

7-294A013



Rex Railways, Inc.

● SPECIALISTS IN RAILROAD CAR LEASING ●

EXECUTIVE OFFICES

616 PALISADE AVENUE
ENGLEWOOD CLIFFS, NEW JERSEY 07632
(201) 567-8300

MID-WEST OFFICES

299 LONGCOMMON ROAD
RIVERSIDE, ILLINOIS 60546
(312) 447-2321

Date OCT 21 1977
Fees \$ 50

RECORDATION NO. **9048** Filed & Recorded

OCT 21 1977 9 10 AM October 20 1977

INTERSTATE COMMERCE COMMISSION

Secretary of the Interstate
Commerce Commission
Washington, D.C. 20423

Dear Sir:

We are transmitting for filing the original document and, for retention in your files, two certified true copies of a Security Agreement, Chattel Mortgage and Lease Assignment by and among Rex Railways, Inc., a New Jersey Corporation having offices at 616 Palisade Avenue, Englewood Cliffs, New Jersey 07632; and Citicorp Leasing, Inc., a Delaware Corporation having its office at 399 Park Avenue, New York, New York 10022. Rex Railways, Inc. has granted the Security Agreement and Chattel Mortgage and assigned a certain Lease to Citicorp Leasing, Inc. All of the foregoing is incorporated in the one instrument enclosed herewith. The equipment covered by the enclosed document are 300 railroad box cars. The first 50 cars to be delivered and covered by the enclosed document bear the initials and car numbers NSL 100947 through NSL 100996. The remaining 250 cars shall be recorded by supplemental recordation, upon delivery of said cars.

Enclosed herewith please find our check in the amount of \$50. in payment of the recordation fee.

Would you kindly return the original document to Rex Railways, Inc. at the address set forth above.

Very truly yours,

Mark A. Salitan
Chairman

MAS:dw
Encl.

Handwritten notes:
Peter Schan
C. Dunlop

Interstate Commerce Commission
Washington, D.C. 20423

10/21/77

OFFICE OF THE SECRETARY

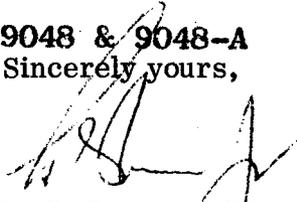
Mark A. Salitan, Chairman
Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, N.J. 07632

Dear

Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 10/21/77 at 9:10am and assigned recordation number(s)

9048 & 9048-A
Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

9048

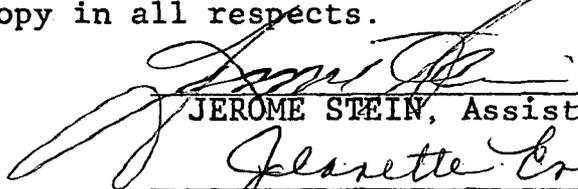
RECORDATION NO. Filed & Recorded

OCT 21 1977-9 12 AM

STATE OF NEW JERSEY :
COUNTY OF ESSEX SS.

INTERNATIONAL COMMERCE COMMISSION

On this 19th day of October, 1977, before me personally appeared, JEROME STEIN, to me personally known, who being by me duly sworn, says that he is the Assistant Secretary of REX RAILWAYS, INC., that he compared the copy of the Security Agreement, Chattel Mortgage and Lease Assignment by and between REX RAILWAYS, INC. and CITICORP LEASING, INC., with the original document and that it is a true and correct copy in all respects.



JEROME STEIN, Assistant Sec.



A Notary Public of the
State of New Jersey

My commission expires March 17, 1981

SECURITY AGREEMENT, CHATTEL MORTGAGE AND
LEASE ASSIGNMENT

9048
RECORDATION NO. Filed & Recorded

OCT 21 1977-9 10 AM

INTERSTATE COMMERCE COMMISSION

This SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT dated as of September 27, 1977 (this "Agreement"), by and between REX RAILWAYS INC. a New Jersey corporation (the "Lessor"), having its chief place of business at 616 Palisade Avenue, Englewood Cliffs, New Jersey 07632 and CITICORP LEASING, INC., a Delaware corporation ("Citicorp") having its principal office at 399 Park Avenue, New York, New York 10022,

W I T N E S S E T H :

WHEREAS, Lessor has agreed to purchase 300 railroad box cars (as further described in Exhibit A annexed hereto and hereinafter referred to as the "Equipment") 200 of which will be built by Berwick Forge & Fabricating, Inc. and 100 by the Golden Tye Division of NRUC; and in turn, NRUC has agreed to lease the Equipment from Lessor; and

WHEREAS, Lessor and NRUC have entered into a Lease Agreement (said Lease Agreement together with all Exhibits thereto hereinafter referred to as the "Lease" and annexed hereto as Exhibit B) dated September 19, 1977 pursuant to which the Lessor will lease the Equipment to NRUC; and

WHEREAS, Lessor requests Citicorp to finance 80% of the acquisition cost of the Equipment, and Citicorp agrees, subject to the terms and conditions of this Agreement, to make a loan or loans (individually a "Loan", collectively, the "Loans") to the Lessor from time to time to and including March 31, 1978. The aggregate principal amount of all Loans shall not exceed \$8,160,000 said amount representing 80% of such acquisition cost. Each loan shall be in an amount equal to 80% of the purchase price of the Equipment periodically delivered to Lessor and which Lessor has agreed to lease to NRUC; and

WHEREAS, in connection therewith, the Lessor proposes to assign to Citicorp all of its right, title and interest in and to the Lease and the Equipment thereto as collateral security for each Loan; and

WHEREAS, in reference to the purchase by Lessor of the equipment to be built by Berwick Forge & Fabricating, Inc. Lessor shall, on the date of each loan, deliver to Citicorp a duly executed promissory note (individually an "Interim Note", collectively the "Interim Notes") in the principal amount of such Loan dated the date of such Loan, due on December 30, 1977, substantially in the form of Exhibit C, with appropriate insertions. On December 30, 1977 all

Interim Notes shall be exchanged for a single duly executed promissory note (collectively, with the Interim Note or Interim Notes, the "Notes") dated December 30, 1977 in the aggregate principal amount of \$5,440,000, payable in 119 equal consecutive monthly installments of principal and interest at 10% per annum based on a 360 day year substantially in the form of Exhibit D, with appropriate insertions. On December 30, 1977 Lessor shall pay to Citicorp the interest accrued and unpaid on the Interim Notes to the date of such exchange; and

WHEREAS, in reference to the purchase by Lessor of the equipment to be built by the Golden Tye Division of NRUC, Lessor shall, on the date of each Loan, deliver to Citicorp a duly executed promissory note (individually, the "Note", collectively the "Notes") in the principal amount of such Loan dated the date of such Loan, payable in 119 equal consecutive monthly installments of principal and interest at 10% per annum based on a 360 day year, substantially in the form set forth in Exhibit D; and

WHEREAS, it is a condition to the making by Citicorp of the Loan or Loans to the Lessor that this Agreement be executed and delivered;

NOW, THEREFORE, to secure the due and punctual payment and performance of all of the obligations, liabilities,

indebtedness and covenants of the Lessor under the Notes and this Agreement (all such obligations, liabilities, indebtedness and covenants hereinafter referred to as the "Obligations"), the Lessor hereby sells, conveys, mortgages, assigns, transfers to Citicorp and grants to Citicorp a security interest in:

(a) The Equipment described in Exhibit A to the Lease and all Equipment now or hereafter described in all Equipment Schedules at any time annexed to or made part of the Lease, all additions, substitutions, replacements therefor and replacement parts and all other property owned by the Lessor which shall hereafter become physically incorporated or installed in or attached to such Equipment, whether the same is now owned by the Lessor or hereafter acquired by it;

(b) Any other equipment or other property necessary to operate the Equipment now or hereafter owned by the Lessor;

(c) All proceeds of any and all of the properties described in clauses (a) and (b) above, including, without limitation, insurance proceeds from any loss or damage to the Equipment or any part thereof, proceeds from any sale, sublease or other disposition of, or transfer of any interest in, the Equipment

pursuant to any of the provisions of the Lease and other proceeds with respect to the Equipment or any of the property hereinabove described;

(d) The Lease and all of the Lessor's estate right, title, interest, claim and demand in, to and under the Lease, including all renewals or extensions of the term of the Lease, together with all rights, privileges, options and other benefits of the Lessor under the Lease, including, without limitation, the immediate and continuing right to receive and collect all rents, income, revenues, issues, profits, insurance proceeds, condemnation awards, and other payments, tenders and security for or with respect to the Equipment Collateral now or hereafter payable to or receivable by the Lessor under the Lease, and whether payable prior or subsequent to the maturity date of the Note, and the right to make all advances, waivers and agreements, to require the Lessee to pay all amounts due under the Lease, as provided in the Lease and to perform, in the name and on behalf of the Lessor, as agent and attorney-in-fact of the Lessor, with an interest, all necessary or appropriate acts with respect to any such payment, to give and receive duplicate copies of all notices and other instruments or communications, to take such action

upon the occurrence of a default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Lessor is or may be entitled to do under the Lease, (all of the foregoing property hereinabove described in clauses (a), (b) (c) and (d) hereinafter the "Collateral");

provided, however, that it is expressly agreed that anything herein to the contrary notwithstanding, the Lessor shall remain liable under the Lease to perform or cause to be performed all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms thereof, and Citicorp or any of its successors or assigns shall have no obligations or liability under the Lease by reason of or arising out of this Agreement nor shall Citicorp, its successors or assigns be required or obligated in any manner to perform or fulfill any obligations of the Lessor under or pursuant thereto or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times;

IT IS HEREBY AGREED by the parties hereto that the Collateral is to be held, used and operated subject to the further terms herein set forth.

