CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

AND

GEC ALSTHOM TRANSPORTATION, INC.

PAYMENT IN LIEU OF TAX AGREEMENT
HORNELL FACILITIES

May 14, 1997

Affected Tax Jurisdictions:
County of Steuben
City of Hornell
Town of Hornellsville
Hornell City School District
Canisteo Central School District

PAYMENT IN LIEU OF TAX AGREEMENT
Hornell Facilities

THIS AGREEMENT, made as of the 14th day of May, 1997 (effective as of the Effective Date of the Lease Agreement (as defined below)), by and between the CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation duly existing under the laws of the State of New York with offices at 40 Main Street, Hornell, New York 14843 (the "Agency") and GEC ALSTHOM TRANSPORTATION, INC., a corporation duly organized and existing under the laws of the State of Delaware, and authorized to do business in the State of New York with offices at 4 Skyline Drive, Hawthorne, New York 10532 (the "Company").

W I T N E S S E T H :

WHEREAS, the Agency was created by Chapter 670 of the Laws of 1974 of the State of New York pursuant to Title I of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act") as a body corporate and politic and as a public benefit corporation of the State of New York; and

WHEREAS, the Company desires to lease certain real property and the improvements located thereon commonly known as Transit Drive, City of Hornell, County of Steuben, State of New York as more particularly described on Exhibit A, together with certain personal property, fixtures, and equipment located thereon as more particularly described on Exhibit B (collectively, the "Car Shop"); certain real property and the improvements located thereon in the Shawmut Industrial Park, City of Hornell, County of Steuben, State of New York, as more particularly described on Exhibit C together with certain personal property, fixtures, and equipment located thereon as more particularly described on Exhibit D (collectively, the "Motor Shop"); certain real property and the improvements located thereon located on Horton Street, City of Hornell, County of Steuben, State of New York as more particularly described on Exhibit E together with certain personal property, fixtures, and equipment located thereon as more particularly described on Exhibit F (collectively, the "Apparatus Shop"); certain real property and the improvements located thereon located on Ice House Road, Town of Hornellsville, County of Steuben, State of New York as more particularly described on Exhibit G (the "South Yard"); and the building located at Transit Drive, City of Hornell, County of Steuben, State of New York as more particularly described on Exhibit H (the "Engineering Building"). Each of the above described real property and improvements located thereon are hereinafter referred to as the "Facility"; and

WHEREAS, in order to induce the Company to lease the Facility and to make certain substantial improvements over the next five (5) years and operate the Facility as a rail car, locomotive and other manufacturing and remanufacturing facility in connection with a significant part or all of its North American operations (the "Company Commitment"), the Agency is willing to retain title to the land, improvements and personal property constituting the Facility and lease said land, improvements and personal property to the Company (the "Project") pursuant to the terms and conditions of the Lease Agreement dated on or about the date hereof (the "Lease Agreement"); and

WHEREAS, pursuant to Section 874(1) of the Act, the Agency is exempt from the payment of taxes imposed upon real property and improvements owned by it, other than special ad valorem levies, special assessments and service charges against real property which are or may be imposed for special improvements or special district improvements; and

WHEREAS, the Agency and the Company deem it necessary and proper to enter into an agreement making provisions for payments in lieu of taxes by the Company to the Agency for the benefit of the County of Steuben, City of Hornell, Town of Hornellsville, Hornell City School District, and Canisteo Central School District (collectively, the "Affected Tax Jurisdictions").

NOW, THEREFORE, in consideration of the covenants herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually agreed as follows:

Section I - Payment in lieu of Ad Valorem Taxes:

1.1 Payee. As long as the Facility is owned by the Agency, the Company agrees to pay annually to the Agency at 40 Main Street, Hornell, New York 14843 or at such other address as shall be designated from time to time by the Agency as a payment in lieu of taxes, on or before the Payment Date, the Total PILOT Payment (as said terms are defined in Schedule A).

1.2 Allocation. The Agency shall allocate the Total PILOT Payments among the Affected Tax Jurisdictions in the same proportion as normal taxes would have been allocated but for the Agency's involvement. The Agency shall remit to the Affected Tax Jurisdictions amounts received hereunder within thirty (30) days of receipt of said payment. For purposes of determining the allocation of the Total PILOT Payments among the Affected Tax Jurisdictions the tax rates for each Affected Tax Jurisdiction shall mean the last tax rate utilized for levy of taxes by each such jurisdiction. For County, Town and City, the tax rates used to determine the allocation of the Total PILOT Payment shall be the tax rates relating to the calendar year which includes the PILOT payment due date. For school district purposes, the tax rates used to determine the PILOT payment shall be the rate relating to the school year which began in the year immediately preceding the year in which the PILOT payment is due.

