall succeed to the rights of Lessor only upon, final acceptance and entry by Lessee into the Lessee's Record of Ownership of the transfer.

Prior to the entry by Lessee into the Lessee's Record of Ownership of any transfer by Lessor (or any successor to Lessor) as provided in the immediately preceding paragraph, Lessee may deem and treat the owner of this Lease, or any portion hereof, reflected in the Lessee's Record of Ownership as the owner hereof or thereof, as the case may be, for all purposes.

Lessee acknowledges that the rights of Lessor to receive certain payments hereunder have been pledged to the Lender (and such acknowledgment constitutes final acceptance of such transfer). Lessee acknowledges that it has made an entry of such pledge in the Lessee's Record of Ownership.

Section 14. Events of Default. Except as otherwise provided in Section 21, the following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Event of Default shall be deemed to exist and continue so long as, but only so long as, it shall not have been waived or remedied:

(a) Lessee shall fail to make any payment of Basic Rent, Basic Termination Payments, Casualty Value Termination Payments or Purchase Price, Deficiency Payments or other amounts referred to in Section 19 within 15 days after the same shall have become due; or

(b) Lessee shall fail to make payment of Special Termination Payments or other payments of Supplemental Rent (including, without limitation, indemnity payments) hereunder or under the Participation Agreement (other than those described in subsection (a) above) at the times required to be paid hereunder or thereunder, as the case may be, and such failure shall continue unremedied for a period of 15 days after written notice of such failure by Lessor; or

(c) Lessee shall fail to carry and maintain insurance on or with respect to the Items of Equipment in accordance with Section 11 or shall allow such insurance to lapse; provided, that in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to Lessor for 30 days after receipt of notice by Lessor of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Event of Default until the earlier of (i) the date such failure shall have continued unremedied for a period of 20 days after receipt by Lessor of the notice of cancellation, change or lapse referred to in Section 11 hereof or (ii) the date on which such insurance is not in effect as to Lessor; or

(d) Lessee shall fail to return all Items of Equipment in accordance with the provisions of Section 5 when required by the terms hereof to do so, and such failure shall continue for 30 days after written notice thereof by Lessor; or

(e) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement and such failure results in a material diminution in the value of any Item of Equipment or Lessor's rights hereunder or under the other Operative Documents and such failure shall continue unremedied for a period of 30 days after written notice thereof by Lessor; or

(f) any material representation or warranty made in writing by or on behalf of Lessee in this Lease or in the Participation Agreement or in any document or certificate furnished by Lessee in connection herewith or therewith shall prove to have been false or incorrect in any material adverse respect on the date as of which made and remains material as of the date Lessor gives Lessee notice of such Event of Default; or

(g) Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property or Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(h) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168 or any successor provision, as the same may hereafter be amended; or

(i) any other proceeding shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions, or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the

obligations of Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for Lessee or for the property of Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced.

Section 15. Remedies. Upon the occurrence of an Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default and, in such event, the following provisions of this Section 15 shall apply:

(a) At the request of Lessor, Lessee shall promptly deliver to Lessor or its order all or such part of such Items of Equipment as Lessor may request in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5 as if such Items of Equipment were being returned at the end of the Term, or Lessor, at its option, may repossess all or any of such Items of Equipment; provided, that Lessor shall notify Lessee of Lessor's intent to repossess such Item or Items of Equipment, and further provided, that Lessee shall cooperate fully with Lessor in Lessor's exercise of its rights to repossess such Item or Items of Equipment;

(b) Within 90 days after such declaration, Lessee may, at its option, purchase all (but not less than all) of the Items of Equipment from Lessor by (i) as the purchase price for all of the Items of Equipment, (x) paying to Lessor, or having made provision as contemplated by Section 21 for the payment to Lessor of, the Basic Termination Payment for all of the Items of Equipment computed as provided in Schedule B with reference to the Termination Date, and (y) paying the Special Termination Payment for all of the Items of Equipment computed with reference to the Monthly Dates and U.S. Dollar amounts set forth in Column A of Schedule D and in an amount calculated in accordance with Schedule D and (ii) paying all other amounts of Supplemental Rent then due;

(c) Upon such payments (or, to the extent applicable, the provision for such payments) to Lessor, Lessor shall, without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee all of Lessor's right, title and interest in and to all of the Items of Equipment in as-is, where-is condition and shall at Lessee's expense deliver to Lessee such bills of sale and other documents and instruments as Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to all of the Items of Equipment in Lessee, free and clear of all right, title and interest of Lessor and any Affiliate thereof and Lessor's Liens and the Term shall end;

(d) In the event Lessee does not exercise its option and purchase all of the Items of Equipment within 90 days after such declaration, the option shall expire but Lessee shall nevertheless pay to Lessor, or shall have made provision as contemplated by Section 21 for payment of, the Basic Termination Payments for the Items of Equipment and the Special Termination Payments for the Items of Equipment, the amount thereof to be held by Lessor for application under this Section 15;

(e) In such event, Lessor shall sell all or any Items of Equipment at public or private sale (upon not less than 15 days' notice to Lessee), in one or more transactions, as Lessor may determine, free and clear of any rights of Lessee. Lessee shall deliver any Items of Equipment so sold to the purchasers of such Items of Equipment designated in Lessor's notice referred to in the preceding sentence, or, in the event of a public sale, to the purchasers of such Items of Equipment designated in a notice delivered to Lessee subsequent to such sale, in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5 as if such Items of Equipment were being returned at the end of the Term. The proceeds of such sale shall be applied to pay Lessor an amount equal to the sum of (i) the Selling Costs, (ii) to the extent not previously paid or provided for as contemplated by Section 21, the Basic Termination Payments and, to the extent not previously paid, the Special Termination Payments, for the Items of Equipment, in each case calculated through the date of payment, and (iii) all other amounts of

Supplemental Rent then due and owing to Lessor from Lessee, and the remainder shall be paid to Lessee. If after such application Lessor shall not have received, or provision shall not have been made as contemplated by Section 21 for the payment to Lessor of, the full amount of the Basic Termination Payments required by the immediately preceding sentence and Lessor shall not have received the full amount of the Special Termination Payments required by the immediately preceding sentence and the amounts referred to in clauses (i) and (iii) of the immediately preceding sentence, Lessee shall pay upon demand any deficiency to Lessor. Upon the transfer by Lessor of its right, title and interest in and to all Items of Equipment to a third party this Lease shall terminate except for the obligation of Lessee to pay the deficiency, if any, referred to in the immediately preceding sentence, and accordingly the obligation of Lessee to pay Basic Rent shall cease for the Lease Period ending on the Lease Period Date occurring on or subsequent to the date of transfer and for all subsequent Lease Periods, and the Term shall end effective as of the date of such sale; and

(f) To the extent permitted by applicable law, the remedies referred to in this Section 15 shall, for a period of 90 days after the declaration of a default by Lessor, be exclusive of, and Lessor hereby irrevocably waives for such 90 day period, any other remedy available to Lessor at law or in equity. From and after the 91st day following the declaration of a default by Lessor, the remedies referred to in this Section 15 shall not be exclusive but shall be cumulative and in addition to any other remedy available to Lessor at law or in equity; provided, that if in connection with the exercise by Lessor of any remedy Lessor shall sell, lease or otherwise dispose of, in any manner whatsoever, all or any portion of the Items of Equipment, Lessee shall in all events receive any proceeds remaining from such sale, lease or disposition after deduction by Lessor of the Selling Costs and receipt by Lessor of the Basic Termination Payments (to the extent not previously paid or provided for as contemplated by Section 21), the Special Termination Payments (to the extent not previously paid) and all other amounts of Supplemental Rent then due. From and after the 91st day following the declaration of a default by Lessor, Lessee shall render such assistance to Lessor in the sale or other disposition of the

Items of Equipment as Lessor shall reasonably request.

Section 16. Further Assurance. Each of Lessor and Lessee shall duly and promptly execute and deliver to the other such further documents and assurances and take such further action as may from time to time be reasonably requested in order to carry out more effectively the intent and purpose of this Lease, to maintain, preserve and protect Lessor's interest in the Items of Equipment and to establish and protect the rights and remedies created or intended to be created or intended to be created in favor of Lessor or Lessee under this Lease.

Section 17. Notices. All notices, demands, requests, consents, approvals and other communications required under the terms and provisions hereof shall be in English and in writing, and may be given by airmail, telegram, cable, telex, telecopy or telefax or any other customary means of communication, and any such notice, demand, request, consent, approval or other communication shall be effective when delivered (i) if to Lessee, at Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention: Assistant Treasurer-Financing, Telex: 834-510, Telecopy/Telefax: 010-1-215-977-5346, or at such other address as Lessee shall from time to time designate in writing to Lessor and (ii) if to Lessor, at 1-12-11 Nihonbashi, Chuo-Ku, Tokyo 103, Japan, Attention: General Manager, Telex: J33704 NOMBAB, Telecopy/Telefax: 011-81-3-281-0215, or at such other address as Lessor shall from time to time designate in writing to Lessee.

Section 18. No Set-Off, Counterclaim, Etc. Lessee's obligation to pay all Rent (including, without limitation, pursuant to any Payment Acknowledgment) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor or any other Person for any reason whatsoever, (ii) any defect in the title, workmanship, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of the Items of Equipment, or any interruption or cessation in the use or possession thereof by Lessee for any reason whatsoever, or (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee. Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Nothing contained in this Section 18 shall be construed to waive any claim which Lessee

may have under any of the Operative Documents or otherwise (including, without limitation, claims that Rent payments demanded from or paid by Lessee are or were erroneous) or to limit the right of Lessee to make any such claim it may have against Lessor or any other Person or to pursue such claim in such manner as Lessee shall deem appropriate.