SECTION 1. Conditions Precedent to the Loan. The obligation of Citicorp to make the Loans is subject to the conditions precedent that Citicorp shall have received, each date of the making of the Loan, each of the following, in form and substance satisfactory to Citicorp:

(a) This Agreement, duly executed by an authorized officer of the Lessor;

(b) The Note, duly executed by an authorized officer of the Lessor;

(c) An insurance policy in form and substance satisfactory to Citicorp, such policy validly designating Citicorp as additional insured and exclusive loss payee;

(d) Each of the original executed copies of the Lease, together with all amendments, modifications and supplements thereto as in effect on the date of the Loan, each bearing the following legend stickered on the first page thereof and executed as indicated below:

"THE RIGHTS OF THE LESSOR IN AND TO THIS LEASE HAVE BEEN ASSIGNED, MORTGAGED AND PLEDGED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, CITICORP LEASING, INC., A DELAWARE CORPORATION, PURSUANT TO A SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT DATED AS OF SEPTEMBER , 1977 FROM LESSOR TO CITICORP LEASING, INC. AS SAID SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME. THIS LEASE HAS BEEN EXECUTED IN SEVERAL

COUNTERPARTS OF WHICH THIS COUNTERPART IS
COUNTERPART NO.____, COUNTERPART NO. 1 CONSTITU-
TING THE ORIGINAL COUNTERPART.

AGREED AND ACKNOWLEDGED
REX RAILWAYS, INC.

By_____

Title_____

NATIONAL RAILWAY UTILIZATION CORP.

By_____

Title_____ "

One such original executed copy shall be designated
"COUNTERPART NO. 1", shall be held by Citicorp and shall
bear the following language immediately below the legend
referred to above:

"RECEIPT HEREOF IS HEREBY ACKNOWLEDGED
THIS _____ DAY OF _____, 1977:

CITICORP LEASING, INC.

By_____

Title_____ "

(e) The Consent and Agreement of the Lessee in
substantially the form annexed as Exhibit F hereto,

duly executed by an authorized officer of the Lessee (the "Consent and Agreement");

(f) A certified copy of the resolutions of the Board of Directors of the Lessor evidencing approval of the Lease, the Notes and this Agreement and other matters contemplated hereby and a certified copy of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect thereto;

(g) A favorable opinion of counsel for the Lessor in form and substance satisfactory to counsel for Citicorp, as to matters referred to in Section 3 hereof as to the due execution and delivery by the Lessor of the Lease, the Notes and this Agreement, as to the fact that (i) no approval of the Interstate Commerce Commission or any other governmental authority in the United States or Canada is necessary for the valid execution and delivery of the Lease, the Notes or this Agreement; (ii) the Lease has been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20C of the Interstate Commerce Act and said recording and/or filing perfects a first security lien on the Equipment and Lease thereto;

(h) A signed copy of a certificate of the Secretary or an Assistant Secretary of the Lessor which shall

certify the names of the officers of the Lessor authorized to sign the Notes and this Agreement and the other documents or certificates to be delivered pursuant to this Agreement by the Lessor or any of its officers, together with the true signatures of such officers. Citicorp may conclusively rely on such certificate until it shall receive a further certificate of the Secretary or an Assistant Secretary of the Lessor cancelling or amending the prior certificate and submitting the signatures of the officers named in such further certificate;

(i) copies of the original invoices for the Equipment;

(j) Guaranty of Rex Noreco, Inc. in form of Exhibit E attached hereto, together with all accompanying documents evidencing the necessary authority for such;

(k) A Certificate or Certificates of Inspection and Acceptance with respect to the Equipment as contemplated by Exhibit B to the Lease.

SECTION 2. Certain Provisions Relating to the Lease Assignment. (a) The Lessor has, pursuant to the Lease, notified the Lessee of the assignment of the Lease (receipt of notice of which is acknowledged by the Lessee pursuant to the

Consent and Agreement) and pursuant thereto has directed Lessee to make all payments to be made by it under the Lease at such address as Citicorp may designate. The Lessor agrees that should any such payments directed to be made to Citicorp it will promptly forward such payments to Citicorp;

(b) Citicorp agrees to apply such amounts from time to time received by it from the Lessee with respect to the Lease to the payment of the Loan the due and, if no event of default hereunder shall have occurred and be continuing, promptly to pay any balance to the account maintained by Lessor with Citibank, N.A.;

(c) Lessor hereby agrees that the assignment made hereby and thereby and all such designations and directions to the Lessee are irrevocable, and that, so long as this Agreement shall be in effect, the Lessor will not, without the prior written consent of Citicorp and subject to such terms and conditions as Citicorp may reasonably require, (i) settle or compromise or release any claim against the Lessee arising under the Lease, or submit or consent to the submission to arbitration of any dispute, difference or other matter arising under or in respect of the Lease or the assignment thereof to Citicorp or to take any action as lessor under the Lease, or otherwise which is inconsistent with said assignment, (ii) directly or indirectly

transfer any interest in, or directly or indirectly create, incur, assume, or suffer to exist any mortgage, deed of trust, pledge, lien or security interest or other charge, of trust, pledge, lien or security interest or other charge, encumbrance or interest (including the lien or retained security title of a conditional vendor) of any nature on or with respect to, any of the Collateral or (iii) take or omit to take any action, the taking or omission of which might result in an alteration or impairment of Citicorp's right, title and interest under this Agreement. The Lessor will from time to time, upon request of Citicorp, execute or cause to be executed all instruments of further assurance and all such supplemental instruments as Citicorp may reasonably request;

(d) The Lessor agrees that it will not enter into or consent to any agreement subordinating, amending, supplementing or terminating the Lease (or purporting so to do) without Citicorp's prior written consent thereto, and that any attempted subordination, amendment, supplement or termination without such consent shall be void unless so permitted. In the event that the Lease shall be amended or supplemented as herein permitted, the Lease, as so amended or supplemented shall continue to be subject to the provisions of this Agreement without the necessity of any further act by any of the parties hereto;

(e) The Lessor shall from time to time, at its own expense, take all action reasonably requested by Citicorp to establish, preserve, protect and perfect the rights of the Lessor or Citicorp created by the Lease and this Agreement;

(f) This Agreement and the security interests and liens granted by this Agreement shall terminate when all of the Obligations of the Lessor shall be fully paid and performed. Upon termination of this Agreement, as aforesaid, Citicorp shall execute and deliver to the Lessor, at the Lessor's expense, such instruments of release and termination as shall be appropriate in the premises.

SECTION 3. Certain Representations, Warranties and Covenants. The Lessor hereby represents and warrants, and hereby covenants, as follows:

(a) The Lessor is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New Jersey and has all requisite power and authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under the Lease, the Notes and this Agreement;

(b) The execution, delivery and performance by the Lessor of the Lease, the Note and this Agreement have been duly authorized by all necessary corporate action, and do not and will not (i) require any consent or approval of the stockholders of the Lessor, (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Lessor or of the charter or by-laws of the Lessor, (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Lessor is a party or by which it or its properties may be bound or affected, or (iv) result in, or require, the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature (other than under and pursuant to this Agreement) upon or with respect to any of the properties which are to be the subject of this Agreement; and the Lessor is not in default under any such law, rule, regulation order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement lease or instrument;

(c) No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau,

agency or instrumentality, domestic or foreign, is or will be necessary to the valid execution, delivery or performance by the Lessor of the Lease, the Note or this Agreement;

(d) The Lease, the Notes and this Agreement constitute the legal, valid and binding obligations of the Lessor enforceable against the Lessor in accordance with their respective terms;

(e) The Lessor is the record and beneficial owner of all the Collateral, free and clear of all mortgages, deeds of trust, pledges, liens, security interests and other charges or encumbrances, other than the rights of Citicorp and the Lessee under this Agreement, and Lease respectively;

(f) This Agreement constitutes a valid and perfected first priority security interest and lien in and to the Collateral covered hereby enforceable against all third parties in all jurisdictions securing the payment of all obligations purported to be secured hereby and all action required to perfect fully the security interest and lien so constituted has been taken and completed;

(g) There are no actions, suits or proceedings pending or, to the knowledge of the Lessor, threatened against or affecting the Lessor or the properties of the Lessor before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to the Lessor, would have a material adverse effect on the security interests and liens of Citicorp in and to the Collateral under the Lease, the Notes or this Agreement;

(h) The Lessor is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of the Loan will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock;

(i) The Lessor is not a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restrictions which would have a material adverse effect on the business, properties, assets, operations or condition, financial or otherwise, of the Lessor or on the ability of the Lessor to carry out its obligations under the Notes or this Agreement;

(j) The Lessor has filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or provided adequate reserves for payment thereof;

(k) No information, exhibit or report furnished by the Lessor to Citicorp in connection with the negotiation of the Notes or this Agreement contains any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading;

(l) The Equipment has been leased to the Lessee pursuant to the Lease and the Lease is a valid, true lease and is in full force and effect on the date hereof, and no event has occurred and is continuing, which constitutes an event of default under the Lease or would constitute an event of default thereunder but for the requirement that notice be given or time elapse or both;

(m) The proceeds of the Loan are being applied herewith to enable the Lessor to complete the payment in full of the purchase price of the Equipment from the Golden Tye Division of NRUC and Berwick Forge *and* Fabricating, Inc., and for no other purpose;

(n) The Lessor hereby agrees to send to Citicorp, by prepaid United States registered or certified mail, return receipt requested, copies of all notices and other instruments or communications required or permitted to be given by the Lessor or its assigns under the Lease;

(o) The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all the rights conferred by Section 20C of the Interstate Commerce Act, the applicable recording laws of Canada and of the Provinces and Territories thereof and such additional rights arising out of the filing, recording, registering or depositing hereof and of any assignment hereof and out of the marking on the Equipment as shall be conferred by laws of the several jurisdictions in which the Equipment may be located and in which this Agreement or any assignment hereof shall be filed, recorded, registered or deposited.