1.3 Valuation of Future Additions to the Facility: If there shall be a future addition to the Facility constructed or added in any manner after the date of this Agreement, the Company shall notify the Agency of such future addition ("Future Addition"). The notice to the Agency shall contain a copy of the application for a building permit, plans and specifications, and any other relevant evidence that the Agency may thereafter request. If the assessed value of the Facility increases as the result of said improvements, the Company agrees to pay an additional payment in lieu of taxes calculated as follows: For each Future Addition, the increase in Assessed Value shall be multiplied by the Future Addition Exemption Schedule attached hereto as Exhibit B, the respective equalization rate and tax rate for each of the Affected Tax Jurisdictions (to the extent the improvement is within the respective jurisdiction) shall thereafter be applied to calculate the additional PILOT payment. The Agency shall make said calculation on an annual basis and payments shall be due and payable throughout the remaining term of this Agreement commencing on the May 1 next following the date the improvement is substantially completed.

1.4 Period of Benefits. This Agreement shall expire on the date of termination of the Lease Agreement, unless sooner terminated pursuant to Section VI herein. The tax benefits provided for herein shall be deemed to commence in the first year in which the Company receives any tax benefits relative to the Facility, whether under this Agreement, another agreement, or any statutory exemption. In no event shall the Company be entitled to receive tax benefits relative to the Facility for more than the periods provided for herein. The Company agrees that it will not seek any tax exemption for the Facility which could provide benefits for more than the periods provided for herein and specifically agrees that the exemptions provided for herein, to the extent actually received (based on the number of lease years elapsed), supersede and are in substitution of the exemptions provided by Section 485-b of the New York Real Property Tax Law ("RPTL"). It is hereby agreed and understood that the Affected Tax Jurisdictions can rely upon and enforce the above waiver to the same extent as if they were signatories hereto. (eg. If after 38 months (3 lease years) the Company takes title to the Facility or the Facility otherwise is no longer qualified to receive the benefits of this Agreement, the Company would have waived and be estopped from claiming the exemption described in RPTL Section 485-b for the first three years, as described in RPTL Section 485-b(2)(a), but would not be estopped from applying for an exemption for years four through ten, as described in RPTL Section 485-b(2)(a). Taxes for the thirty seventh and thirty eighth month in this example would be calculated as if the Facility were fully taxable less any exemption granted for year four pursuant to RPTL Section 485-b.)

Section II - Special District Charges, Special Assessments and other charges.

2.1 Special district charges, special assessments, and special ad valorem levies (specifically including but not limited to fire district charges), and pure water charges and sewer charges are to be paid in full in accordance with normal billing practices.

Section III - Transfer of Facility.

3.1 In the event that the Facility is transferred from the Agency to the Company, and the Company is ineligible for a continued tax exemption under some other tax incentive program, or the exemption results in a payment to the Affected Tax Jurisdictions in excess of the payment described in Section I herein, the Company agrees to pay no later than the next tax lien date (plus any applicable grace period), to each of the Affected Tax Jurisdictions, an amount equal to the taxes and assessments which would have been levied on the Facility if the Facility had been classified as fully taxable as of the date of transfer or loss of eligibility of all or a portion of the exemption described herein.

Section IV - Assessment Challenges.

4.1 The Company shall have all of the rights and remedies of a taxpayer as if and to the same extent as if the Company were the owner of the Facility, with respect to any proposed assessment or change in assessment with respect to the Facility by any of the Affected Tax Jurisdictions and likewise shall be entitled to protest before and be heard by the appropriate assessors or Board of Assessment Review, and shall be entitled to take any and all appropriate appeals or initiate any proceedings to review the validity or amount of any assessment or the validity or amount of any tax equivalent provided for herein.

4.2 The Company shall have all of the rights and remedies of a taxpayer with respect to any tax, service charge, special benefit, ad valorem levy, assessment, or special assessment or service charge in lieu of which the Company is obligated to make a payment pursuant to this Agreement, as if and to the same extent as if the Company were the owner of the Facility.

Section V - Changes in Law.

5.1 To the extent the Facility is declared to be subject to taxation or assessment by an amendment to the Act, other legislative change, or by final judgment of a court of competent jurisdiction, the obligations of the Company hereunder shall, to such extent, be null and void.

Section VI - Events of Default.

6.1 The following shall constitute "Events of Default" hereunder. The failure by the Company to: (i) make the payments described in Section I by the respective date the payment is delinquent as described on Schedule A (the "Delinquency Date"); (ii) make any other payments described herein on or before the last day of any applicable cure period within which said payment can be made without penalty; or (iii) the occurrence and continuance of any events of default under the Lease Agreement. Upon the occurrence of any Event of Default hereunder, in addition to any other right or remedy the Agency and/or the Affected Tax Jurisdictions may have at law or in equity, the Agency and/or Affected Tax Jurisdictions may, immediately and without further notice to the Company (but with notice to the Agency and consent of the Agency with respect to actions maintained by the Affected Tax Jurisdictions) pursue any action in the courts to enforce payment or to otherwise recover directly from the Company any amounts so in default.