Section 19. Purchase of Items of Equipment at End of Term. Upon not less than 30 and not more than 180 days' prior written notice to Lessor, Lessee may, at its option, elect to purchase all (but not less than all) of the Items of Equipment on the Lease Expiry Date (or, if such date is not a Business Day, on the next succeeding Business Day). If such option has been exercised, on the date for purchase established pursuant to the immediately preceding sentence, (a) Lessee shall purchase all of the Items of Equipment from Lessor by paying to Lessor a purchase price in the amount set forth in Schedule E (the "Purchase Price") and (b) upon payment of the Purchase Price and any other amounts of Supplemental Rent then due, Lessor shall, without recourse or warranty (except as to Lessor's Liens) and without further act, be deemed to have transferred to Lessee all of Lessor's right, title and interest in and to all of the Items of Equipment in as-is, where-is condition and shall at Lessee's expense execute and deliver such bills of sale and other documents and instruments as Lessee shall reasonably request to evidence (on the public record or otherwise) such transfer and the vesting of all right, title and interest in and to all of the Items of Equipment in Lessee, free and clear of all right, title and interest of Lessor or any Affiliate thereof and Lessor's Liens. In the event that Lessee does not exercise such purchase option and purchase all of the Items of Equipment as provided in this Section 19, Lessor shall, not later than 180 days after the Lease Expiry Date, sell all of the Items of Equipment at public or private sale (upon 20 days' prior written notice of any sale to Lessee and at which sale Lessee shall be invited to participate), in one or more transactions, as Lessor may determine, free and clear of any rights of Lessee, and nevertheless Lessee shall pay on the Lease Expiry Date the amount set forth in clause (a) of Schedule E into the Dollar Account and the amount set forth in clause (b) of Schedule E into the Yen Account (collectively, the "Deficiency Payment"). Upon the sale of the Items of Equipment by Lessor, Lessee shall pay to Lessor an amount equal to the Selling Costs and all other amounts of Supplemental Rent then due to Lessor from Lessee and unpaid and Lessor shall pay to Lessee the proceeds of such sale but only to the extent such proceeds do not exceed the Deficiency Payment. Notwithstanding the foregoing, Lessee may, at any time prior to the sale of the first Item of Equipment to be sold pursuant to the third sentence of this Section 19, exercise its option to purchase all of the Items of Equipment

for the Purchase Price in the same manner, pursuant to the same procedures (other than the notice period) and with the same effect as if Lessee had exercised such option, pursuant to the first sentence of this Section 19, to purchase all of the Items of Equipment for the Purchase Price on the Lease Expiry Date, in which event the Lessee shall pay on the Lease Expiry Date the amount set forth in Schedule E as provided in the third preceding sentence, and Lessee shall pay to Lessor an amount equal to the Selling Costs incurred in connection with Lessor's efforts to sell the Items of Equipment and all other amounts of Supplemental Rent then due to Lessor from Lessee and unpaid. If all of the Items of Equipment have not been sold and Lessee has not exercised its option to purchase all of the Items of Equipment pursuant to this Section 19 on or before the 180th day following the Lease Expiry Date, the provisions of this Section 19 shall continue to apply until such sale or option exercise, but Lessee shall pay Lessor on demand an amount equal to the Selling Costs incurred from time to time and all other amounts of Supplemental Rent due to Lessor from Lessee and unpaid from time to time. Upon the exercise by Lessee of its option to purchase all of the Items of Equipment pursuant to this Section 19, Lessee shall pay to Lessor all amounts of Supplemental Rent then due to Lessor from Lessee and unpaid. The respective rights and obligations of Lessor and Lessee provided for under this Section 19 shall survive the termination of this Lease.

Section 20. General Indemnification and Waiver of Certain Claims

(a) Claims Defined. "Claims" shall mean any and all liabilities, losses, damages, penalties, costs, actions or suits which may be imposed on, incurred by, suffered by, or asserted against an Indemnified Person and, except as otherwise expressly provided in this Section 20, shall include all reasonable costs, disbursements and expenses (including legal fees and expenses) of an Indemnified Person in connection therewith or related thereto.

(b) Indemnified Person Defined. "Indemnified Person" means Lessor and each Kumiai-in and each of their respective Affiliates, directors, officers, employees, servants, agents, successors and permitted assigns; provided, that such Persons shall, to the extent they are not signatories to this Agreement, have expressly agreed in writing to be bound by the terms of this Section 20; and provided further, that where any Kumiai-in is an Indemnified Person hereunder, all rights of such Kumiai-in as an Indemnified Person (including, without limitation, the right to receive any indemnity payment hereunder) may be exercised by Lessor to the extent legally permissible.

(c) Claims Indemnified. Subject to the exclusions stated in subsection (d) below, Lessee agrees to indemnify, defend and hold harmless each Indemnified Person against Claims resulting from, relating to or arising out of:

(i) the operation, possession, use, non-use, maintenance, storage, improvement, replacement, overhaul or testing of any Item of Equipment or any Part thereof by Lessee, any sublessee or any other Person whatsoever, whether or not such operation, possession, use, non-use, maintenance, storage, improvement, replacement, overhaul or testing is in compliance with the terms of this Lease, including, without limitation, Claims for death, personal injury or property damage or other loss or harm to any Person whatsoever, including, without limitation, any passengers, shippers or other Persons wherever located, Claims relating to any laws, rules or regulations, including, without limitation, environmental control, noise and pollution laws, rules or regulations, and Claims relating to interruption of service, loss of business or profits or consequential damages arising out of defects or deficiencies in any Item of Equipment or the operation, use, maintenance, storage, improvement, replacement, overhaul, testing, manufacture, design, delivery, condition, repair, modification, servicing, rebuilding, performance, and fitness for use thereof;

(ii) the manufacture, design, sale, purchase, acceptance, rejection, delivery, condition, repair, modification, servicing, rebuilding, performance, non-delivery, sublease, merchantability, workmanship, fitness for use, substitution or replacement under the Lease, or other transfer of use or possession of, any Item of Equipment or Part, including, without limitation, latent and other defects, whether or not discoverable, and patent, trademark or copyright infringement; and

(iii) any breach of or failure to perform or observe, or any other non-compliance with, any covenant or agreement to be performed, or other obligation of Lessee under any of the Operative Documents, or the falsity or inaccuracy of any representation or warranty of Lessee in any of the Operative Documents.

(d) Claims Excluded. The following are excluded from Lessee's agreement to indemnify under this Section 20:

(i) any Claim attributable to (x) if an Item of Equipment is returned on the Lease Expiry Date, acts or events occurring after the expiration of the Term and the Initial Storage Period, if any, (y) if an Item of Equipment is returned at a later date pursuant to this Lease, acts or events occurring after such return and the expiration of the Initial Storage Period, if any, or (z) if an Item of Equipment is stored after the Initial Storage Period pursuant to Section 5(e), acts or events occurring with respect to such Item of Equipment during such period of storage after the Initial Storage Period;

(ii) any Claim which is a Tax or a loss of Tax benefits, whether or not Lessee is required to indemnify therefor under Section 11 or 11A of the Participation Agreement;

(iii) with respect to any particular Indemnified Person, any Claim attributable to the gross negligence or willful misconduct of such Indemnified Person;

(iv) with respect to any particular Indemnified Person, any Claim described solely in clause (iii) of Section 20(c) which is attributable to the noncompliance with any of the terms of, or any misrepresentation contained in, this Lease or any other Operative Document or any agreement relating hereto or thereto, by such Indemnified Person or if the Lessor is the Indemnified Person, by the Lessor or any Kumiai-in; and

(v) with respect to any particular Indemnified Person, any Claim for injury or damage to the person or property of such Indemnified Person, which Claim arises out of or in connection with the negligence of such Indemnified Person while inspecting an Item of Equipment pursuant to Section 5(c) or 12.

(e) Insured Claims. In the case of any Claim indemnified by Lessee hereunder which is covered by a policy of insurance maintained by Lessee pursuant to Section 11, each Indemnified Person agrees to cooperate with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim.

(f) Claims Procedure. An Indemnified Person shall promptly notify Lessee of any Claim as to which indemnification is sought. Subject to the rights of insurers under policies of insurance maintained pursuant to Section 11, Lessee shall have the right to investigate, and the right in its sole discretion to defend or compromise, any Claim for which indemnification is sought under this Section 20, and the Indemnified Person shall cooperate with all reasonable requests of Lessee in connection therewith; provided, that at the time of such request no Event of Default shall have occurred and be continuing. Where Lessee or the insurers under a policy of insurance maintained by Lessee undertake the defense of an Indemnified Person with respect to a Claim, no additional legal fees or expenses of such Indemnified Person in connection with the defense of such Claim shall be indemnified hereunder unless such fees or expenses were incurred at the request of Lessee or such insurers. Subject to the requirements of any policy of insurance, an Indemnified Person may participate at its own expense in any judicial proceeding controlled by Lessee pursuant to the preceding provisions; provided, that such party's participation does not, in the opinion of the independent counsel appointed by Lessee or its insurers to conduct such proceedings, interfere with such control; and such participation shall not constitute a waiver of the indemnification provided in this Section 20. Nothing contained in this Section 20(f) shall be deemed to require an Indemnified Person to contest any Claim or to assume responsibility for or control of any judicial proceeding with respect thereto.

(g) Subrogation. To the extent that a Claim indemnified by Lessee under this Section 20 is in fact paid in full by Lessee or an insurer, or both, under a policy of insurance maintained by Lessee pursuant to Section 11, Lessee or such insurer, or both, as the case may be shall be subrogated to the rights and remedies of the Indemnified Person on whose behalf such Claim was paid with respect to the transaction or event giving rise to such Claim. Should an Indemnified Person receive any refund, in whole or in part, with respect to any Claim paid by Lessee hereunder, it shall promptly pay the amount refunded (but not an amount in excess of the amount Lessee has paid in respect of such Claim) over to Lessee.