SECTION 4. Inspection. Subject to the terms of the Lease, the Lessor will permit any authorized representatives of Citicorp to inspect the Collateral, or any part thereof, and to examine, copy or make extracts from, any and all

books, records and documents in the possession of the Lessor relating to the Collateral or any part thereof and performance of this Agreement, all at such reasonable times and as often as may reasonably be requested.

Citicorp shall have no duty to make any such inspection or examination and shall not incur any liability or obligation by reason of not making any such inspection or examination.

SECTION 5. Liens on the Equipment. So long as this Agreement shall be in effect, and subject to the rights of the Lessee under the Lease, the Lessor will not, without the prior written consent of Citicorp and subject to such terms and conditions as the Agreement may reasonably require, directly or indirectly transfer any interest in, or directly or indirectly create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, security interest or other charge, encumbrance or interest of any nature on or with respect to, any of the Collateral. The Lessor will from time to time, upon request of Citicorp, execute or cause to be executed all instruments of further assurance and all such supplemental instruments as Citicorp may reasonably request.

SECTION 6. Other Covenants. So long as any Obligation of the Lessor shall be outstanding, the Lessor

covenants and agrees that:

(a) It shall preserve and maintain its existence, rights and franchises and comply with all laws applicable thereto;

(b) It shall from time to time, at its own expense, take all action reasonably requested by Citicorp to establish, preserve, protect and perfect the rights created by the Lease, the Note and this Agreement including, without limitation, the due filing and recording with the Interstate Commerce Commission in accordance with Section 20C of the Interstate Commerce Act of any document with respect to the Equipment hereto;

(c) Without the prior written permission of Citicorp in each case, it shall not give waivers or consents under, or enter into any amendments or supplements to the Lease or consent to any sublease of the Lease by the Lessee;

(d) It shall not sell, lease, transfer or otherwise dispose of the Collateral except as herein contemplated

SECTION 7. Maintenance and Repair Replacement.

(a) Except to the extent that the Lessee is obligated

thereto under the terms of the Lease, and as long as Lessee is not in default thereunder, the Lessor, at its own expense, will keep and maintain, or cause to be kept and maintained, the Equipment in good working order and repair and fit to be used for its intended use, ordinary wear and tear excepted, and in conformity with all insurance requirements, and will provide, or cause to be provided, all maintenance and service and make all repairs necessary for such purpose. Citicorp shall not be obliged in any way to maintain alter, repair, rebuild, or replace any of the Equipment;

(b) If any part of the Equipment (herein collectively the "Parts" and individually a "Part") which was originally incorporated or installed in, attached to or part of the Equipment at the time of delivery thereof (herein collectively the "Original Parts" and individually each an "Original Part"), or any Part in replacement or of substitution for any Original Part, shall become worn out, lost, stolen, destroyed, or damaged or otherwise rendered unfit for use, the Lessor, at its own expense, shall promptly cause to be replaced or repaired such Original Part or Part by a replacement Part which is either new or has a useful life at least equal to the remaining estimated useful life of the Equipment, which Part shall be free of all liens and encumbrances and in as good an operating condition as, and have a value or utility at least equal to, the Part

replaced assuming such replaced Part was in the condition and repair required to be maintained by the terms hereof. All such replacement Parts shall immediately, without further act, become the property of the Lessor and part of the Equipment for all purposes hereof.

(c) In the event that the Lessee makes any alteration, modification or addition to the Equipment permitted by the terms of the Lease, title to all Parts representing any such alteration, modifications or addition shall, so long as such Parts remain property of the Lessor under the Lease, without further act vest in the Lessor and become part of the Equipment for all purposes hereof.

SECTION 8. Insurance. (a) At all times until payment and performance in full of all of the Obligations the Lessor shall carry and maintain, or shall cause the Lessee to carry and maintain, on the Equipment, at its own cost and expense, all-risk property damage insurance and liability insurance in such amounts, against such risks, in such form and with such insurance companies, underwriters or funds as shall be satisfactory to Citicorp from time to time; provided, however, that the amount of property damage insurance maintained by (i) the Lessee covering the Equipment from time to time shall in no event be less than the the unpaid Obligations of the Lessor. All insurance policies (including liability policies) shall name Citicorp as additional insured/loss payee as their

interest may appear. Unless Citicorp shall otherwise agree in writing, each liability policy shall provide for all losses to be paid on behalf of the Lessee, the Lessor and Citicorp as their respective interests may appear and each direct damage policy shall provide for all losses to be paid directly to Citicorp. With respect to proceeds received under direct damage policies, it is agreed as between the Lessor and Citicorp that in the event that any loss of all or any Equipment shall have occurred and the Lessee shall have, at its own cost and expense pursuant to the terms of the Lease, replaced or repaired that portion of the Equipment which has been affected by such loss in accordance with the terms of Section 7 (b) hereof, then Citicorp shall pay over to the Lessee the insurance proceeds received by it as a result of such loss, provide that such Equipment is going back on Lease;

(b) So long as any Obligation of the Lessor shall remain unpaid or unperformed, the Lessor will cause each insurer under a policy required by the terms of this Section to agree (either by endorsement upon such policy or by letter addressed to Citicorp) to give Citicorp at least 30 days' (or such notice as set forth in the policy of insurance) prior written notice of any alteration in the terms of such policy or of the cancellation thereof in whole or in part. The Lessor agrees to provide Citicorp with copies of all policies or certificates with respect to such policies or with other

evidence satisfactory to Citicorp of compliance by the Lessor with the terms of this Section. In the event that the Lessor shall fail to cause insurance to be maintained as herein provided, Citicorp may at its option provide such insurance and, in such event, the Lessor shall, upon demand, reimburse Citicorp for the cost thereof.

SECTION 9. Indemnity. (a) The Lessor hereby assumes liability for, and hereby agrees to indemnify, protect, defend, save and keep harmless Citicorp from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including, without limitation, reasonable legal and investigative fees and expenses, of whatsoever kind and nature (herein called "Liabilities") which may be incurred by or imposed at any time (whether during the term of the Lease, the Note, this Agreement or thereafter) on Citicorp or the Equipment (whether or not also indemnified against by the Manufacturer or any other person) and in any way relating to or arising out of, or alleged (by a person other than Citicorp) to in any way relate to or arise out of:

(i) the Collateral, the Lease, the Notes, this Agreement, the Consent and Agreement, the documents delivered pursuant to Section 1 hereof (all of the foregoing hereinafter in this Section 9 collectively

the "Loan Documents") or any transfer of any interest in any of the Loan Documents; or

(ii) any transaction to which any transferee, assignee, purchaser, lessee, sublessee, pledgee, mortgagee, beneficiary, shareholder or other person or entity receiving directly or indirectly any interest in, or benefit or value from, the Equipment or any of the Loan Documents (each such transferee, assignee, purchaser, lessee, sublessee, pledgee, mortgagee, beneficiary, shareholder or other person or entity hereinafter in this Section 9 individually a "Party") is a party or by which such Party is otherwise affected; or

(iii) any claim of any Party; or

(iv) any claim, right or cause of action involving any creditor, trustee, receiver, successor of any Party or any legal or equitable representative (whether representing the Lessor, a Party or otherwise); or

(v) the manufacture, financing, purchase, acquisition, ownership, acceptance, rejection, delivery, non-delivery, possession, use, operation, leasing, subleasing, condition, maintenance, repair, sale, return or other application or disposition of

the Equipment or any part thereof, or otherwise, including, without limitation, claims or penalties arising from any violation of any legal requirements or insurance requirements as well as any claim as the results of latent, patent and other defects, whether or not discoverable, any claim the insurance as to which is inadequate, any claim for patent, trademark or copyright infringement, any tort claim or claim for damages, any claim or liability in respect of any adverse environmental impact or effect.

The Lessor shall assume full responsibility for the defense against or settlement of any such Liability, and Citicorp shall cooperate with the Lessor by providing, at the expense of the Lessor, such witnesses, documents and other assistance as the Lessor may reasonably request; provided, however, that (x) Citicorp shall be consulted as to the legal counsel to be employed in respect thereof and may veto the employment of any legal counsel unacceptable to it and (y) if Citicorp shall give to the Lessor notice that in its good faith judgment an important general interest of Citicorp is involved in such Liability or potential Liability, Citicorp shall have the right to control, in consultation with the Lessor, the defense against or settlement of such Liability.

(b) The obligations of the Lessor under this Section 9 shall survive the expiration or earlier termination of the Lease, the Notes and this Agreement.

SECTION 10. Default. (a) Any of the following events shall constitute an event of default hereunder:

(i) payment of any part of the principal of or interest on the Notes shall not be made when and as the same shall become due and payable and such default shall continue unremedied for 10 days after written notice thereof to Lessor; (ii) the Lessor shall default in the due observance or performance of any other covenants, conditions or provisions hereof or the Lease and such default shall continue for more than 10 days after written notice from Citicorp specifying the default and demanding the same to be remedied; (iii) the Lessor shall cease doing business as a going concern, make an assignment for the benefit of creditors, admit in writing its inability to pay its debts as they become due, file a voluntary petition in bankruptcy, be adjudicated a bankrupt or an insolvent, file a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement ^{under} any present or future statute, law or regulation or file an answer admitting the material allegations of a petition filed against it in any such proceeding, or consent to or acquiesce in the appointment of a trustee,

receiver, or liquidator of it or all or any substantial part of its assets or properties, ~~or if any trustee, receiver, or liquidator shall take any action looking to its dissolution or liquidation,~~ or if within 30 days after the appointment without the Lessor's consent or acquiescence of any trustee, receiver or liquidator of it or of all or any substantial part of its assets or properties such apointment shall not be vacated; and (iv) a default (as the term is defined in the Lease) shall have occurred and be continuing under the Lease;

(b) Notwithstanding the foregoing, a default under the Lease resulting from the nonpayment, when due, of any payment thereunder shall not be an event of default hereunder if Citicorp shall notify Lessor within 10 days of the Lessee's failure to make such payment and Lessor thereupon notifies Citicorp of its desire to make such payment under the Lease. The Lessor shall have the right to make such payment on behalf of the Lessee, for three consecutive months. If the Lessee has not been able to make the fourth consecutive payment, Lessor will provide Citicorp with a satisfactory plan to utilize the equipment in such a way as to generate sufficient revenue to meet Lessor's monthly payments under the note to Citicorp.

