JOHN MARISCOTTI
EXECUTIVE VICE PRESIDENT

NATIONAL RAILWAY UTILIZATION CORP.
860 Suburban Station / 1617 John F. Kennedy Blvd., Phila., Pa. 19103 / (215) 569-2220

RECORDATION NO. 9140-A Filed & Recorded
DEC 28 1977 -3 15 AM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9140 Filed & Recorded
DEC 28 1977 -3 15 AM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9140-B Filed & Recorded
DEC 28 1977 -3 15 AM
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RECORDATION NO. 9140-C Filed & Recorded
DEC 28 1977 -3 15 AM
INTERSTATE COMMERCE COMMISSION

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December 28, 1977

Interstate Commerce Commission
Washington, DC 20423

Attention: Secreatry

Dear Sir:

It is hereby respectfully requested that the following documents be recorded pursuant to the provisions of Section 20c of the Interstate Commerce Act:

1. Conditional Sale Agreement, dated as of December 1, 1977:

Vendor - Whittaker Corporation(Berwick Forge & Fabricating Division)
West 9th Street
Berwick, PA 18603

Vendee (Purchaser) - St. Lawrence Partners
c/o FDI Management
300 Delaware Avenue (Suite 1100)
Wilmington, Delaware 19801

7-362A074
No.
DEC 28 1977
Date
Fee $ 100
ICC Washington, D.C.

2. Agreement and Assignment (of Conditional Sale Agreement), dated as of December 1, 1977:

Assignor (Vendor-Builder) - Whittaker Corporation (Berwick Forge & Fabricating Division)
(address as stated above)

Assignee - Mercantile - Safe Deposit and Trust Company
2 Hopkins Plaza
Baltimore, MD 21203

3. Lease of Railroad Equipment, dated as of December 1, 1977:

Lessor - St. Lawrence Partners
(address as stated above)

Lessee - Pickens Railroad Company
402 Cedar Rock Street
Pickens, South Carolina 29671

Co-Lessee - National Railway Utilization Corporation
(address as stated above)

Counterpart
Angela Olson

4. Assignment of Lease and Agreement, dated as of December 1, 1977:

   Assignor -St. Lawrence Partners
   (address as stated above)

   Assignee - Mercantile - Safe Deposit and Trust Company
   (address as stated above)

General Description of the Equipment:

30 Box Cars, Type XM (50' - 6" 70-ton), bearing Pickens Railroad Company Road Numbers M&NJ 120805 - 834 (both inclusive), and each being marked: "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c".

Very truly yours,

John Mariscotti, Executive Vice President

JAM:tws

RECORDATION NO. 9140-B Filed & Recorded

DEC 28 1977 3 15 AM

INTERSTATE COMMERCE COMMISSION

SIGNED COPY

LEASE OF RAILROAD EQUIPMENT

Dated as of December 1, 1977

between

ST. LAWRENCE PARTNERS,

PICKENS RAILROAD COMPANY

and

NATIONAL RAILWAY UTILIZATION CORPORATION

LEASE OF RAILROAD EQUIPMENT, dated as of December 1, 1977, between ST. LAWRENCE PARTNERS, a Delaware limited partnership (hereinafter called the Lessor), PICKENS RAILROAD COMPANY, a South Carolina corporation (hereinafter called the Lessee), and NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation (hereinafter called the Co-Lessee).

WHEREAS, the Lessor is entering into a conditional sale agreement dated as of the date hereof with Whittaker Corporation (Berwick Forge & Fabricating Division) (hereinafter called the Builder), (such agreement being hereinafter called the Security Documentation), wherein the Builder has agreed to assemble, manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Equipment);

WHEREAS, the Builder is assigning its interests in the Security Documentation to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, acting as agent (said corporation, as so acting, together with its successors and assigns being hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessee, the Co-Lessee, the Lessor, and the parties named in Schedule B thereto, in the form annexed as Annex E to the Security Documentation; and

WHEREAS, the Lessee desires to lease such number of units of the Equipment as are delivered and accepted and settled for under the Security Documentation (hereinafter called the Units) at the rentals and for the terms and upon the conditions hereinafter provided, and for that purpose the Co-Lessee is willing to become jointly and severally liable, to the extent herein set forth, for all of the obligations of the Lessee hereunder;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Documentation, or against the Builder, the Vendor, or any financial institution providing funds to the Lessor for the purpose of financing or refinancing the Units, or otherwise;

nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation, such appointment, however, to be subject to revocation and substitution by the Lessor by written notice delivered to the Builder and the Lessee at least two days prior to the effectiveness of such revocation and substitution. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Documentation. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and the Lessee shall execute and deliver to the Lessor and to the Builder a certificate of acceptance (which shall also be signed by the Lessor, if the Lessor shall have revoked the authority of the Lessee as aforesaid) (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, (i) 60 consecutive quarter-annual payments payable in arrears on March 31, June 30, September 30 and December 31 of each year commencing March 31, 1978, and (ii) in addition thereto on March 31, 1978, a first rental payment in an amount determined as hereinafter set forth. The first rental payment, payable pursuant to clause (ii) hereof, shall be in an amount equal to 0.038022% of the Purchase Price (as defined in the Security Documentation) of each Unit subject to this Lease for each day elapsed from and including the Closing Date (as defined in the Security Documentation) for such Unit to and including December 31, 1977 (each month being deemed to have 30 days). The 60 quarter-rental payments shall each be in an amount equal to 3.422% of the sum of the Purchase Price of all Units subject to this Lease. The Purchase Price of the Units subject to this Lease is hereinafter sometimes also referred to as "Final Equipment Cost".

The rental payments hereinbefore set forth are subject to adjustment pursuant to §§ 9 and 16 hereof. If the Lessor shall make any payment to the Vendor or incur any expense pursuant to the provisions of the sixth paragraph of Article 16 of the Security Documentation, occasioned by the occurrence of an Event of Default hereunder, then the amount thereof shall constitute additional rent due hereunder and shall be payable by the Lessee upon demand by the Lessor, including interest thereon at the rate of 10.75% per annum.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable to such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first to apply such payments to satisfy the obligations of the Lessor then due under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default under the Security Documentation shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., local time, on the date such payment is due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

All rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation, provided, however, that the Lessee shall be entitled to possession and use of the Units in accordance with the second paragraph of § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one-half inch in height, the words "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect and to the effect that such filing and recordation will protect the interest of the Vendor and the Lessor in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state and local government or agency thereof is necessary in order to protect the interest of the Vendor or the Lessor in and to the Units in the United States of America or any state thereof. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or assignees or sublessees.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of net expense (after giving effect to federal, state and local income tax benefits accruing to the Lessor) to the Lessor for collection or other charges and will be free of net expense (after giving effect to federal, state and local income tax benefits accruing to the Lessor) to the Lessor with respect to the amount of any local, state, federal, or foreign taxes (other than any United States federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes measured by net income based on such receipts, up to the amount of any such taxes based on such receipts which would be payable to the state and locality in which the Lessor has its principal place of business without apportionment to any other state, except any such tax 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 herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documentation, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the gross receipts, income and earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Vendor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such imposition prior to such payment.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the Conditional Sale Agreement not covered by the foregoing paragraph of this §6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to such Article.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units; provided, however, that the Lessor shall, with respect to any state or political subdivision thereof of the United States of America, file required returns, statements, and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by Lessor's earnings or gross receipts arising from the Units, or the value added by the Lessor thereto, and remit the amount thereof and the Lessee shall reimburse the Lessor promptly upon demand for the amount of such taxes, fees and charges except as provided above.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in its own name and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will be responsible for all maintenance and repairs required to maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition and in compliance with the standards from time to time in effect under the Interchange Rules of the Association of American Railroads for use in interchange.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the Security Documentation.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Final Equipment Cost of such Unit as is set forth in the schedule in item 1 of Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Final Equipment Cost of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor

hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

In the event of the requisition for use by the United States Government (hereinafter called the Government) of any Unit during the term of this Lease, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained all risk, physical loss and damage insurance in respect of the Units in an amount at least equal to the Casualty Value of such Units at the time subject hereto, and public liability insurance in amounts and against risks customarily insured against by others in the Lessee's industry in respect of similar equipment. All policies evidencing such insurance shall contain an agreement by the insurers that such policies shall not be cancelled or the amount of coverage thereof or persons covered thereunder adversely changed without at least 30 days' prior written notice to the Lessor and the Vendor by the insurers or the insurers' authorized representative, as the case may be. The benefits of such insurance shall be payable to the

Vendor, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the Security Documentation shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports. On or before March 31 in each year, commencing with the calendar year 1979, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Documentation have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being

agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Documentation.

The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the Security Documentation, the Participation Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person except as otherwise provided in § 14 of this Lease, or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Documentation. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in payment of any amount provided for in §§ 3, 7 or 13 hereof, and such default shall continue for five business days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. the insurance to be maintained by the Lessee under §7 hereof shall for any reason not remain in full force and effect as therein provided, unless comparable substitute insurance satisfactory to the Lessor and the Agent shall be in force;

D. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

E. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee or the Co-Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee and the Co-Lessee, as the case may be, under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

F. any other proceedings shall be commenced by or against the Lessee or Co-Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee or Co-Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee and Co-Lessee, as the case may be, under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or the Co-Lessee, as the case may be, or for the property of the Lessee or the Co-Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

G. an event of default set forth in Article 15 of the Security Documentation shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units

may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9.75% per annum discount, compounded quarter-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, provided, however, that in the event that the Lessor shall have rented any Unit, then the reasonably estimated rental with respect to any such rental period shall be equal to that rental actually obtained by Lessor during such rental period, plus (B) such sum as shall cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the ADR Deduction and the Interest Deduction (as such deductions are defined in § 16 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the

termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default, plus (C) such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this clause (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its 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 the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate or, in the absence of such designation, as the Lessee may select; provided, however, that such storage on the tracks of the Lessee will not be required if such storage will interfere with the operation of the railroad of the Lessee;

(b) permit the Lessor to store such Units on such tracks or other premises at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units.