(h) Indemnification on After-Tax Basis. In the event Lessee is required to indemnify any Indemnified Person under this Section 20, Lessee shall pay to such Indemnified Person an amount which, after deduction of all taxes required to be paid by such Indemnified Person in respect of the receipt of such amount under the applicable laws of any

taxing jurisdiction (after giving credit for any saving in respect of any such taxes by reason of deductions, credits or allowances related to the payment of the Claim indemnified against and of any other such taxes), shall be equal to the amount of the indemnification required. All computations for the purposes of this Section 20(h) shall be based on tax rates in effect on the date the indemnification payment is included in the income of the Indemnified Person.

(i) Waiver of Certain Claims. Lessee hereby waives and releases any Claim now or hereafter existing against any Indemnified Person arising out of death or personal injury to personnel of Lessee, loss or damage to property of Lessee, or the loss of use of any property of Lessee, which may result from or arise out of the condition or use or operation by any Person (other than use or operation by Lessor or its agents in contravention by Lessor or its agents of the provisions of Section 12 or 15(a)) of any Item of Equipment during the Term and the Initial Storage Period, if any, including without limitation, any latent or patent defect whether or not discoverable.

(j) Conflicting Provisions. The general indemnification provisions of this Section 20 are not intended to waive or supersede any specific provisions of this Lease, the Participation Agreement or any other Operative Document concerning the responsibility of any of the parties hereto or thereto for any Claims.

Section 21. Defeasance and Release of Certain Payment Obligations

(a) In order to better assure Lessor of the full and prompt payment of all payments of Basic Rent, Basic Termination Payments and Casualty Value Termination Payments and the payment of the Purchase Price or the Deficiency Payment, as the case may be, payable under Section 19, Lessee shall cause a bank guarantee, letter of credit, or other credit support, acceptable to Lessor and covering such payments, to be issued in favor of Lessor by a Permitted Obligor or by a bank or other financial institution otherwise acceptable to Lessor. In lieu of the bank guarantee, letter of credit or other credit support device as provided herein, Lessee may at any time satisfy the requirements of this Section 21(a) by causing to be delivered or delivering Confirmations in the forms of Exhibits F-1 and F-2 to the Participation Agreement as described in Section 21(b) below.

(b) In the event that at any time a validly executed Confirmation in the form and content of Exhibit F-1 to the Participation Agreement in the case of the U.S. Dollar portion of the payments referred to in clauses (i), (ii),

(iii) and (iv) of this sentence or in the form and content of Exhibit F-2 to the Participation Agreement in the case of the Yen portion of the payments referred to in clauses (i), (ii), (iii) and (iv) of this sentence, from a Permitted Obligor is delivered to Lessor by such Permitted Obligor or by Lessee, Lessee shall, without further act, be released and discharged, and Lessor hereby releases and discharges Lessee, from all obligations, agreements and liabilities with respect to the U.S. Dollar portion in the case of the Confirmation in the form of Exhibit F-1, or the Yen portion in the case of the Confirmation in the form of Exhibit F-2, of any and all (i) payments of Basic Rent under Section 3(b), (ii) Basic Termination Payments under Sections 9 and 15, (iii) Casualty Value Termination Payments under Section 10 and (iv) payment of the Purchase Price or Deficiency Payment, as the case may be, payable under Section 19 (any such payment in respect of which a Confirmation shall have been delivered being referred to as a "Defeased Payment"), and thereafter no failure of Lessee, the Permitted Obligor or any other Person to make a Defeased Payment shall constitute an Event of Default under Section 14. The delivery of such a Confirmation in the form and content of Exhibit F-1 by a Permitted Obligor or Lessee shall constitute provision for payment of the U.S. Dollar portion of, and the delivery of such a Confirmation in the form and content of Exhibit F-2 by a Permitted Obligor or Lessee shall constitute provision for payment of the Yen portion of, all Basic Rent as contemplated by Section 3(b), Basic Termination Payments as contemplated by Sections 9 and 15, Casualty Value Termination Payments as contemplated by Section 10 and the Purchase Price or Deficiency Payment as contemplated by Section 19. The release and discharge contemplated by this Section 21(b) upon the delivery of a Confirmation shall be complete, unconditional and irrevocable legal defeasance and discharge of the Defeased Payments, and neither Lessee nor any of its properties or assets (including its interest in the Items of Equipment under the Lease or any insurance proceeds received under Section 11) shall in any way be liable for the payment of the Defeased Payments, whether or not Lessor receives payment of any Defeased Payments and irrespective of any event or circumstance, including, without limitation, the bankruptcy or insolvency of Lessee or the Permitted Obligor delivering any such Confirmation. Immediately upon such delivery, Lessor shall be deemed, without further act, to have accepted the obligations of the Permitted Obligor set forth in such Confirmation. Lessor shall look solely to the Permitted Obligor delivering such Confirmation for payment of such Defeased Payments or satisfaction of any claims, obligations and liabilities arising in respect thereof. Lessor shall acknowledge receipt of and consent to a Confirmation by signing such Confirmation in the space provided therefor and shall deliver a signed copy of such

acknowledgment and consent to Lessee and the related Permitted Obligor. A Permitted Obligor will assume only those obligations and liabilities of Lessee specifically described and contemplated under this Section 21(b) and all other obligations and liabilities and rights of Lessee hereunder shall remain the obligations, liabilities and rights of Lessee.

Section 22. Miscellaneous

(a) Monies Received by Lessor. Any monies received by Lessor in connection with the transactions contemplated hereby in excess of the amounts to which Lessor is entitled pursuant to the terms hereof or pursuant to the terms of the Participation Agreement shall immediately be paid over by Lessor to Lessee.

(b) Survival. Neither the termination of this Lease nor the transfer of any Item of Equipment to Lessee or any third party effected pursuant to Section 9, 10, 15 or 19 shall prejudice or otherwise limit the surviving rights and obligations of Lessee and Lessor hereunder or under the Participation Agreement.

(c) General. All payments referred to herein shall be denominated in the currency designated for such payment pursuant to the relevant Schedule setting forth such payment or pursuant to the relevant section of this Lease or the other Operative Documents providing for such payment. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought and otherwise as provided in Section 19 of the Participation Agreement. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease. All representations and warranties made hereunder are made as of the Delivery Date.

(d) CHOICE OF LAW. THIS LEASE HAS BEEN DELIVERED IN THE COMMONWEALTH OF PENNSYLVANIA. IT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF JAPAN, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

(e) Payment Currency. This is an international transaction in which the specification of the currency of payments is of the essence. The payments required to be made by Lessee under this Lease shall not be discharged by an amount paid in any currency other than the designated currency of such payments, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to the designated currency (as quoted in Tokyo) does not yield the amount of U.S. Dollars or Yen, as the case may be, due hereunder. In the event that any payment required to be made hereunder, whether pursuant to a judgment or otherwise, does not, when paid and converted, result in payment of the correct amount of Yen or U.S. Dollars, as the case may be, due and owing to the Person receiving such payment, such Person shall refund promptly any excess and shall have a separate cause of action for the amount of any shortfall and the payor shall pay on demand such additional amounts as may be necessary to compensate for such shortfall.

(f) Business Days. In any case where the scheduled date for any payment of Rent or any other amount due under this Lease shall not be a Business Day, then such payment need not be made on such scheduled date but shall be made on the next preceding Business Day with the same force and effect as if made on such scheduled date.

SECTION 23. JURISDICTION, SERVICE OF PROCESS AND WAIVER OF IMMUNITY

(a) EACH OF LESSOR AND LESSEE HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF EACH OF A COURT OF COMPETENT JURISDICTION IN THE COMMONWEALTH OF PENNSYLVANIA AND THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA, AND THE TOKYO DISTRICT COURT OF JAPAN AND ANY OTHER COURT OF THE COMMONWEALTH OF PENNSYLVANIA, THE UNITED STATES OR JAPAN WITH JURISDICTION TO HEAR APPEALS FROM ANY SUCH COURT, FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING OF ANY TYPE WHATSOEVER ARISING OUT OF THIS LEASE OR THE PARTICIPATION AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT OR THE SUBJECT MATTER HEREOF OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF THE ABOVE NAMED COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS LEASE, THE PARTICIPATION AGREEMENT OR THE SUBJECT MATTER HEREOF OR THEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT. LESSOR HEREBY IRREVOCABLY DESIGNATES AND APPOINTS C T CORPORATION