SECTION 11. Remedies. If an event of default shall occur and be continuing, then, in any such event Citicorp

may (i) declare all Obligations of the Lessor to be immediately due and payable forthwith to the extent permitted by law or contract, and/or (ii) apply to a court of competent jurisdiction to obtain specific performance or observance by the Lessor of any covenants, agreement, or undertaking on the part of the Lessor hereunder or under the Note which the Lessor shall have failed to observe or perform or to obtain aid in the execution of any power granted herein or therein, and/or (iii) proceed to foreclose upon and against the liens and security interests created by this Agreement according to the laws of the applicable jurisdiction by doing any one or more or all of the acts described in subsection (b) below and/or of the following acts, as Citicorp in its sole and complete discretion may then elect:

(1) exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of applicable law;

(2) institute legal proceedings to foreclose upon and against the liens and security interests granted by this Agreement, to recover judgment for all amounts then due and owing as indebtedness secured hereby, and to collect the same out of any or all of the Collateral or the proceeds of any sale thereof;

(3) institute legal proceedings for the sale,

under the judgment or decree of any court of competent jurisdiction, of any or all of the Collateral;

(4) without regard to the adequacy of the security for the Notes by virtue of this Agreement or any other collateral or to the solvency of the Lessor, instituting legal proceedings for the appointment of a receiver or receivers with respect to any or all of the Collateral pending foreclosure hereunder or for the sale of any or all of the Collateral under the order of a court of competent jurisdiction or under other legal process;

(5) personally or by agents or attorneys, enter upon any premises where the Collateral or any part thereof may then be located, and take possession of all or any part thereof; and without being responsible for loss or damage to such Collateral, hold, store, and keep idle, or lease, operate, or otherwise use or permit the use of, the Collateral or any part thereof, for such time and upon such terms as Citicorp may in its sole and complete discretion, deem to be in its own best interest, and demand, collect, and retain all hire, earnings, and other sums due and to become due in respect of the same from any party whomsoever, accounting only for net earnings, if any, arising from such use and charging against all receipts from the use of the

same or from the sale thereof, by court proceedings or pursuant to subsection (b) below, all other costs, expenses, charges, damages, and other losses resulting from such use; or

(6) take such other action which the Lessor could or might have taken pursuant to the Lease;

provided, however, that so long as no default by the Lessee under the Lease shall be continuing, the Lessee under such Lease shall not be disturbed in its possession, use, operation and enjoyment of the Equipment under the Lease or the exercise of any of its rights thereunder by virtue of any action taken with respect to any security interests created in favor of Citicorp.

At any sale pursuant to this Section 11, whether under the power of sale or by virtue of judicial proceedings, it shall not be necessary for Citicorp or a public officer under order of a court to have present physical or constructive possession of the Collateral to be sold. Upon any sale hereunder of any or all of the Collateral or any interest therein, the receipt of the officer making such sale under judicial proceedings or of Citicorp shall be sufficient discharge to the purchaser for the purchase money, and such purchaser shall not be obligated to see to the application thereof. Any sale hereunder of any or all of

the Collateral or any interest therein shall forever be a perpetual bar against the Lessor with respect to such Collateral or interest therein, as the case may be, and in the event of any transfer of any interest in and to the Collateral permitted in accordance with the provisions herein, the Lessor shall require the express agreement and consent of such transferee to the provisions of this Section 10 and shall further require its transferee to require any further transferees of any such interest to agree and consent expressly to the provisions of this Section.

(b) If Citicorp should elect to foreclose upon and against the lien and security interest created in and by this Agreement, the Lessor shall, upon demand of Citicorp, deliver to Citicorp all or any part of the Collateral at such time or times and place or places as Citicorp may specify; and Citicorp is hereby authorized and empowered to the extent permitted by law, with or without the aid of process of law and without being responsible for loss or damage to such Collateral, to enter upon any premises where the Collateral or any part thereof may be located and take possession of and remove the same. Citicorp may thereafter sell, lease and dispose of, or cause to be sold, leased and disposed of, all or any part of the Collateral at one or more public or private sales, leaseings or other dispositions,

at such places and times and on such terms and conditions as Citicorp may deem fit, and for the aforesaid purpose of all notices of sale, lease, or other disposition, and advertisement, and other notice or demand, and any obligation of a prospective purchaser or Lessee to inquire as to the power and authority of Citicorp to sell, lease or otherwise dispose of the Collateral or as to the application by the proceeds of sale, lease or otherwise, which would otherwise be required by, or available to the Lessor under, applicable law are hereby expressly waived by the Lessor to the fullest extent permitted by such law. In the event that any mandatory requirement of applicable law shall obligate Citicorp to give prior notice to the Lessor of any of the foregoing acts, the Lessor hereby agrees that a written notice sent to it so as reasonably to be expected to be delivered to the Lessor at least 10 business days before the date of any such act at its address specified for the Lessor at the beginning of this Agreement, shall be deemed to be reasonable notice of such act and, specifically, reasonable notification of the time after which any private sale, loans or other disposition intended to be made hereunder is to be made.

SECTION 12. Application of Proceeds. If an Event of Default shall occur and be continuing, the proceeds of any sale, lease or other disposition of all or any of the Collateral under this Agreement and all other sums realized

by Citicorp pursuant to this Agreement or any proceedings hereunder or thereunder shall be applied in the following order of priority:

FIRST: To the payment of the costs and expenses of such sale, lease, disposition or other realization, including reasonable compensation to Citicorp's agents and counsel, and all expenses, liabilities and advances made or incurred by Citicorp in connection therewith, including, without limitation, taxes upon or with respect to the sale, lease, disposition or realization and the payment of taxes and liens, if any, prior to the lien and security interest of this Agreement (except any taxes or liens to which the respective sale, lease, disposition or realization shall have been subject) and to the payment of expenses and the reimbursement of payments incurred or made by Citicorp pursuant to Section 14 hereof;

SECOND: To the payment of all Obligations of the Lessor then unpaid and unperformed.

THIRD: To the Lessor, its successor or to such other person(s) or entities as may lawfully be entitled to the remainder or as any court of competent jurisdiction may direct.

SECTION 13. Citicorp as Attorney. The Lessor hereby irrevocably appoints Citicorp the true and lawful attorney of the Lessor (with full power of substitution) in the name, place and stead of, and at the expense of, the Lessor in connection with the enforcement of the rights and remedies provided for in this Agreement (i) to give any necessary receipts or acquittances for amounts collected or received hereunder or thereunder, (ii) to make all necessary transfers of all or any part of the Collateral in connection with any sale, lease or other disposition made pursuant hereto or thereto and (iii) to execute and deliver for value all necessary or appropriate bills of sale, assignments, and other instruments in connection with any such sale, lease or other instruments in connection with any such sale, lease or other disposition, the Lessor hereby ratifying and confirming all that its said attorney (or any substitute) shall lawfully do hereunder and pursuant hereto. Nevertheless, if so requested by Citicorp or a purchaser or lessor, the Lessor shall, and shall provide for the agreement of its transferee to, and require its transferee similarly to provide for the agreement of any subsequent transferee to, ratify and confirm any sale, lease or other disposition by executing and delivering to Citicorp or such purchaser or lessor all proper bills of sale, assignments, releases, leases and other instruments as may be designated in any such request.

SECTION 14. Remedies Cumulative; Fees and Expenses.

(a) No failure or delay on the part of Citicorp in exercising, and no course of dealing with respect to, any right, power or remedy under this Agreement, and no notice or demand which may be given to or made upon the Lessor with respect to any such right, power or remedy, shall constitute a waiver thereof (except for any waiver contained in such notice) or limit or impair the right of Citicorp to take any other or similar action or to exercise any other right, power or remedy granted in this Agreement or otherwise available to Citicorp nor shall any single or partial exercise by Citicorp of any right, power or remedy under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or remedy granted in this Agreement or otherwise available to Citicorp or prejudice its rights against the Lessor in any respect. Each and every remedy of Citicorp shall be cumulative and shall not be exclusive of any other remedies provided now or hereafter at law, in equity or otherwise.

(b) The Lessor shall reimburse Citicorp for all counsel fees and other costs and expenses paid or incurred by Citicorp in connection with the enforcement of this Agreement, the Note and the other documents contemplated hereby and thereby.

SECTION 15. Termination. Unless otherwise provided herein, this Agreement and the liens and security interests granted hereby shall terminate when the indebtedness secured hereby and all other Obligations of the Lessor shall be fully paid and performed. Upon termination of this Agreement as aforesaid, Citicorp shall execute and deliver to the Lessor, at the Lessor's expense, such instruments of release and termination as shall be appropriate in the premises.

SECTION 16. Miscellaneous. Any provisions of this Agreement or the Notes which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any jurisdiction. To the extent permitted by applicable law, the Lessor hereby waives any provision of law which renders any provision hereof or of the Note prohibited or unenforceable in any respect. No term or provision of this Agreement or of the Note may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Lessor and Citicorp. All the terms, provisions, conditions and covenants herein

contained and in the Note shall be binding and shall inure to the benefit of the Lessor, Citicorp, and their respective successors and assigns. The captions in this Agreement are for convenience or reference only and shall not define or limit any of the terms or provisions hereof. All notices, demands and other communications concerning this Agreement or the Note shall be sent to either party hereto at its address set forth in the heading to this Agreement, postage prepaid, or at such other address as shall be stipulated by the parties from time to time.