6.2 If payments pursuant to Section I herein are not made by the Delinquency Dates, or if any other payment required to be made hereunder is not made by the last day of any applicable cure period within which said payment can be made without penalty, the Company shall pay penalties and interest as follows. With respect to payments to be made pursuant to Section I herein, if said payment is not received by the Delinquency Date described in Section 1.1 herein, Company shall pay, in addition to said payment, a late charge equal to four percent (4%) of the amount due plus interest on said payment equal to one percent (1%) per month or fraction thereof until said amount is paid in full. With respect to all other payments due hereunder, if said payment is not paid within any applicable cure period, Company shall pay, in addition to said payment, the greater of the applicable penalties and interest or penalties and interest which would have been incurred had payments made hereunder been tax payments to the Taxing Jurisdictions.

Section VII - Assignment.

7. No portion of any interest in this Agreement may be assigned by the Company, nor shall any person other than the Company be entitled to succeed to or otherwise obtain any benefits of the Company hereunder without the prior written consent of the Agency, which consent may be withheld by the Agency in its sole and absolute discretion. Notwithstanding the foregoing, if the Agency consents to an assignment of the Lease Agreement by the Company, said consent shall likewise constitute a consent to an assignment of this Agreement by the Company.

Section VIII - Miscellaneous.

8.1 This Agreement may be executed in any number of counterparts each of which shall be deemed an original but which together shall constitute a single instrument.

8.2 All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered and, if delivered by mail, shall be sent by certified mail, postage prepaid, addressed as follows or, if by telefax, to the number described below:

To the Agency:	City of Hornell Industrial Development Agency 40 Main Street Hornell, New York 14843 Attn: Executive Director Fax No. (607) 324-3776
With a Copy to:	Harris Beach & Wilcox, LLP 130 East Main Street Rochester, New York 14604 Attn: Shawn M. Griffin, Esq. Fax No. (716) 232-6925
To the Company:	GEC ALSTHOM Transportation, Inc. 4 Skyline Drive Hawthorne, New York 10532-2160 Attn: Julien Geraud Fax No. (914) 347-5432
With a Copy to:	Cleary Gottlieb Steen & Hamilton One Liberty Plaza New York, New York 10006 Attn: Steven L. Wilner, Esq. Fax No. (212) 225-3999

or at such other address as any party may from time to time furnish to the other party by notice given in accordance with the provisions of this Section. All notices shall be deemed given when mailed or personally delivered in the manner provided in this Section.

8.3 This Agreement shall be governed by, and all matters in connection herewith shall be construed and enforced in accordance with, the laws of the State of New York applicable to agreements executed and to be wholly performed therein and the parties hereto hereby agree to submit to the personal jurisdiction of the federal or state courts located in Steuben County, New York.

8.4 Notwithstanding any other term or condition contained herein, all obligations of the Agency hereunder shall constitute a special obligation payable solely from the revenues and other monies, if any, derived from the Facility and paid to the Agency by the Company. No member of the Agency nor any person executing this Agreement on its behalf shall be liable personally under this Agreement. No recourse shall be had for the payment of the principal or interest on amounts due hereunder or for any claim based upon or in respect of any modification of or supplement hereto against any past, present or future member, officer, agent, servant, or employee, as such, of the Agency, or of any successor or political subdivision, either directly or through the Agency or any such successor, all such liability of such members, officer, agents, servants and employees being, to the extent permitted by law, expressly waived and released by the acceptance hereof and as part of the consideration for the execution of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF HORNELL INDUSTRIAL
DEVELOPMENT AGENCY

By:______________________________
Name: JAMES W. GRIFFIN
Title: EXEC DIR

GEC ALSTHOM TRANSPORTATION, INC.

By:______________________________
Name: Raymond TANCARDI
Title: Attorney, in fact.

Schedule A

I. Original Lease Term:

Year	City Sites+	South Yard	Total Annual PILOT Payment*	Payment Date	Delinquency Date
1997	-0-	-0-	-0-	5/14/97	5/25/97
1998	-0-	-0-	-0-	5/1/98	5/10/98
1999	$10,260	$1,140	$11,400	5/1/99	5/10/99
2000	$21,600	$2,400	$24,000	5/1/2000	5/10/2000
2001	$34,020	$3,780	$37,800	5/1/2001	5/10/2001
2002	$65,000	$7,000	$72,000	5/1/2002	5/10/2002
2003	$65,000	$7,000	$72,000	5/1/2003	5/10/2003
2004	$65,000	$7,000	$72,000	5/1/2004	5/10/2004
2005	$65,000	$7,000	$72,000	5/1/2005	5/10/2005
2006	$65,000	$7,000	$72,000	5/1/2006	5/10/2006
2007	$65,000	$7,000	$72,000	5/1/2007	5/10/2007

II. Option Periods**

PILOT Payments shall increase by Three percent (3%) per annum during option periods.

* Subject to adjustment based on additions as contemplated by Section 1.6.

** Applicable only to the extent the Lease Term is extended under the Lease Agreement.

\+ City sites shall mean the Car Shop, Engineering Building, Motor Shop and Apparatus Shop.

Schedule B

Future Addition Exemption Schedule

Year	Exemption
1	100%
2	95%
3	90%
4	85%
5	80%
6	75%
7	70%
8	65%
9	60%
10	55%