SYSTEM, WITH OFFICES ON THE DATE HEREOF AT 123 SOUTH BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19109 (HEREINAFTER IN THIS SECTION 23(a) CALLED THE "AGENT") TO RECEIVE SERVICE OF PROCESS IN ANY ACTION, SUIT OR PROCEEDING WITH RESPECT TO ANY MATTER AS TO WHICH IT SUBMITS TO JURISDICTION AS SET FORTH ABOVE, IT BEING AGREED THAT SERVICE UPON THE AGENT SHALL CONSTITUTE VALID SERVICE UPON LESSOR OR ITS SUCCESSORS OR ASSIGNS. LESSOR AGREES THAT (X) THE SOLE RESPONSIBILITIES OF THE AGENT SHALL BE (I) TO RECEIVE SUCH PROCESS, (II) TO SEND A COPY OF ANY SUCH PROCESS SO RECEIVED TO LESSOR, BY REGISTERED AIRMAIL, RETURN RECEIPT REQUESTED, AT THE ADDRESS FOR LESSOR SET FORTH IN SECTION 17 HEREOF, OR AT THE LAST ADDRESS FILED IN WRITING BY LESSOR WITH THE AGENT, AND (III) TO GIVE PROMPT NOTICE BY TELEGRAM, TELECOPY, TELEFAX OR TELEX OF RECEIPT THEREOF TO LESSOR AT SUCH ADDRESS, (Y) APART FROM THE RESPONSIBILITIES SET FORTH IN CLAUSE (X) ABOVE, THE AGENT SHALL HAVE NO RESPONSIBILITY FOR THE RECEIPT OR NONRECEIPT BY LESSOR OF SUCH PROCESS, OR FOR ANY PERFORMANCE OR NON-PERFORMANCE BY LESSOR, LESSEE OR ANY OTHER PERSON, AND (Z) FAILURE OF THE AGENT TO SEND A COPY OF ANY SUCH PROCESS OR OTHERWISE TO GIVE NOTICE TO LESSOR SHALL NOT AFFECT THE VALIDITY OF SUCH SERVICE OR ANY JUDGMENT IN ANY ACTION OR PROCEEDING BASED THEREON. LESSOR HEREBY AGREES TO PAY TO THE AGENT SUCH COMPENSATION AS SHALL BE AGREED UPON FROM TIME TO TIME FOR SERVICES HEREUNDER. LESSOR FURTHER AGREES AND COVENANTS THAT SO LONG AS IT RETAINS ANY RIGHT, TITLE OR INTEREST IN OR TO ANY ITEM OF EQUIPMENT, IT SHALL MAINTAIN A DULY APPOINTED AGENT FOR THE SERVICE OF SUMMONSES AND OTHER LEGAL PROCESS IN THE CITY AND COUNTY OF PHILADELPHIA. IN THE EVENT OF THE TRANSFER OF ALL OR SUBSTANTIALLY ALL THE ASSETS AND BUSINESS OF THE AGENT TO ANY OTHER CORPORATION, BY CONSOLIDATION, MERGER, SALE OF ASSETS OR OTHERWISE SUCH OTHER CORPORATION SHALL BE SUBSTITUTED HEREUNDER FOR THE AGENT WITH THE SAME EFFECT AS IF NAMED HEREIN IN PLACE OF C T CORPORATION SYSTEM. LESSEE HEREBY IRREVOCABLY DESIGNATES AND APPOINTS NISHIMURA & SANADA, TOKYO, JAPAN TO RECEIVE FOR IT AND ON ITS BEHALF FOR SERVICE OF PROCESS IN ANY PROCEEDINGS WITH RESPECT TO ANY MATTER AS TO WHICH IT SUBMITS TO JURISDICTION AS SET FORTH ABOVE, IT BEING AGREED THAT SERVICE UPON NISHIMURA & SANADA SHALL CONSTITUTE VALID SERVICE UPON LESSEE OR ITS SUCCESSORS AND ASSIGNS. LESSEE FURTHER AGREES AND COVENANTS THAT SO LONG AS IT RETAINS ANY RIGHT OR INTEREST IN AND TO THIS LEASE IN RESPECT OF THE ITEMS OF EQUIPMENT, IT SHALL MAINTAIN A DULY APPOINTED AGENT FOR THE SERVICE OF SUMMONSES OR OTHER LEGAL PROCESS IN TOKYO, JAPAN. NOTHING IN THIS SECTION 23(a) SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

(b) TO THE EXTENT THAT LESSOR, LESSEE OR ANY OF THE PROPERTY OF LESSOR AND LESSEE IS OR BECOMES ENTITLED AT ANY TIME TO ANY IMMUNITY ON THE GROUNDS OF SOVEREIGNTY OR OTHERWISE FROM ANY LEGAL ACTION, SUIT OR PROCEEDING, FROM

SET-OFF OR COUNTERCLAIM, FROM THE JURISDICTION OF ANY COMPETENT COURT, FROM SERVICE OF PROCESS, FROM ATTACHMENT PRIOR TO JUDGMENT, FROM ATTACHMENT IN AID OF EXECUTION, OR FROM EXECUTION PRIOR TO JUDGMENT, OR OTHER LEGAL PROCESS IN ANY JURISDICTION, LESSOR FOR ITSELF AND ITS PROPERTY AND LESSEE FOR ITSELF AND ITS PROPERTY DOES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, AND AGREES NOT TO PLEAD OR CLAIM, ANY SUCH IMMUNITY WITH RESPECT TO ITS OBLIGATIONS, LIABILITIES OR ANY OTHER MATTER UNDER OR ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE PARTICIPATION AGREEMENT, ANY OTHER OPERATIVE DOCUMENT OR THE SUBJECT MATTER HEREOF OR THEREOF.

Section 24. Lessor's Obligation to Deliver Bills of Sale; Lessor Events of Default

(a) Lessor's Obligation to Deliver Bills of Sale. Lessor's obligation to execute and deliver bills of sale and other documents and instruments reasonably requested by Lessee in order to evidence (on the public record or otherwise) the transfer to and vesting of all right, title and interest in and to the Items of Equipment in Lessee, upon the fulfillment of the conditions (except for conditions within Lessor's control) to any such transfer and vesting set forth in Sections 9, 10, 15 or 19, is of the essence to this transaction, and Lessee shall have the right to seek specific performance of such obligation in any appropriate court or tribunal.

(b) Lessor Events of Default. Each of the following events shall constitute a Lessor Event of Default:

(i) Lessor or NBB shall consent to the appointment of a receiver, trustee or liquidator of itself or shall make a general assignment for the benefit of creditors; or

(ii) Lessor or NBB shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization or liquidation in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessor or NBB, as the case may be, in any such proceeding, or Lessor or NBB shall, by voluntary petition, answer or consent, seek relief under the provisions of any other bankruptcy or other similar law providing for the reorganization or winding-up of corporations or for an agreement, composition, extension or adjustment with its creditors, or Lessor or NBB shall adopt a resolution of liquidation; or

(iii) An order, judgment or decree shall be entered in any proceeding before any court or agency of competent jurisdiction appointing, without the consent of Lessor or NBB, a receiver, trustee or liquidator of Lessor or NBB, and any such order, judgment or decree or appointment shall remain in force, undismissed, unstayed or unvacated, for a period of 90 days after the date of entry thereof; or

(iv) A petition against Lessor or NBB in a proceeding under applicable bankruptcy laws or other applicable insolvency laws, as now or hereafter in effect in any tribunal having jurisdiction over the Lessor or NBB, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of corporations, any court or agency of competent jurisdiction shall assume jurisdiction, custody or control of Lessor or NBB and such jurisdiction, custody or control shall remain in force, unrelinquished, unstayed or not terminated, for a period of 90 days; or

(v) Any proceeding similar to those referred to in subparagraphs (i), (ii), (iii) or (iv) above for the relief of financially distressed debtors under the laws of any jurisdiction is entered into by Lessor or NBB voluntarily.

Section 25. Counterparts. This Agreement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Agreement, including a signature page executed by each of the parties hereto, shall be an original counterpart of this Agreement, but all of such counterparts together shall constitute one instrument.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Agreement to be duly executed as of the day and year first above written.

LESSOR:

NBB PHILADELPHIA LEASE CO., LTD.

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

LESSEE:

CONSOLIDATED RAIL CORPORATION

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

STATE OF PENNSYLVANIA :

SS

COUNTY OF PHILADELPHIA :

On this, the 31st day of August, 1989, before me, a notary public, the undersigned officer, personally appeared Leonard B. Shavel, who acknowledged himself to be the Attorney-in-fact of NBB Philadelphia Lease Co., Ltd. corporation, and that he, as such Attorney-in-fact, being duly empowered and authorized to do so, executed the within instrument for the purposes therein contained, by signing his name as such Attorney-in-fact.

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

Lynn A. McDowell

Notary Public

(NOTARIAL SEAL)

My Commission Expires:

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

Member, Pennsylvania Association of Notaries

STATE OF PENNSYLVANIA :

SS

COUNTY OF PHILADELPHIA :

On this, the 31st day of August, 1989, before me, a notary public, the undersigned officer, personally appeared Thomas J. McFadden, who acknowledged himself to be the Manager-Financing of Consolidated Rail Company, a corporation, and that he, as such Manager-Financing, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Manager-Financing.

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

(NOTARIAL SEAL)

Lynn A. McDowell

Notary Public

My Commission Expires:

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

Member, Pennsylvania Association of Notaries

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

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

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

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

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

"Assignment Agreement" means the Assignment Agreement dated as of August 31, 1989 between Lessee, as assignor, and Lessor, as assignee, including the Consent and Agreement annexed thereto, as such Assignment Agreement may hereafter be amended, modified or supplemented.

"Assumption Agreement No. 1" means the Assumption Agreement No. 1, dated as of August 31, 1989, between Lessee and Financial Institution No. 1.

"Assumption Agreement No. 2" means the Assumption Agreement No. 2, dated as of August 31, 1989, between Lessee and Financial Institution No. 2.

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

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

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

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

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

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

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

"Bank Security Agreement" means the Bank Security Agreement, dated as of August 31, 1989, between Borrower and Lender, acting through its registered branch office in Tokyo, Japan, providing for the grant by Borrower of a pledge of and security interest in the Collateral in favor of the Lender.

"Basic Rent" for the Items of Equipment means the rent payable to Lessor for the Items of Equipment pursuant to Section 3(b) of the Lease in the amounts and payable on the dates set forth in Schedule A to the Lease.

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

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

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

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

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

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

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

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

"Closing Date" means the date of the Closing.

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

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

Confirmation shall have been delivered, by the Permitted Obligor under such Confirmation.

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

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

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

"Consent and Agreement" means the Consent and Agreement of the Manufacturer dated as of August 31, 1989, annexed to the Assignment Agreement, as such Consent and Agreement may hereafter be amended, modified or supplemented.

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

"Custodian Agreement" means the Custodian Agreement, dated as of August 31, 1989, among the Custodian, Lessor and Lessee.

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

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

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

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

"Dollar Account" means the account of Lessor, account no. 357758USDCURR1, with Lender.