SECTION 17. Prepayment of Notes. Lessor may, from time to time, after the first anniversary of each note, voluntarily prepay the principal of the Note in whole or in part. Any such prepayment shall be in accordance with the Schedule attached to said note (the "Prepayment Schedule") and made a part thereof.

SECTION 18. Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of New York.

IN WITNESS WHEREOF, the Lessor and Citicorp have

caused this Agreement to be duly executed on the day and year first above written and be delivered in the City of New York, State of New York.

REX RAILWAYS INC.

By *Samuel A. Armitage* Chairman Title

CITICORP LEASING, INC.

By *J. J. [Signature]* Title *VP*

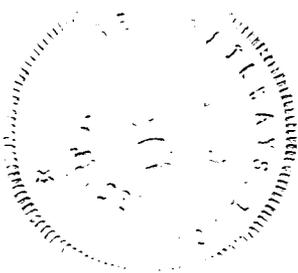


Exhibit A

Equipment herein subject to that certain Lease dated
September 19, 1977 by and between REX RAILWAYS, INC.
("Rex") and The Pickens Railroad Co.
and National Railway Utilization Corp. ("Lessee")

TYPE AND DESCRIPTION OF CAR: New 50' 60" inside length, 70-ton Single
Sheathed Boxcars, equipped with 10'
sliding doors.

NUMBER OF CARS: Three Hundred (300)

INTERIOR EQUIPMENT: Lading strap anchors throughout car.

SPECIAL LININGS: None.

PERMITTED LADING USE: Non-corrosive commodities.

REPORTING NUMBERS AND MARKS: _____ to _____,
inclusive.

SPECIFICATIONS DESIGNATED BY LESSEE: Cars to be built to The Pickens
Railroad Co. and National Railway
Utilization Corp. specifications.

SERIAL NUMBERS OF CARS:

LEASE

AGREEMENT made and entered into this 19th day of September, 1977,
between

REX RAILWAYS, INC.

a New Jersey corporation (hereinafter called "Rex") and

The Pickens Railroad Co. and National Railway

Utilization Corp., both South Carolina Corporations

(hereinafter called "Lessee")

RECITALS

Lessee desires to lease from Rex as Lessor certain railroad cars, hereinafter specifically designated, all upon the rentals, terms and conditions set forth in this Lease.

AGREEMENT

It is Agreed:

1. *Lease of Cars.* Rex agrees to lease to Lessee and Lessee agrees to and does hereby lease from Rex the Cars (the term "Cars" and other terms used herein are defined in Paragraph 28 hereof). The Cars covered by this Lease are those which shall be delivered to and accepted by Lessee pursuant to Paragraphs 2 and 3 hereof. The lease shall become effective as to any Car immediately upon its acceptance pursuant to Paragraph 3.

2. *Delivery of Cars.* Rex shall deliver the Cars as promptly as is reasonably possible. Rex' obligations with respect to delivery of all or any of the Cars are hereby made expressly subject to, and Rex shall not be responsible for, failure to deliver or delays in delivering Cars due to labor difficulties, fire, delays and defaults of carriers and material suppliers or Car manufacturers, acts of God, governmental acts, regulations and restrictions or any other causes, casualties or contingencies beyond Rex' control; provided, however, that in no event shall Lessee be obligated to accept delivery of Cars after March 31, 1978

Initial delivery shall be f.o.t. Renovo, Pennsylvania and Pickens,
South Carolina

From and after acceptance of a Car, Lessee shall be liable for, and shall pay or reimburse Rex for the payment of, all costs, charges and expenses of any kind whatsoever on account of or relating to switching, demurrage, detention, storage, transportation or movement of a Car, including specifically, but not exclusively, freight and switching charges for movement at any time and from time to time to and from any repair shops, storage or Rex' facilities.

3. *Condition of Cars - Acceptance.* All Cars delivered hereunder shall be in satisfactory condition for movement in the normal interchange of rail traffic and shall otherwise comply with the description and/or specifications contained in Exhibit A; but Lessee shall be solely responsible for determining that Cars are in proper condition for loading and shipment. Within five days after Rex shall give Lessee notice that some or all Cars are ready for initial delivery, Lessee may have its authorized representative inspect such Cars at ~~(the point of delivery)~~ (the manufacturer's plant)* and accept or reject them as to condition. Cars so inspected and accepted and any Cars which Lessee does not elect to inspect shall upon delivery thereof to Lessee as above provided be conclusively deemed to be accepted and subject to this Lease and to meet all requirements of this Lease. Lessee shall issue and deliver to Rex with respect to all Cars accepted, a Certificate of Inspection and Acceptance in the form of Exhibit B.

*Strike inapplicable material in Paragraph 3.

4. *Use and Possession.* Throughout the continuance of this Lease so long as Lessee is not in default hereunder, Lessee shall be entitled to possession of each Car from the date the Lease becomes effective as to such Car and shall use such Car (a) on its own property or lines; or (b) upon the lines of any railroad or other person, firm or corporation in the usual interchange of traffic; provided, however, that Lessee agrees that the Cars shall at all times be used (i) in conformity with Interchange Rules; (ii) in compliance with the terms and provisions of this Lease; (iii) in a careful and prudent manner, solely in the use, service and manner for which they were designed; (iv) only within the continental limits of the United States of America or in Canada and (v) in such service as will not constitute a "unit train" nor in such service as will employ more than ten percent of the Cars as part of any one train, except as same results from interchange practices beyond Lessee's control.

5. *Term.* This Lease shall be for a term which shall commence on the date of delivery by Rex of the first Car, as provided in Paragraph 2 hereof, and shall terminate fifteen (15) years from the Average Date of Delivery unless sooner terminated in accordance with the provisions of this Lease or unless extended pursuant to written agreement of the parties.

6. *Rental.* (See Rider # 1), Attached hereto and made part hereof.

7. *Payment.* Lessee shall make payment of all sums due hereunder to Rex in New Jersey fur at the address provided in Paragraph 21 hereof, or such other place as Rex may direct. Rental payments shall be made monthly in advance on or before the 1st day of each month for which such rental is due, except that the first full month's payment shall include rental covering any prior period of less than one month.

8. *Title.* Lessee shall not by reason of this Lease or any action taken hereunder acquire or have any right or title in the Cars except the rights herein expressly granted to it as Lessee.

9. *Repairs.* Lessee shall perform or cause to be performed and shall pay all costs and expenses of, all Repair Work without any abatement in rent or other loss, cost or expense to Rex. Any parts, replacements or additions made to any car shall be accessions to such car and title thereto shall be immediately vested in Rex without cost or expense to Rex.

10. *Substitution of Cars.* Rex may, at any time and from time to time, replace any Withdrawn Cars or Casualty Cars with Replacement Cars and such Replacement Cars shall be deemed to be subject to all terms and conditions of this Lease as if the same had been originally delivered to Lessee at the time and in the place of Cars for which they are substituted. The parties shall execute amendments to this Lease and such other or further documents as may be required by either party hereto to evidence the withdrawal from and termination of this Lease with respect to Withdrawn or Casualty Cars, or to include any Replacement Cars within the terms and provisions of this Lease and of any other document under which Rex has assigned its rights hereunder, as permitted in Paragraph 19 hereof.

11. *No Abatement of Rent.* Rental payments on any Car shall not abate if such Car is out of service for Repair Work nor on account of any other reason whatsoever.

12. *Taxes.* Lessee shall be liable for and pay or reimburse Rex for payment of all Federal, State or other governmental charges or taxes assessed or levied against the Cars including but not limited to (i) all Federal, State or local sales, use or property taxes imposed upon or in connection with the Cars, this Lease, or the manufacture, acquisition, or use of the Cars for or under this Lease; (ii) all taxes, duties or imposts assessed or levied on the Cars or this Lease by a foreign country and/or any governmental subdivision thereof; and (iii) all taxes or governmental charges assessed or levied upon its interest as Lessee of Cars. If any levy or assessment is made against Rex or which Rex shall pay on account of any of the foregoing matters or on account of its ownership of the Cars, exclusive, however, of any taxes on the rentals hereunder or the net income of Rex therefrom (except any such tax on rentals which is in substitution for, or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as hereinbefore provided), Lessee will promptly pay or reimburse Rex for same; but the Lessee shall not be required to pay the same so long as it shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof unless thereby, in the judgment of Rex, the rights or interest of Rex in and to the Cars will be materially endangered. In the event any tax reports are required to be made on the basis of individual Cars, the Lessee will either make such reports in such manner as to show the


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ownership of such Cars by Rex or will notify Rex of such requirements and will make such report in such manner as shall be satisfactory to Rex.

13. *Liens.* Lessee shall keep the Cars free from any and all encumbrances or liens in favor of anyone claiming by, through or under Lessee which may be a cloud upon or otherwise affect Rex's title, including, but not limited to liens or encumbrances which arise out of any suit involving Lessee, or any act, omission or failure of Lessee or Lessee's failure to comply with the provisions of this Lease, and Lessee shall promptly discharge any such lien, encumbrance or legal process.

14. *Indemnities — Patent Covenants.* Lessee agrees to indemnify Rex and hold it harmless from any loss, expense or liability which Rex may suffer or incur from any charge, claim, proceeding, suit or other event which in any manner or from any cause arises in connection with the use, possession or operation of a Car while subject to this Lease and without regard as to how such charge, claim, proceeding, suit or other event arose, including without limiting the generality of the foregoing, whether it arises from latent or other defects which may or may not have been discoverable by Rex. Rex agrees to indemnify Lessee and save it harmless against any charge, loss, claim, suit, expense or liability arising out of or on account of the use of incorporation by Rex upon delivery of a Car or upon the making of repairs thereto by Rex, of any invention or the infringement of any patents, except if such invention was used or incorporated by reason of Lessee's specifications. The term "Rex" shall mean and include any subsidiary, parent or affiliated corporation for all purposes, of this Paragraph 14. Lessee's indemnity shall not eliminate the specific rights given Lessee under any manufacturer's warranty assigned to it pursuant to Paragraph 22. The indemnities and assumptions of liability herein contained shall survive the termination of this Lease. Each party shall, upon learning of same, give the other prompt notice of any claim or liability hereby indemnified against.