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

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

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

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

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

"Government" means the government of the United States of America and any instrumentality, subdivision or agency thereof and the government of Canada and any

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

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

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

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

"Item of Equipment" means (i) each of the General Motors GMC-EMD SD-60 diesel electric locomotives (or an improved model of the same Manufacturer) listed by Lessee's road numbers 6843, 6844, 6845, 6846, 6847 and 6849 in the Lease Supplement executed and delivered on the Delivery Date; (ii) any Replacement Item of Equipment which may from time to time be substituted, pursuant to Section 8(a) or 10(a) of the Lease, for an Item of Equipment leased under the Lease; and (iii) any and all Parts incorporated or installed in or attached to such Item of Equipment and any and all Parts removed from such Item of Equipment so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 of the Lease after removal from the Item of Equipment. The term "Items of Equipment" also means, as of any date of determination, all Items of Equipment then leased under the Lease.

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

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

"Lease Agreement" or "Lease" means the Lease Agreement, dated as of August 31, 1989, between Lessor and

Lessee, and all annexes, supplements and exhibits thereto, all as amended, modified or supplemented from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Loan" means the loan made by Lender to Borrower pursuant to the Loan Agreement in an amount equal to U.S. $6,219,924, which sum is 79.99997% of the aggregate Lessor's Cost for all Items of Equipment, or the amount outstanding under the Loan Agreement at any time.

"Loan Agreement" means the Loan Agreement, dated as of August 31, 1989, between Borrower and Lender, and all annexes, supplements and exhibits thereto, all as amended and supplemented from time to time pursuant to the Loan Agreement and Section 19 of the Participation Agreement.

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

"Loan Payment Dates" means Lease Period Dates.

"Loan Payment Installment" means the amount of Dollars due and payable on the chronologically corresponding

Loan Payment Date, as set forth on Schedule A to the Loan Agreement.

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

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

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

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

"NBB Guaranty" means the Guaranty Agreement, dated as of August 31, 1989, between NBB and Lessee, and all annexes, supplements and exhibits thereto, all as amended, modified or supplemented from time to time.

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

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

"Participation Agreement" means the Participation Agreement, dated as of August 31, 1989, among Lessee, Lessor and Lender and all annexes, supplements and exhibits thereto, all as amended, modified or supplemented from time to time.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature that at any time of determination are incorporated or installed in or attached to an Item of Equipment or the ownership of and title to which remains

vested in Lessor in accordance with Section 8 of the Lease after removal therefrom.

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

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

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

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

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

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

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

"Rent" means Basic Rent and Supplemental Rent.

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

"Secured Obligations" means, collectively, the obligations from time to time of Borrower to Lender under and in respect of the principal of and interest on the Loan heretofore or hereafter made by it under the Loan Agreement and all other amounts from time to time due and payable by Borrower under the Bank Security Agreement or under the Loan Agreement.

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

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

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

"Specified Exchange Rate" means the exchange rate of U.S. $1.00 equals 144.3 Yen.

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

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

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

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

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

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

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

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

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

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

"Treaty" means the Convention between the United States of America and Japan for the Avoidance of Double

Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, as in effect on the Delivery Date.

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

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

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

"Yen" means lawful money of Japan.

"Yen Account" means the account of Lessor, account no. 357758JPYCURR1, with Lender.

EXHIBIT A
TO
LEASE

LEASE SUPPLEMENT NO. 1, dated August 31, 1989, between NBB PHILADELPHIA LEASE CO., LTD., a corporation formed under the laws of Japan ("Lessor") and CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation ("Lessee").

W I T N E S S E T H:

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement, dated as of August 31, 1989 (herein called the "Lease Agreement"). All capitalized terms used herein without definition shall have the meanings specified in Appendix A to the Lease. The Lease Agreement provides for the execution and delivery from time to time of Lease Supplements, each substantially in the form hereof for the purpose of leasing specific Items of Equipment under the Lease Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof.

WHEREAS, the Lease Agreement relates to the Items of Equipment described below, a counterpart of the Lease Agreement is attached hereto and made a part hereof and this Lease Supplement, together with such attachment, is being filed for recordation on the date hereof with the Interstate Commerce Commission as one document.

NOW THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under the Lease Agreement, and Lessee hereby accepts and leases from Lessor under the Lease Agreement six General Motors GMC-EMD SD-60 Diesel Electric Locomotives, bearing Lessee's road numbers 6843, 6844, 6845, 6846, 6847 and 6849.

2. The Delivery Date of the Items of Equipment is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. The Lessor's Cost for each Item of Equipment is $1,295,818 and the aggregate Lessor's Cost for all of the Items of Equipment is $7,774,908.

4. The Term for the Items of Equipment shall commence on the Delivery Date and shall end on the Lease Expiry Date.

5. Lessee hereby confirms to Lessor that the Items of Equipment shall, as soon as practicable, be duly marked in accordance with the terms of Section 7(f) of the Lease Agreement and that Lessee has accepted the Items of Equipment for all purposes hereof and of the Lease Agreement as being (i) in good working order and repair and without defect or inherent vice in title, condition, design, workmanship, operation or fitness for use whether or not discoverable by Lessee as of the date hereof, (ii) fully equipped to operate in commercial freight rail business in the United States and Canada and (iii) free and clear of all Liens except Permitted Liens; provided, however, that nothing contained herein or in the Lease Agreement shall in any way diminish or otherwise affect any right Lessee or Lessor may have with respect to the Items of Equipment against the Manufacturer, or any subcontractor or supplier of the Manufacturer, under the Purchase Agreement or otherwise.

6. Lessee hereby confirms its agreement to pay, or make provision for payment to, Lessor, in accordance with the terms of Sections 3 and 21 of the Lease Agreement, Rent for the Items of Equipment throughout the Term therefor in accordance with Sections 3 and 21 of the Lease Agreement.

7. All of the terms and provisions of the Lease Agreement are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

8. This Lease Supplement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Lease Supplement, including a signature page executed by each of the parties hereto, shall be an original counterpart of this Lease Supplement, but all of such counterparts together shall constitute one instrument.

9. THIS LEASE SUPPLEMENT HAS BEEN DELIVERED IN PHILADELPHIA, PENNSYLVANIA. IT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF JAPAN, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement to be duly executed as of the day and year first above written.

LESSOR

NBB PHILADELPHIA LEASE CO., LTD.

By: _____
Title: Attorney-in-fact

LESSEE

CONSOLIDATED RAIL CORPORATION

By: _____
Title:

EXHIBIT B
TO
LEASE

[FORM OF PAYMENT ACKNOWLEDGEMENT]

NBB PHILADELPHIA LEASE CO., LTD.
1-12-11 Nihonbashi
Chuo-Ku, Tokyo 103
Japan

Attention: General Manager

Dear Sirs:

Reference is hereby made to the Lease Agreement, dated as of August 31, 1989 (the "Lease"), between NBB Philadelphia Lease Co., Ltd., as Lessor (the "Lessor"), and Consolidated Rail Corporation, as Lessee (the "Lessee"). Capitalized terms used herein without definition have the meanings specified therefor in Appendix A to the Lease.

1. The Lessee hereby confirms, acknowledges and agrees, pursuant to Section 9(e) of the Lease, to pay, subject to paragraph 2 hereof, to Lessor on August 31, 1993 the amount of Yen equal to $_____, converted into Yen at the Specified Exchange Rate.

2. Notwithstanding the provisions of paragraph 1 hereof, if, after the date of delivery hereof, the Lessee shall deliver to the Lessor a written notice to the effect either that (a) the Lessee reasonably anticipates that it will become required by law to deduct or withhold any Taxes from any payment under paragraph 1 hereof, at a rate in excess of 10% or (b) the Lessee reasonably anticipates that it will become illegal for it to make the payment under paragraph 1 hereof, the Lessee may prepay, on the date set forth in such notice, in lieu of and in full satisfaction of its obligation to pay the amount that otherwise would have been payable under paragraph 1 hereof, an amount equal to the amount computed as provided above, discounted to such date of prepayment at the rate of 1% per annum.

Very truly yours,

CONSOLIDATED RAIL CORPORATION

By:_____
Title:

SCHEDULE 1
TO LEASE

IDENTIFICATION OF
ITEMS OF EQUIPMENT

General Motors GMC-EMD SD-60 Diesel Electric Locomotive numbered with Lessee's road numbers 6843, 6844, 6845, 6846, 6847 and 6849.

SCHEDULE A
TO
LEASE

BASIC RENT PAYMENTS

Basic Rent for each Item of Equipment shall be payable on the applicable Lease Period Date in an amount equal to the sum of (1) the amount of U.S. Dollars listed in the column of the table below entitled "U.S. Dollars" and (2) in the amount of Yen computed by converting into Yen at the Specified Exchange Rate the amount of U.S. Dollars listed in the column of the table below entitled "Yen" and set forth opposite such Lease Period Date. Lessee may make provision for the payment of such amounts by causing the delivery by a Permitted Obligor of a Confirmation in the form of Exhibit F-1 to the Participation Agreement in the case of the U.S. Dollar portion or in the form of Exhibit F-2 to the Participation Agreement in the case of the Yen portion, or both, in any case as provided in Section 21(b) of the Lease.

BASIC RENT PAYMENTS
(per Item of Equipment)

LEASE PERIOD DATE	U.S. DOLLARS	YEN

SCHEDULE A TO LEASE

BASIC RENT PAYMENTS
(per Item of Equipment)

LEASE PERIOD DATE	U.S. DOLLARS (US$)	YEN (US$)
28-Feb-90	82,162	
31-Aug-90	81,708	
28-Feb-91	81,708	
31-Aug-91	81,708	
29-Feb-92	81,708	
31-Aug-92	81,708	
28-Feb-93	81,708	
31-Aug-93	81,708	
28-Feb-94	81,708	
31-Aug-94	81,708	
28-Feb-95	81,708	
31-Aug-95	81,708	
29-Feb-96	81,708	
31-Aug-96	81,708	
28-Feb-97	81,708	
31-Aug-97	72,043	9,665
28-Feb-98	68,904	12,804
31-Aug-98	66,572	15,136
28-Feb-99	64,365	17,343
31-Aug-99	62,267	19,441
29-Feb-2000	60,265	21,443
31-Aug-2000	58,346	23,362
28-Feb-2001	56,497	25,211
31-Aug-2001	54,710	26,998
28-Feb-2002	52,973	28,735
31-Aug-2002	51,279	30,429
28-Feb-2003	49,620	32,088
31-Aug-2003	81,255	0

SCHEDULE B
TO
LEASE

BASIC TERMINATION PAYMENTS

In the event of a termination of the Lease pursuant to Section 9 or 15 thereof, the Basic Termination Payment with respect to each Item of Equipment due and payable to Lessor under Section 9 or 15, as the case may be, (x) shall be the aggregate of (1) the amount of U.S. Dollars computed with reference to the date of payment (any such date being referred to in this Schedule B as a "Termination Date") in accordance with the provisions of Paragraph A below, and (2) the amount of Yen computed with reference to the same Termination Date by converting into Yen at the Specified Exchange Rate the amount of U.S. Dollars computed in accordance with the provisions of Paragraph B below, and (y) shall be paid in a lump sum on the date set for payment thereof pursuant to Section 9 or 15, as the case may be.

A. Computation of U.S. Dollar Amounts. The portion of Basic Termination Payment payable in U.S. Dollars with respect to each Item of Equipment with reference to any Termination Date shall be an amount, computed with reference to the Monthly Dates and U.S. Dollar amounts set forth in Column A of the table below, and equal to:

(i) if the Termination Date occurs on a Monthly Date and such date is not a Lease Period Date, the amount listed in Column A1 opposite such date;

(ii) if the Termination Date occurs on a Monthly Date and such date is a Lease Period Date, the amount listed in Column A2 opposite such date (which amount is equal to the sum of (x) the amount listed in Column A1 opposite such date and (y) the portion of Basic Rent due and payable in U.S. Dollars on such Lease Period Date as set forth in Schedule A to the Lease);

(iii) if the Termination Date occurs on a date (other than a Monthly Date or a Lease Period Date) in a month the last day of which is a Lease Period Date (a "Lease Period Month"), the amount obtained by (w) subtracting the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 from the amount listed opposite the Monthly Date immediately following such Termination Date in Column A2, (x) dividing the difference computed in (w) above by the actual number of days in the month in which the Termination Date occurs, (y) multiplying the quotient

computed in (x) above by the actual number of days elapsed from (but not including) the Monthly Date immediately preceding such Termination Date to and including such Termination Date and (z) adding the product computed in (y) above to the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1; or

(iv) if the Termination Date occurs on a date other than a Monthly Date, a Lease Period Date or a date specified in clause (iii) of this Paragraph A, the amount obtained by (w) subtracting the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 from the amount listed opposite the Monthly Date immediately following such Termination Date in Column A1, (x) dividing the difference computed in (w) above by the number of days in the month in which the Termination Date occurs, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from (but not including) the Monthly Date immediately preceding the Termination Date to and including the Termination Date and (z) adding the product computed in (y) above to the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1.

B. Computation of Yen Amounts: The portion of Basic Termination Payment payable in Yen with respect to each Item of Equipment with reference to any Termination Date shall be an amount, computed with reference to the Monthly Dates and U.S. Dollar amounts set forth in Column B of the table below and converted to Yen at the Specified Exchange Rate, equal to:

(i) if the Termination Date occurs on a Monthly Date, the amount listed in Column B1 opposite such date;

(ii) if the Termination Date occurs on a date (other than a Monthly Date) in a Lease Period Month or September of any year to and including September 1996, the amount obtained by (w) subtracting the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column B1 from the amount listed opposite the Monthly Date immediately following such Termination Date in Column B2, (x) dividing the difference computed in (w) above by the number of days in the month in which the Termination Date occurs, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from (but not including) the Monthly Date immediately preceding such Termination Date to and including such

Termination Date, and (z) adding the product computed in (y) above to the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column B1; or

(iii) if the Termination Date occurs on a date other than a Monthly Date or a date specified in clause (ii) of this Paragraph B, the amount obtained by (w) subtracting the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column B1 from the amount listed opposite the Monthly Date immediately following such Termination Date in Column B1, (x) dividing the difference computed in (w) above by the number of days in the month in which the Termination Date occurs, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from (but not including) the Monthly Date immediately preceding the Termination Date to and including the Termination Date and (z) adding the product computed in (y) above to the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column B1. Lessee may make provision for the payment of such amounts by causing the delivery by a Permitted Obligor of a Confirmation in the form of Exhibit F-1 to the Participation Agreement in the case of the U.S. Dollar portion or in the form of Exhibit F-2 to the Participation Agreement in the case of the Yen portion, or both, as may be necessary, in any case as provided in Section 21(b) of the Lease.

SCHEDULE B TO LEASE

BASIC TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A U.S. DOLLAR AMOUNT (US$)		COLUMN B YEN AMOUNT (US$)	
	A1	A2	B1	B2
30-Sep-89	1,047,021	-	184,731	-
31-Oct-89	1,057,387	-	185,085	-
30-Nov-89	1,067,754	-	185,438	-
31-Dec-89	1,078,120	-	185,792	-
31-Jan-90	1,088,487	-	186,145	-
28-Feb-90	1,016,691	1,098,853	186,498	186,498
31-Mar-90	1,026,858	-	186,856	-
30-Apr-90	1,037,025	-	187,213	-
31-May-90	1,047,192	-	187,571	-
30-Jun-90	1,057,359	-	187,928	-
31-Jul-90	1,067,526	-	188,286	-
31-Aug-90	995,984	1,077,692	190,129	188,643
30-Sep-90	1,005,944	-	190,619	-
31-Oct-90	1,015,904	-	191,109	-
30-Nov-90	1,025,864	-	191,600	-
31-Dec-90	1,035,823	-	192,090	-
31-Jan-91	1,045,783	-	192,581	-
28-Feb-91	974,035	1,055,743	193,071	193,071
31-Mar-91	983,775	-	193,569	-
30-Apr-91	993,516	-	194,067	-
31-May-91	1,003,256	-	194,565	-
30-Jun-91	1,012,996	-	195,063	-
31-Jul-91	1,022,737	-	195,561	-
31-Aug-91	950,769	1,032,477	196,059	196,059
30-Sep-91	960,277	-	196,564	-
31-Oct-91	969,784	-	197,070	-
30-Nov-91	979,292	-	197,576	-
31-Dec-91	988,800	-	198,081	-
31-Jan-92	998,307	-	198,587	-
29-Feb-92	926,107	1,007,815	199,093	199,093
31-Mar-92	935,368	-	199,606	-
30-Apr-92	944,629	-	200,120	-
31-May-92	953,890	-	200,633	-
30-Jun-92	963,151	-	201,147	-
31-Jul-92	972,412	-	201,660	-
31-Aug-92	899,965	981,673	208,588	202,174
30-Sep-92	908,965	-	209,310	-
31-Oct-92	917,964	-	210,032	-
30-Nov-92	926,964	-	210,755	-
31-Dec-92	935,964	-	211,477	-
31-Jan-93	944,963	-	212,199	-
28-Feb-93	872,255	953,963	212,921	212,921

SCHEDULE B TO LEASE

BASIC TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A U.S. DOLLAR AMOUNT (US$)		COLUMN B YEN AMOUNT (US$)	
	A1	A2	B1	B2
31-Mar-93	880,978	-	213,659	-
30-Apr-93	889,700	-	214,396	-
31-May-93	898,423	-	215,133	-
30-Jun-93	907,145	-	215,870	-
31-Jul-93	915,868	-	216,608	-
31-Aug-93	842,882	924,590	217,345	217,345
30-Sep-93	851,311	-	218,097	-
31-Oct-93	859,740	-	218,850	-
30-Nov-93	868,168	-	219,603	-
31-Dec-93	876,597	-	220,355	-
31-Jan-94	885,026	-	221,108	-
28-Feb-94	811,747	893,455	221,860	221,860
31-Mar-94	819,864	-	222,628	-
30-Apr-94	827,982	-	223,397	-
31-May-94	836,099	-	224,165	-
30-Jun-94	844,217	-	224,933	-
31-Jul-94	852,334	-	225,701	-
31-Aug-94	778,744	860,452	226,469	226,469
30-Sep-94	786,531	-	227,253	-
31-Oct-94	794,319	-	228,038	-
30-Nov-94	802,106	-	228,822	-
31-Dec-94	809,894	-	229,606	-
31-Jan-95	817,681	-	230,390	-
28-Feb-95	743,761	825,469	231,174	231,174
31-Mar-95	751,199	-	231,975	-
30-Apr-95	758,636	-	232,775	-
31-May-95	766,074	-	233,576	-
30-Jun-95	773,511	-	234,376	-
31-Jul-95	780,949	-	235,176	-
31-Aug-95	706,679	788,387	235,977	235,977
30-Sep-95	713,746	-	236,794	-
31-Oct-95	720,813	-	237,611	-
30-Nov-95	727,879	-	238,428	-
31-Dec-95	734,946	-	239,245	-
31-Jan-96	742,013	-	240,062	-
29-Feb-96	667,372	749,080	240,879	240,879
31-Mar-96	674,046	-	241,713	-
30-Apr-96	680,719	-	242,547	-
31-May-96	687,393	-	243,381	-
30-Jun-96	694,067	-	244,215	-
31-Jul-96	700,741	-	245,050	-
31-Aug-96	625,706	707,414	245,884	245,884