15. *Lettering — Inventory — Reports.* At Rex's selection all cars may be marked with Rex's name designating it as owner or Lessor and may bear the following inscription: "Title to this car subject to documents recorded under Section 20c of Interstate Commerce Act." Except for renewal and maintenance of the aforesaid lettering or that showing the interest of the Lessee, no lettering or marking shall be placed upon any of the Cars by Lessee except upon the written direction or consent of Rex. Rex may at its own cost and expense inspect the Cars from time to time wherever they may be, and Lessee shall, upon request of Rex, but no more than once every year, furnish to Rex its certified inventory of all Cars then covered by this Lease.

16. *Loss, Theft or Destruction of Cars.* In the event any Car is lost, stolen, destroyed or damaged beyond economic repair, Lessee shall, by notice, promptly and fully advise Rex of such occurrence. Except where Rex shall have received payment for such Casualty Car from a handling railroad or other party under and pursuant to Interchange Rules, Lessee shall, within 45 days after demand by Rex, promptly make payment to Rex in the same amount as is prescribed in the Interchange Rules for the loss of such Car. This Lease shall continue in full force and effect with respect to any Casualty Car irrespective of the cause, place or extent of any casualty occurrence, the risk of which shall be borne by Lessee; provided, however, that this Lease shall terminate with respect to a Casualty Car on the date Rex shall receive all amounts and things granted it on account of such Car under this Paragraph 16 and Lessee shall have no further liability to Rex hereunder except for accrued rent and as such arises or exists under Paragraphs 12, 13 and 14 hereof.



return of Cars. Upon the expiration or upon the termination of this Lease with respect to any Car (other than pursuant to Paragraph 16 hereof), Lessee shall at its sole cost and expense forthwith surrender possession of such Car to Rex by delivering same to Rex as such car shop storage or terminal facility east of the Mississippi River as it may designate by notice to Lessee. Each Car so surrendered shall be in the same or as good condition, working order and repair as when delivered to Lessee, wear and tear from ordinary use and the passage of time excepted, and shall be in need of no Repair Work. Until the delivery of possession to Rex pursuant to this Paragraph 17, Lessee shall continue to be liable for and shall pay rental at the rate being paid immediately prior to termination or expiration, and Lessee shall in addition make all other payments and keep all obligations and undertakings required of Lessee under any and all provisions of this Lease as though such termination or expiration had not occurred. If Rex shall so request by notice delivered prior to surrender of possession of such Car as above provided Lessee shall provide suitable storage for such Car for a period of ninety (90) days from the date of expiration or termination and inform Rex of the place of storage and the reporting number of the Car there stored. Delivery in storage shall constitute delivery of possession for the purpose of the Paragraph 17 and such storage shall be at the risk of Rex. Upon termination of the storage period or upon request of Rex prior thereto, Lessee shall cause the Car to be transported to Rex as above provided.

18. Default. If Lessee shall fail to make any payment required hereunder and such failure continues for a period of 10 days after written notice is sent from Lessor; or fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder and such failure or breach shall continue unremedied for a period of 20 days after written notice is sent from Lessor or if within 20 days a proceeding shall have been commenced by or against Lessee under any bankruptcy laws, Federal or State, or for the appointment of a receiver, assignee or trustee of Lessee or its property, or if Lessee shall make a general assignment for the benefit of creditors, then in any of said events REX may:

(a) proceed by appropriate court action either at law or in equity for specific performance by the Lessee of the applicable covenants of this Lease or to recover from Lessee all payments and other sums due and owing and all damages, including specifically but not exclusively, expenses and attorneys' fees which Rex may sustain by reason of Lessee's default or on account of Rex' enforcement of its remedies hereunder;

(b) elect only to terminate the Lessee's right of possession (but not to terminate the Lease) without releasing Lessee in whole or in part from its liabilities and obligations accrued hereunder, or hereafter to accrue for the remaining term of the Lease, and thereupon require Lessee to deliver all such Cars to Rex at such places as it may designate or to take possession itself, of any or all of the Cars wherever same may be found. Rex may, but need not, require delivery of the Cars to it or repossess the Cars, and in the event the Cars are delivered to Rex or are repossessed, Rex may relet the same or any part thereof to others upon such rental and other terms as it may see fit. The proceeds of any such reletting shall first be applied to the expenses (including reasonable attorney's fees) of retaking and reletting of the Cars and delivery to the new lessee and then to the payment of rent due under this Lease. Lessee shall pay any deficiency remaining due after so applying the proceeds as the same shall accrue. Rex shall not be required to accept or receive any lessee offered by Lessee, or do any act whatsoever or exercise any diligence whatsoever in or about the procuring of another lessee to mitigate the damages of the Lessee or otherwise. The election by Rex to relet the Cars and the acceptance of a new lessee shall not operate to release Lessee from liability for any existing or future default in any other covenant or promise herein contained.

(c) declare this Lease terminated and recover from Lessee all amounts then due and payable plus, as liquidated damages for loss of bargain and not as penalty, the Present Worth, as of the date of



the date of such termination to the expiration date of the then current term of the Lease over the fair rental value of the Cars for such period;

(d) recover or take possession of any or all of the Cars and hold, possess and enjoy the same, free from any right of the Lessee to use the Cars for any purposes whatsoever.

The remedies provided in this Paragraph 18 in favor of Rex shall not be deemed exclusive but shall, where not by rule of law inconsistent with each other, be cumulative and may be availed of singly, in combination, or all together and in any order, and shall be in addition to all other remedies, in Rex' favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law now or hereafter in effect which might limit or modify any of the remedies herein provided to the extent that such waiver is permitted by law.

19. *Sublease and Assignment.* The right to assign this Lease by either party and the Lessee's right to sublease shall exist only as follows:

(a) Lessee shall have no right to assign or sublease or loan any of the Cars without the prior written consent of Rex ; provided, however, that Lessee shall have the right to assign all of its rights under this Lease to another railroad corporation which succeeds to all or substantially all of the business of Lessee provided such successor shall expressly assume all of the obligations and liabilities of Lessee hereunder;

(b) all rights of Rex hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to Lessee. This Lease and Lessee's rights hereunder are and shall be subject and subordinate to any chattel mortgage, security agreement or equipment trust or other security instrument covering the Cars heretofore or hereafter created by Rex , provided only that so long as the Lessee is not in default under the Lease, the Cars shall not be repossessed. If Rex shall have given written notice to Lessee stating the identity and post office address of any assignee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall make such payments to the designated assignee, when required.

The making of an assignment or sublease by Lessee or an assignment by Rex shall not serve to relieve such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or sublessee except as otherwise provided herein or unless expressly assumed in writing by such sublessee or assignee.

20. *Opinion of Counsel.* Upon the request of Rex or its assignee at any time or times, Lessee will deliver to Rex a favorable opinion of counsel for Lessee, addressed to Rex or its assignee in form and substance satisfactory to counsel for Rex or its assignee, which opinion shall be to the effect that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has corporate power to and has taken all corporate action necessary validly to enter into this Lease and carry out its obligations hereunder;

(b) this Lease has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms;

(c) the Cars which are then subject to the Lease are held by Lessee under and subject to the provisions of this Lease prior to any lien, charge or encumbrance in favor of anyone claiming by, through or under Lessee; and all of the Cars were, upon delivery to Lessee, in condition satisfactory to Lessee and were accepted by Lessee in accordance with the terms of this Lease;

(d) neither Lessee nor its counsel know of any requirement for recording, filing or depositing of this Lease, other than with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, which is necessary to preserve or protect the title of Rex or its assignee in the United States of America; and

(e) no governmental, administrative or judicial authorization, permission, consent or approval is necessary on the part of Lessee in connection with this Lease or any action contemplated on its part hereunder.

21. *Notice.* Any notice required or permitted to be given pursuant to the terms of this Lease shall be properly given when made in writing, deposited in the United States mail, registered or certified, postage prepaid, addressed to:

REX RAILWAYS, INC.

at: 616 Palisade Avenue
Englewood Cliffs, New Jersey 07632

Lessee at: 402 Cedar Rock Street, Pickens, South Carolina,
or 1617 John F. Kennedy Boulevard, Philadelphia, Pennsylvania

or at such other address as either party may from time to time designate by such notice in writing to the other.

22. *Warranty — Representatives.* Rex makes no warranty or representation of any kind, either express or implied, as to any matter whatsoever, including specifically but not exclusively, merchantability, fitness for a particular purpose extending beyond the description in Exhibit A, or the design, workmanship, condition or quality of the Cars or parts thereof which Cars have been accepted by Lessee hereunder; and Rex shall have no liability hereunder for damages of any kind, including specifically but not exclusively, special, indirect, incidental, or consequential damages on account of any matter arising from, out of, in connection with or related to a breach of warranty or representation. Rex agrees to assign to Lessee such rights as it may have under warranties, if any, which it may have received from the manufacturer of any Cars or parts therefor and shall at Lessee's expense cooperate with Lessee and take such action as may be reasonably requested to enable Lessee to enforce such rights. Lessee represents that all of the matters set forth in Paragraph 20(a) through and including (c) shall be and are true and correct at all times that any Car is subject to this Lease.

23. *Governing Law — Writing.* The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of ^{New} Jersey. The terms of this Lease and the rights and obligations of the parties hereto may not be changed or terminated orally, but only by agreement in writing signed by the party against whom enforcement of such change or termination is sought.

24. *Counterparts.* This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by and such signed counterpart.

25. *Severability — Waiver.* If any term or provision of this Lease or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law. Failure of Rex to exercise any rights hereunder shall not constitute a waiver of any such right upon the continuation or recurrence of the situation or contingency giving rise to such right.



26. *Terminology.* In construing any language contained in this Lease, no reference shall be made and no significance given to paragraph titles, such titles being used only for convenience of reference. Where the context so permits, the singular shall include the plural and vice versa.

27. *Past Due Payments.* Any nonpayment of rentals or other sums due hereunder, whether during the period within which a default may be cured or for a longer period, and whether or not deemed a default or violation of this Lease, shall result in the obligation on the part of the Lessee to pay also an amount equal to ten per cent per annum (or if such rate may not lawfully be charged, then the highest rate which may lawfully be charged) of such overdue sum for the period of time during which overdue and unpaid.

28. *Definitions.* For all purposes of this Lease the following terms shall have the following meaning:

(a) "Cars" — railroad cars of the type, construction and such other description as is set forth in Exhibit A.

(b) "Interchange Rules" — all codes, rules, interpretations, laws or orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the Association of American Railroads and any other organization, association, agency, or governmental authority, including the Interstate Commerce Commission and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

(c) "Average Date of Delivery" — that date which is determined by (i) multiplying the number of Cars delivered by Rex on each day by the number of days elapsed between such day and the date of delivery of the first Car hereunder, and (ii) adding all of the products so obtained and dividing that sum by the total number of Cars delivered and (iii) adding such quotient rounded out to the nearest whole number to the date of delivery of the first Car. The date on which delivery of a Car shall be deemed to have been made will be the day following delivery of the Car to the Lessee, as specified in Paragraph 2. A Car shall be conclusively deemed delivered to the Lessee on the earliest date shown on any of the following: (i) Certificate of Inspection and Acceptance or other writing accepting a Car signed by the Lessee; or (ii) a bill of lading showing delivery to Lessee or to a railroad for the account of Lessee.

(d) "Repair Work" — All repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in good condition, working order and repair (wear and tear from ordinary use and the passage of time excepted), in compliance with Interchange Rules in effect from time to time and complete with all devices, appliances appurtenances and parts with which the Cars were initially equipped or which from time to time may be required by Interchange Rules.

(e) "Casualty Cars" — Cars which are lost, stolen, destroyed or damaged beyond economic repair.

(f) "Replacement Cars" — Cars of substantially similar description and specifications to that set forth in Exhibit A which are substituted for Casualty Cars.

(g) "Present Worth" — An amount equal to the excess of the total remaining rentals over the fair rental value all as determined in Paragraph 18(c), discounted five percent per annum compounded annually.



20. *Benefit.* Except as otherwise provided herein the covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the parties and (to the extent permitted in Paragraph 19 hereof) their successors and assigns. Without limiting the generality of the foregoing, the indemnities of the Lessee contained in Paragraph 14 hereof shall apply to and inure to the benefit of any assignee of Rex, and if such assignee is a trustee or secured party under an indenture under which evidence of indebtedness has been issued in connection with the financing of the Cars, then also to the benefit of any holder of such evidence of indebtedness.

30. *Recording.* Upon request by Rex, Lessee shall join in the execution of a memorandum or short form of this Lease for use in recordation under Section 20c of the Interstate Commerce Act or such other recordation as Rex deems appropriate. Said memorandum or short form of lease shall describe the parties, the Cars being leased and the term of this Lease including any options to extend and shall incorporate the Lease by reference.

IN WITNESS WHEREOF, Rex and Lessee have duly executed this Lease as of the day and year first above written.

Rex Railways, Inc.
a New Jersey Corporation

By Robert W. Shaker
President

(SEAL)
ATTEST:

Doris Wilson
Past Secretary

The Pickens Railroad Co.
a South Carolina Corporation

By John H. Rees
Vice President

(SEAL)
ATTEST:

F. Stoppel
Vice Secretary

National Railway Utilization Corp.
a South Carolina Corporation

By John H. Rees
President

(SEAL)
ATTEST:

Secretary

STATE OF New Jersey
COUNTY OF Bergen } ss

On this 27 day of September, 1977, before me personally appeared Robert W. Gruber to me personally known, who being by me duly sworn says that he is President of the REX RAILWAYS, INC. and Denis Blase to me personally known to be the Assistant Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Rubin Schertz
Notary Public

RUBIN SCHERTZ
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires May 4, 1982

STATE OF Penn
COUNTY OF Phila } ss

On this 30th day of September, 1977, before me personally appeared Joe H. Ross to me personally known, who being by me duly sworn, says that he is President of National Railway Utilization Corporation & Vice President of Pickens Railroad Co. and T. Strzepek to me personally known to be the Assistant Secretary of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Kathryn M. Wilson
Notary Public

KATHRYN M. WILSON, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES MAR. 11, 1980
Member, Pennsylvania Association of Notaries

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AWP

EXHIBIT A

Lease dated September 19, 1977, by and between REX RAILWAYS, INC.

("Rex") and The Pickens Railroad Co. and ("Lessee")
National Railway Utilization Corp.

TYPE AND DESCRIPTION OF CAR: New 50'6" inside length, 70-ton Single Sheathed Boxcars, equipped with 10' sliding doors.

NUMBER OF CARS: Three Hundred (300):

INTERIOR EQUIPMENT: Lading strap anchors throughout car.

SPECIAL LININGS: None.

PERMITTED LADING USE: Non-corrosive commodities.

REPORTING NUMBERS AND MARKS: _____ to _____, inclusive.

SPECIFICATIONS DESIGNATED BY LESSEE: Cars to be built to The Pickens Railroad Co. and National Railway Utilization Corp. specifications.

REX
AR

EXHIBIT B

Lease dated September 19, 1977, by and between REX RAILWAYS, INC.
("Rex") and The Pickens Railroad Co. and ("Lessee")
National Railway Utilization Corp.

CERTIFICATE OF INSPECTION AND ACCEPTANCE

_____, 19____

Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07652

Gentlemen:

The undersigned, being a duly authorized inspector for Lessee, hereby certifies that he has made an inspection of _____ (_____) Cars bearing numbers as follows:

or has, on behalf of Lessee, elected to forego such inspection all as provided in the Lease, and hereby accepts such Cars for the Lessee pursuant to the Lease; that each of said Cars is plainly marked in stencil on both sides of each Car with the words

REX RAILWAYS, INC.
OWNER AND LESSOR.

Title to this Car subject to documents recorded
under Section 20c of Interstate Commerce Act

in readily visible letters not less than three-quarters inch (3/4") in height; and that each of said Cars conforms to, and fully complies with the terms of said Lease and is in condition satisfactory to the Lessee.

Lessee



Rider consisting of one page attached to and made part of Lease dated September 19, 1977 by and between Rex Railways, Inc., ("Rex") and The Pickens Railroad Co. and National Railway Utilization Corp. ("Lessee").

R-1 Rental. Lessee shall pay to Rex as rental for each Car, during the Original Term from and including the date of delivery of such Car the sum of:

\$394.00 per car per month during the first through and including the fifth year of the original term hereof;

\$367.00 per car per month during the sixth through and including the tenth year of the original term hereof; and

\$340.00 per car per month during the eleventh through and including the fifteenth year of the original term hereof.

R-2 INVESTMENT TAX CREDIT Lessor agrees to make the election to treat Lessee as having acquired the Equipment for purposes of any Investment Tax Credit under Section 38 of the Internal Revenue Code 1954, as amended. Lessor further agrees to execute and deliver to Lessee, to the extent permitted under said Internal Revenue Code, any and all documents required for the passing through of the credit to the Lessee. LESSOR HAS NOT MADE AND MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER AS TO THE AVAILABILITY OF ANY INVESTMENT TAX CREDIT TO LESSOR OR LESSEE, AND LESSEE HEREBY AFFIRMS THAT NO SUCH REPRESENTATION OR WARRANTY HAS BEEN MADE.

National Railway Utilization Corp.

Lessee John H. P... President Rex

Robert W. Shuler

Pickens Railroad Co.

Lessee John H. P... Vice President

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JHR

The undersigned parties hereby amend a certain Lease dated September 19, 1977 by and between Rex Railways, Inc., Englewood Cliffs, New Jersey (Lessor) and National Railway Utilization Corp., Philadelphia, Pennsylvania and The Pickens Railroad Co., Greenville, South Carolina (Lessees) in that the Lessees hereby acknowledge that the rights of the Lessor in and to this Lease have been assigned, mortgaged and pledged to, and are subject to a security interest in favor of, Citicorp Leasing, Inc., a Delaware corporation, pursuant to a security agreement, chattel mortgage and lease agreement dated as of September 19, 1977 from Lessor to Citicorp Leasing, Inc. as said security agreement, chattel mortgage and lease assignment may be amended or supplemented from time to time. This Lease has been executed in several counterparts, of which this counterpart is counterpart #1 counterpart #1 constituting the original counterpart.

Agreed and acknowledged by:

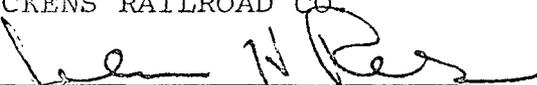
REX RAILWAYS, INC.

By: 
Rubin Schertz, Secretary

NATIONAL RAILWAY UTILIZATION CORP.

By: 
President

THE PICKENS RAILROAD CO

By: 
Vice President

INTERIM NOTE

\$ _____

Date: _____
Due: December 30, 1977

On or before December 30, 1977, the undersigned, for value received, promises to pay to the order of Citicorp Leasing, Inc. at 399 Park Avenue, New York, N. Y. 10022, in lawful money of the United States, the sum of _____

_____ Dollars,

with interest thereon from date until paid at 10% per annum based on a 360-day year.