SCHEDULE B TO LEASE

BASIC TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A U.S. DOLLAR AMOUNT (US$)		COLUMN B YEN AMOUNT (US$)	
	A1	A2	B1	B2
30-Sep-96	631,963	-	246,735	-
31-Oct-96	638,220	-	247,586	-
30-Nov-96	644,477	-	248,438	-
31-Dec-96	650,734	-	249,289	-
31-Jan-97	656,991	-	250,140	-
28-Feb-97	581,540	663,248	250,992	250,992
31-Mar-97	587,355	-	251,861	-
30-Apr-97	593,171	-	252,730	-
31-May-97	598,986	-	253,599	-
30-Jun-97	604,802	-	254,468	-
31-Jul-97	610,617	-	255,337	-
31-Aug-97	544,389	616,432	247,124	256,206
30-Sep-97	549,833	-	247,980	-
31-Oct-97	555,277	-	248,835	-
30-Nov-97	560,721	-	249,691	-
31-Dec-97	566,165	-	250,547	-
31-Jan-98	571,608	-	251,402	-
28-Feb-98	508,148	577,052	240,272	252,258
31-Mar-98	513,229	-	241,104	-
30-Apr-98	518,311	-	241,936	-
31-May-98	523,392	-	242,768	-
30-Jun-98	528,474	-	243,600	-
31-Jul-98	533,555	-	244,432	-
31-Aug-98	472,065	538,637	231,151	245,264
30-Sep-98	476,786	-	231,951	-
31-Oct-98	481,506	-	232,752	-
30-Nov-98	486,227	-	233,552	-
31-Dec-98	490,948	-	234,352	-
31-Jan-99	495,668	-	235,153	-
28-Feb-99	436,024	500,389	219,845	235,953
31-Mar-99	440,384	-	220,606	-
30-Apr-99	444,744	-	221,367	-
31-May-99	449,105	-	222,128	-
30-Jun-99	453,465	-	222,889	-
31-Jul-99	457,825	-	223,651	-
31-Aug-99	399,918	462,185	206,425	224,412
30-Sep-99	403,917	-	207,139	-
31-Oct-99	407,916	-	207,854	-
30-Nov-99	411,916	-	208,569	-
31-Dec-99	415,915	-	209,284	-
31-Jan-2000	419,914	-	209,998	-
29-Feb-2000	363,648	423,913	190,951	210,713

SCHEDULE B TO LEASE

BASIC TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A U.S. DOLLAR AMOUNT (US$)		COLUMN B YEN AMOUNT (US$)	
	A1	A2	B1	B2
31-Mar-2000	367,284	-	191,612	-
30-Apr-2000	370,921	-	192,273	-
31-May-2000	374,557	-	192,934	-
30-Jun-2000	378,194	-	193,595	-
31-Jul-2000	381,830	-	194,257	-
31-Aug-2000	327,121	385,467	173,470	194,918
30-Sep-2000	330,392	-	174,071	-
31-Oct-2000	333,663	-	174,672	-
30-Nov-2000	336,935	-	175,272	-
31-Dec-2000	340,206	-	175,873	-
31-Jan-2001	343,477	-	176,474	-
28-Feb-2001	290,251	346,748	154,019	177,074
31-Mar-2001	293,154	-	154,552	-
30-Apr-2001	296,056	-	155,086	-
31-May-2001	298,959	-	155,619	-
30-Jun-2001	301,861	-	156,152	-
31-Jul-2001	304,764	-	156,685	-
31-Aug-2001	252,956	307,666	132,625	157,219
30-Sep-2001	255,486	-	133,084	-
31-Oct-2001	258,015	-	133,544	-
30-Nov-2001	260,545	-	134,003	-
31-Dec-2001	263,074	-	134,462	-
31-Jan-2002	265,604	-	134,921	-
28-Feb-2002	215,160	268,133	120,460	135,380
31-Mar-2002	217,312	-	120,957	-
30-Apr-2002	219,463	-	121,454	-
31-May-2002	221,615	-	121,950	-
30-Jun-2002	223,766	-	122,447	-
31-Jul-2002	225,918	-	122,944	-
31-Aug-2002	176,791	228,070	93,012	123,441
30-Sep-2002	178,559	-	93,396	-
31-Oct-2002	180,327	-	93,779	-
30-Nov-2002	182,095	-	94,163	-
31-Dec-2002	183,863	-	94,547	-
31-Jan-2003	185,631	-	94,930	-
28-Feb-2003	137,778	187,398	63,226	95,314
31-Mar-2003	139,156	-	63,487	-
30-Apr-2003	140,534	-	63,748	-
31-May-2003	141,911	-	64,009	-
30-Jun-2003	143,289	-	64,269	-
31-Jul-2003	144,667	-	64,530	-
31-Aug-2003	64,790	146,045	64,791	64,791

SCHEDULE C
TO
LEASE

CASUALTY VALUE TERMINATION PAYMENTS

In the event of the occurrence of an Event of Loss with respect to an Item of Equipment and the exercise by Lessee of its option under Section 10(a)(ii) of the Lease with respect to such Item of Equipment, Lessee shall pay to Lessor an amount of U.S. Dollars and Yen, payable in a lump sum on the payment date provided for under Section 10(a) (ii) of the Lease, equal to the Basic Termination Payment in U.S. Dollars and Yen computed with reference to such payment date pursuant to the provisions of Schedule B to the Lease. Lessee may make provision for the payment of the U.S. Dollar portion or the Yen portion, or both, of such amounts by causing the delivery by a Permitted Obligor of a Confirmation in the form of Exhibit F-1 to the Participation Agreement in the case of the U.S. Dollar portion or in the form of Exhibit F-2 to the Participation Agreement in the case of the Yen portion, or both, as may be necessary, in any case as provided in Section 21(b) of the Lease.

SCHEDULE D
TO
LEASE

SPECIAL TERMINATION PAYMENTS

The Special Termination Payment to be made by Lessee pursuant to Section 9, 10 or 15 of the Lease shall be payable to Lessor in respect of the loss or recapture of benefits which would otherwise have been available to Lessor under the laws of Japan. Because of the difficulty in estimating the value to Lessor of such benefits and because Lessor and Lessee desire to liquidate the amounts due and payable as the Special Termination Payment, Lessor and Lessee hereby agree that the Special Termination Payment to be paid by Lessee with respect to each Item of Equipment (x) shall be the amount of Yen derived by computing the amounts, denominated in U.S. Dollars, in accordance with the provisions set forth below and converting such amounts into Yen at the Specified Exchange Rate, and (y) shall be paid in a lump sum on the date set for payment thereof pursuant to Section 9, 10 or 15 as the case may be. For the purposes of this Schedule D:

(a) any termination effected pursuant to Section 9(a), 9(b), 9(c) (where the illegality arises under the laws of a jurisdiction other than Japan), 10 or 15 shall be referred to as a "Column A Termination";

(b) any termination effected pursuant to Section 9(c) (where the illegality arises under the laws of Japan) or 9(d)(i), 9(d)(ii) or 9(d)(iii) shall be referred to as a "Column B Termination";

(c) any termination effected pursuant to Section 9(d)(iv) shall be referred to as a "Column C Termination".

Calculation of Special Termination Payment. In the event of a termination of the Lease pursuant to Section 9 or 15 with respect to all of the Items of Equipment or a termination of the Lease with respect to one or more Items of Equipment pursuant to Section 10, the Special Termination Payment with respect to each such Item of Equipment due and payable to Lessor as of the relevant Termination Date, shall be an amount, computed with reference to the Monthly Dates and Yen amounts (calculated by converting the U.S. Dollar amounts listed below into Yen at the Specified Exchange Rate) set forth with respect to a Column A Termination, in Column A of the table below, or with respect to a Column B Termination, in Column B of the table below, and equal to:

(i) if the Termination Date occurs on a Monthly Date, the amount listed opposite such date in Column A1 in the case of a Column A Termination

or Column B1 in the case of a Column B Termination; or

(ii) if the Termination Date occurs on a date (other than a Monthly Date) in a month the last day of which is a Lease Period Date (a "Lease Period Month") the amount obtained by (w) subtracting the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 in the case of a Column A Termination or Column B1 in the case of a Column B Termination from the amount listed opposite the Monthly Date immediately following such Termination Date in Column A2 in the case of a Column A Termination or Column B2 in the case of a Column B Termination, (x) dividing the difference computed in (w) above by the number of days in the month in which the Termination Date occurs, (y) multiplying the quotient computed in (x) above by the actual number of days elapsed from (but not including) the Monthly Date immediately preceding such Termination Date to and including such Termination Date, and (z) adding the product computed in (y) above to the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 in the case of a Column A Termination or Column B1 in the case of a Column B Termination; or

(iii) if the Termination Date occurs on a date other than a Monthly Date or a date specified in clause (ii) above or clause (iv) below the amount obtained by (w) subtracting the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 in the case of a Column A Termination or Column B1 in the case of a Column B Termination from the amount listed opposite the Monthly Date immediately following such Termination Date in Column A1 in the case of a Column A Termination or Column B1 in the case of a Column B Termination, (x) dividing the difference computed in (w) above (whether a positive or negative number) by the number of days in the month in which the Termination Date occurs, (y) multiplying the quotient computed in (x) above (whether a positive or negative number) by the actual number of days elapsed from (but not including) the Monthly Date immediately preceding such Termination Date to and including such Termination Date, and (z) adding the product computed in (y) above (whether a positive or negative number) to the amount listed opposite the Monthly Date immediately preceding such Termination Date in Column A1 in the case of a Column A

Termination or Column B1 in the case of a Column B Termination;

(iv) if the Termination Date occurs in a month following a Lease Period Date and the amount listed opposite the Monthly Date immediately following such Termination Date in Column A1 in the case of a Column A Termination or Column B1 in the case of a Column B Termination is less than the amount listed opposite the Monthly Date immediately preceding the Termination Date in Column A1 in the case of a Column A Termination or Column B1 in the case of a Column B Termination, the amount determined by Lessor and accepted by Lessee that would reflect (after interpolation in the same manner as provided in clause (iii) above) that the vesting of certain tax benefits reflected in the amount listed opposite the Monthly Date immediately following the Termination Date occurred at the beginning of such month rather than on such immediately following Monthly Date; or

(v) in all cases of a Column C Termination the Special Termination Payment will be zero.