This Note evidences indebtedness incurred under SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT, dated as of _____, 1977 (herein, together with any amendments which may have been or may be made thereto, called the "Agreement"), between the undersigned and Citicorp Leasing, Inc. This Note may be prepaid and may be declared due and payable, as provided in the Agreement, and is subject to all the terms and conditions of the Agreement.

This Note is payable in the State of New York, and shall be construed in accordance with the laws thereof.

REX RAILWAYS INC.

By _____

PROMISSORY NOTE

\$

New York, NY
December 30, 1977

The undersigned, FOR VALUE RECEIVED, promises to pay to the order of Citicorp Leasing, Inc. at 399 Park Avenue, New York, NY 10022, in lawful money of the United States, the sum of _____ (\$ _____) with interest thereon in 119 equal consecutive monthly installments of \$ _____ each with the first such monthly installment payable on _____, 19____ and monthly installments in a similar amount on the same day of each successive month immediately thereafter. All payments shall be credited first to accrued and unpaid interest determined in accordance with generally accepted financial practices, and the balance to principal. All sums not therefore paid shall be paid on _____, 19____.

This Note shall, at the option of the holder, become immediately due and payable, without notice of demand, upon the happening of any one of the following events, with respect to the undersigned, or with respect to any endorser or guarantor of the obligations hereby evidenced: (a) failure to pay any amount as herein agreed subject to the SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT or (b) default in the performance of any other obligation to the holder including without limitation, any obligation arising under the SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT and any documents related thereto executed and delivered in connection herewith.

In the event that this Note is prepaid it shall be prepaid in accordance with the schedule attached hereto and made a part hereof.

The undersigned hereby waives presentment, demand for payment, notice of dishonor and any or all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Note and hereby consents to any extensions of time, renewals, releases of any party to this Note waivers or modifications that may be granted or consented to by the holder of this Note in respect of the time of payment or any other provisions of this Note subject to the SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE AGREEMENT.

This Note is given in accordance with and is secured by a SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT dated the 27th day of September, 1977, and holder is entitled to rights and benefits thereunder.

In the event that the holder hereof shall enforce the collection of this Note, there shall be due from the undersigned, in addition to the unpaid balance, all costs and expenses of such action, including reasonable attorneys fees.

The undersigned agrees that its liability is absolute and unconditional without regard to the liability of any other party and that no delay on the part of the holder hereof in exercising any power or right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right hereunder preclude other or further exercise thereof or the exercise of any other power or right.

This Note is payable in the State of New York, and shall be construed in accordance with the laws thereof.

Maker: REX RAILWAYS, INC.

By _____

Title _____

z z

PREPAYMENT SCHEDULE

Relating to Promissory Note from _____ to Citicorp
 Leasing, Inc. dated the _____ day of _____, 19_____.

<u>Period</u>	<u>* % of Original Equipment Cost</u>	<u>Period</u>	<u>*% of Original Equipment Cost</u>
13	96.00	47	75.58
14	95.53	48	70.95
15	95.06	49	70.22
16	94.58	50	69.47
17	94.08	51	68.72
18	93.59	52	67.97
19	93.08	53	67.21
20	92.56	54	66.44
21	92.04	55	65.66
22	91.51	56	64.88
23	90.97	57	64.10
24	90.42	58	63.30
25	89.86	59	62.50
26	89.30	60	61.69
27	88.73	61	60.88
28	88.15	62	60.06
29	87.56	63	59.23
30	86.97	64	58.40
31	86.36	65	57.56
32	85.75	66	56.71
33	85.13	67	55.85
34	84.50	68	54.99
35	83.86	69	54.12
36	83.22	70	53.24
37	82.56	71	52.36
38	81.90	72	51.47
39	81.23	73	50.57
40	80.55	74	49.66
41	79.87	75	48.75
42	79.17	76	47.83
43	78.47	77	46.90
44	77.76	78	45.96
45	77.04	79	45.02
46	76.32	80	44.06

*Assumes rental payment for period has been paid.

<u>Period</u>	<u>* % of Original Equipment Cost</u>	<u>Period</u>	<u>* % of Original Equipment Cost</u>
81	43.10	101	22.11
82	42.13	102	20.97
83	41.16	103	19.81
84	40.17	104	18.65
85	39.18	105	17.48
86	38.18	106	16.30
87	37.17	107	15.10
88	36.15	108	13.90
89	35.12	109	12.69
90	34.09	110	11.47
91	33.04	111	10.24
92	31.99	112	8.99
93	30.93	113	7.74
94	29.86	114	6.48
95	28.78	115	5.20
96	27.69	116	3.92
97	26.59	117	2.62
98	25.49	118	1.32
99	24.37	119	0.00
100	23.25		

*Assumes rental payment for period has been paid.

Exhibit E

Consent of Lessee to Assignment of Lease
('Consent and Agreement')

GUARANTY
(For Execution by Corporation)

A SUBSIDIARY OF
FIRST NATIONAL CITY CORPORATION



For good and valuable consideration, the receipt of which is acknowledged, the undersigned (herein "Guarantor"), unconditionally guarantees to Citicorp Leasing, Inc., 399 Park Avenue, New York, New York 10022 (herein "Citicorp"), the full and prompt performance by

REX RAILWAYS, INC.

(Insert Name and Address of Obligor, and State of Incorporation)

(herein "Obligor"), of all obligations which Obligor presently or hereafter may have to Citicorp and payment when due of all sums presently or hereafter owing by Obligor to Citicorp, whether arising by lease, note or otherwise, and whether secured or unsecured. Guarantor further agrees to indemnify Citicorp against any losses it may sustain and expenses it may incur as a result of any wrongful act of Obligor with respect to the performance of Obligor's obligations to Citicorp.

The Guarantor agrees that it shall not be necessary, as a condition to enforce this guaranty, that suit be first instituted against Obligor or that any rights or remedies against Obligor be first exhausted. It being understood and agreed that the liability of the Guarantor hereunder shall be primary, direct, and in all respects unconditional.

For the purposes of this Guaranty and indemnity, all sums owing to Citicorp by Obligor shall be deemed to have become immediately due and payable if (a) Obligor defaults in any of its obligations to Citicorp; (b) a petition under any Chapter of the Bankruptcy Act, as amended, or for the appointment of a receiver of any part of the property of Obligor be filed by or against the Obligor and be not dismissed within thirty days; (c) Obligor makes a general assignment for the benefit of creditors, suspends business or commits any act amounting to a business failure, or; (d) an attachment be levied or tax lien be filed against any of Obligor's property.

This shall be a continuing guaranty and indemnity and irrespective of the lack of any notice to or consent of Guarantor, its obligations hereunder shall not be impaired in any manner whatsoever by any

- (a) new agreements or obligations of Obligor with or to Citicorp; amendments, extensions, modification, renewals or waivers of default as to any existing or future agreements or obligations of Obligor or third parties with or to Citicorp or extensions of credit by Citicorp to Obligor;
- (b) adjustments, compromises or releases of any obligations of Obligor, Guarantor or other parties, or exchanges, releases or sales of any security of Obligor, Guarantor or other parties;
- (c) fictitiousness, incorrectness, invalidity or unenforceability, for any reason, of any instrument or writing, or acts of commission or omission by Citicorp or Obligor;
- (d) compositions, extensions, moratoria or other relief granted to Obligor pursuant to any statute presently in force or hereafter enacted, or;
- (e) interruptions in the business relations between Citicorp and Obligor.

Notice of Citicorp's acceptance hereof, of default or nonpayment by Obligor or any other parties, of presentment, protest and demand, and of all other matters of which Guarantor otherwise might be entitled, is waived.

The obligations hereunder of Guarantor shall be binding upon its respective successors, assigns and legal representatives. The failure of any person to sign this or a similar guaranty and indemnity shall not affect the liability hereunder of Guarantor. The dissolution or release from liability of any other guarantor shall not relieve Guarantor from liability hereunder. Guarantor may terminate its obligation hereunder as to then future transactions between Citicorp and Obligor by registered mail notice to Citicorp at its above-stated address, provided, however, that such termination shall not affect its liability hereunder with respect to any obligations of Obligor to Citicorp incurred prior to receipt of such notice by Citicorp.

Guarantor shall reimburse Citicorp on demand, for all expenses incurred by it in the enforcement or attempted enforcement of any of its rights hereunder against Obligor or Guarantor, including costs and attorney's fees.

This guaranty and indemnity is assignable without notice to Guarantor, shall be construed liberally in favor of Citicorp and shall inure to the benefit of its successors and assigns. If Obligor should default in the performance of any of Obligor's obligations to Citicorp, and if any third party makes any payment to Citicorp with respect thereto, such third party shall, to the extent thereof, be subrogated to all of its rights against Guarantor hereunder. Legal rights and obligations hereunder shall be determined in accordance with the laws of the State of New York.

The undersigned corporation warrants for itself that it is authorized by law and by its articles of incorporation to execute this Guaranty, and the officers signing the same warrant that they are specifically authorized thereunto by a duly adopted resolution of the board of directors or the by-laws of the corporation.

IN WITNESS WHEREOF, Guarantor has caused this instrument to be executed this _____ day of

_____, 19_____.

ATTEST:

REX NORECO, INC.
(Name of Corporation)

By _____

(Title of Signatory)

STATE OF NEW JERSEY :
COUNTY OF BERGEN : SS.

On this 20th day of October, 1977, before me personally appeared MARK A. SALITAN, to me personally known, who being by me duly sworn, says that he is the Chairman of REX RAILWAYS, INC., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Seal]


Mark A. Salitan
MARK A. SALITAN, Chairman

Rubin Schertz
A Notary Public of the
State of New Jersey

My commission expires

RUBIN SCHERTZ
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires May 4, 1982