SCHEDULE D TO LEASE

SPECIAL TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A TERMINATION A1 (US$)	COLUMN A TERMINATION A2 (US$)	COLUMN B TERMINATION B1 (US$)	COLUMN B TERMINATION B2 (US$)
30-Sep-89	115,356	-	106,243	-
31-Oct-89	117,697	-	106,035	-
30-Nov-89	119,915	-	105,828	-
31-Dec-89	122,153	-	105,621	-
31-Jan-90	124,414	-	105,415	-
28-Feb-90	126,695	126,695	105,210	105,210
31-Mar-90	121,139	-	105,000	-
30-Apr-90	122,890	-	104,791	-
31-May-90	124,445	-	104,583	-
30-Jun-90	126,014	-	104,375	-
31-Jul-90	127,596	-	104,168	-
31-Aug-90	127,706	129,192	102,430	103,961
30-Sep-90	125,709	-	102,088	-
31-Oct-90	127,470	-	101,746	-
30-Nov-90	128,994	-	101,406	-
31-Dec-90	130,533	-	101,066	-
31-Jan-91	132,087	-	100,727	-
28-Feb-91	133,656	133,656	100,388	100,388
31-Mar-91	115,060	-	100,042	-
30-Apr-91	116,215	-	99,697	-
31-May-91	117,238	-	99,353	-
30-Jun-91	118,270	-	99,010	-
31-Jul-91	119,312	-	98,667	-
31-Aug-91	120,364	120,364	98,325	98,325
30-Sep-91	117,020	-	97,976	-
31-Oct-91	118,051	-	97,627	-
30-Nov-91	118,970	-	97,279	-
31-Dec-91	119,898	-	96,932	-
31-Jan-92	120,833	-	96,586	-
29-Feb-92	121,777	121,777	96,241	96,241
31-Mar-92	117,663	-	95,887	-
30-Apr-92	118,584	-	95,535	-
31-May-92	119,411	-	95,183	-
30-Jun-92	120,245	-	94,833	-
31-Jul-92	121,087	-	94,483	-
31-Aug-92	115,523	121,937	87,655	94,134
30-Sep-92	110,564	-	87,101	-
31-Oct-92	111,188	-	86,548	-
30-Nov-92	111,732	-	85,997	-
31-Dec-92	112,284	-	85,446	-
31-Jan-93	112,843	-	84,897	-
28-Feb-93	113,409	113,409	84,349	84,349

SCHEDULE D TO LEASE

SPECIAL TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A TERMINATION A1 (US$)	COLUMN A TERMINATION A2 (US$)	COLUMN B TERMINATION B1 (US$)	COLUMN B TERMINATION B2 (US$)
31-Mar-93	107,916	-	83,786	-
30-Apr-93	108,448	-	83,224	-
31-May-93	108,916	-	82,664	-
30-Jun-93	109,390	-	82,104	-
31-Jul-93	109,870	-	81,546	-
31-Aug-93	110,358	110,358	80,990	80,990
30-Sep-93	104,440	-	81,120	-
31-Oct-93	104,891	-	81,250	-
30-Nov-93	105,292	-	81,380	-
31-Dec-93	105,700	-	81,510	-
31-Jan-94	106,113	-	81,640	-
28-Feb-94	106,533	106,533	81,770	81,770
31-Mar-94	100,288	-	81,900	-
30-Apr-94	100,669	-	82,030	-
31-May-94	101,015	-	82,160	-
30-Jun-94	101,366	-	82,290	-
31-Jul-94	101,723	-	82,420	-
31-Aug-94	102,086	102,086	82,550	82,550
30-Sep-94	95,607	-	82,680	-
31-Oct-94	95,929	-	82,810	-
30-Nov-94	96,252	-	82,940	-
31-Dec-94	96,581	-	83,070	-
31-Jan-95	96,915	-	83,200	-
28-Feb-95	97,255	97,255	83,330	83,330
31-Mar-95	90,650	-	83,460	-
30-Apr-95	90,950	-	83,590	-
31-May-95	91,255	-	83,720	-
30-Jun-95	91,567	-	83,850	-
31-Jul-95	91,885	-	83,980	-
31-Aug-95	92,207	92,207	84,110	84,110
30-Sep-95	85,552	-	84,240	-
31-Oct-95	85,834	-	84,370	-
30-Nov-95	86,122	-	84,500	-
31-Dec-95	86,416	-	84,630	-
31-Jan-96	86,716	-	84,759	-
29-Feb-96	87,021	87,021	84,889	84,889
31-Mar-96	80,381	-	80,381	-
30-Apr-96	80,645	-	80,645	-
31-May-96	80,916	-	80,916	-
30-Jun-96	81,191	-	81,191	-
31-Jul-96	81,472	-	81,472	-
31-Aug-96	81,760	81,760	81,760	81,760

SCHEDULE D TO LEASE

SPECIAL TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A TERMINATION A1 (US$)	COLUMN A TERMINATION A2 (US$)	COLUMN B TERMINATION B1 (US$)	COLUMN B TERMINATION B2 (US$)
30-Sep-96	75,196	-	75,196	-
31-Oct-96	75,443	-	75,443	-
30-Nov-96	75,694	-	75,694	-
31-Dec-96	75,953	-	75,953	-
31-Jan-97	76,217	-	76,217	-
28-Feb-97	76,486	76,486	76,486	76,486
31-Mar-97	70,057	-	70,057	-
30-Apr-97	70,286	-	70,286	-
31-May-97	70,520	-	70,520	-
30-Jun-97	70,761	-	70,761	-
31-Jul-97	71,007	-	71,007	-
31-Aug-97	70,676	71,259	70,676	71,259
30-Sep-97	64,437	-	64,437	-
31-Oct-97	64,647	-	64,647	-
30-Nov-97	64,862	-	64,862	-
31-Dec-97	65,083	-	65,083	-
31-Jan-98	65,310	-	65,310	-
28-Feb-98	64,723	65,541	64,723	65,541
31-Mar-98	58,725	-	58,725	-
30-Apr-98	58,915	-	58,915	-
31-May-98	59,111	-	59,111	-
30-Jun-98	59,312	-	59,312	-
31-Jul-98	59,519	-	59,519	-
31-Aug-98	58,707	59,730	58,707	59,730
30-Sep-98	52,997	-	52,997	-
31-Oct-98	53,168	-	53,168	-
30-Nov-98	53,345	-	53,345	-
31-Dec-98	53,527	-	53,527	-
31-Jan-99	53,713	-	53,713	-
28-Feb-99	52,669	53,904	52,669	53,904
31-Mar-99	47,292	-	47,292	-
30-Apr-99	47,445	-	47,445	-
31-May-99	47,603	-	47,603	-
30-Jun-99	47,765	-	47,765	-
31-Jul-99	47,931	-	47,931	-
31-Aug-99	46,648	48,102	46,648	48,102
30-Sep-99	41,647	-	41,647	-
31-Oct-99	41,781	-	41,781	-
30-Nov-99	41,919	-	41,919	-
31-Dec-99	42,061	-	42,061	-
31-Jan-2000	42,209	-	42,209	-
29-Feb-2000	40,678	42,359	40,678	42,359

SCHEDULE D TO LEASE

SPECIAL TERMINATION PAYMENTS
(per Item of Equipment)

MONTHLY DATES	COLUMN A TERMINATION A1 (US$)	COLUMN A TERMINATION A2 (US$)	COLUMN B TERMINATION B1 (US$)	COLUMN B TERMINATION B2 (US$)
31-Mar-2000	36,094	-	36,094	-
30-Apr-2000	36,210	-	36,210	-
31-May-2000	36,329	-	36,329	-
30-Jun-2000	36,453	-	36,453	-
31-Jul-2000	36,580	-	36,580	-
31-Aug-2000	34,796	36,710	34,796	36,710
30-Sep-2000	30,668	-	30,668	-
31-Oct-2000	30,765	-	30,765	-
30-Nov-2000	30,867	-	30,867	-
31-Dec-2000	30,971	-	30,971	-
31-Jan-2001	31,080	-	31,080	-
28-Feb-2001	29,036	31,192	29,036	31,192
31-Mar-2001	25,403	-	25,403	-
30-Apr-2001	25,482	-	25,482	-
31-May-2001	25,566	-	25,566	-
30-Jun-2001	25,653	-	25,653	-
31-Jul-2001	25,744	-	25,744	-
31-Aug-2001	23,432	25,836	23,432	25,836
30-Sep-2001	20,329	-	20,329	-
31-Oct-2001	20,393	-	20,393	-
30-Nov-2001	20,459	-	20,459	-
31-Dec-2001	20,529	-	20,529	-
31-Jan-2002	20,601	-	20,601	-
28-Feb-2002	6,862	20,677	6,862	20,677
31-Mar-2002	4,208	-	4,208	-
30-Apr-2002	4,138	-	4,138	-
31-May-2002	4,071	-	4,071	-
30-Jun-2002	4,005	-	4,005	-
31-Jul-2002	3,942	-	3,942	-
31-Aug-2002	3,880	3,880	3,880	3,880
30-Sep-2002	1,855	-	1,855	-
31-Oct-2002	1,797	-	1,797	-
30-Nov-2002	1,740	-	1,740	-
31-Dec-2002	1,684	-	1,684	-
31-Jan-2003	1,631	-	1,631	-
28-Feb-2003	1,578	1,578	1,578	1,578
31-Mar-2003	219	-	219	-
30-Apr-2003	175	-	175	-
31-May-2003	133	-	133	-
30-Jun-2003	92	-	92	-
31-Jul-2003	52	-	52	-
31-Aug-2003	0	0	0	0