During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.038022% of the Final Equipment Cost of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10 and 16, and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the Vendor); and if this Lease is assigned to the Vendor the fact that the Vendor is specifically named herein in certain provisions shall not be construed as limiting the rights assigned to the Vendor pursuant to such assignment.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The

Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor and Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph hereof.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation, the Lessee shall be entitled to the possession of the Units and shall also be entitled (i) to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, (ii) to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, and (iii) to sublease any Unit or Units to other companies incorporated under the laws of any state of the United States or the District of Columbia, for use in connection with their operations, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation (subject to the provisions of § 3 hereof) for such use from other railroads and companies so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent (as defined in the Security Documentation)) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Option to Renew or Purchase.

(a) Renewal.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation (and so long as no other event which with the lapse of time or the giving of notice would become an event of default has occurred and is continuing) Lessee shall have the right, exercisable by at least six months prior written notice to the Lessor, to renew and extend the term of this Lease with respect to all and not less than all of the Equipment from the stated expiration date hereof for a reasonable term to be agreed upon by the parties, at a rental payable quarterly, in arrears, which shall equal the fair market rental then applicable to Equipment of same kind and age as the Equipment leased hereunder as of a date six months prior to the stated expiration date hereof, as agreed in good faith between the Lessor and the Lessee, or failing such agreement, as determined by at least two of three independent appraisers qualified to determine boxcar values (one each to be selected by the Lessor and Lessee and the third to be selected by the two theretofore selected), whose costs and expenses shall be borne by the Lessee.

(b) Purchase.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation (and so long as no other event which with the lapse of time or the giving of notice would become an event of default has occurred and is continuing) Lessee shall have the right, exercisable by at least six months prior written notice to the Lessor, to purchase all and not less than all of the Equipment on the expiration date of this Lease at a purchase price equal to the fair market value of the Equipment as of a date six months prior to the expiration date of this Lease, such fair market value to be determined in accordance with the procedure set forth in subsection (a) of this §13.

§ 14. Return of Units upon Expiration of Term. The Lessor intends to retain the Units for re-lease or sale at the expiration of the term of this Lease, subject, however, to the rights of the Lessee as set forth in § 13 hereof. As soon as practicable on or after the expiration of the term of this Lease (which for all purposes hereof shall be deemed to include any renewal term) with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or other premises as the Lessor reasonably may designate, provided that such storage on the Lessee's storage tracks does not interfere with the operation of the railroad of the Lessee. The Lessee will permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, such movement and storage of any such Unit on the storage tracks of the Lessee to be at the expense

and risk of the Lessee. During said three-month storage period and at the expiration thereof, the Lessee agrees to transport the Units to any other reasonable place designated by the Lessor, the movement of such Units to such places (other than to the places set forth in the immediately preceding sentence) to be at the expense and risk of the Lessor except that the Lessee shall pay any such expenses of the Lessor to the extent of any revenues earned by such Units during such movement, and the Lessee shall use its best efforts to realize such revenues on such Units during such movement. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any such prospective purchaser or lessee, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this §14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads for use in interchange service and/or the applicable rules of any governmental agency or other organization with jurisdiction.

During the period of time during which the Units are being returned after the term of this Lease, the Lessee will pay to the Lessor "holdover rent" for each such Unit being returned in an amount equal to 0.024714% of the Final Equipment Cost of such Unit, or the fair market rental of such Unit (determined in the same manner as provided in §13 hereof), whichever is greater, for each day elapsed from the date of expiration of the term of this Lease, to the date such Unit is returned to the Lessor pursuant to this §14.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Security Documentation and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Security Documentation and the assignment thereof to the Vendor; and the

Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Federal Income Taxes.

(a) Tax Indemnification. It is the intent of the parties to the Lease that it will be recognized as a lease for all Federal, state, city and local income taxes or franchise taxes imposed on or measured by net income, and that this Lease does not convey to the Lessee any right, title or interest in the Units except as lessee (it being acknowledged, however, that it is also the intent of the parties to have the Lessee treated as the purchaser of the Units for purposes of investment tax credit), and that for United States income tax purposes (and to the extent applicable for state and local tax purposes), the Lessor, a limited partnership, as the owner of the Units, and its limited partners (referred to herein as an "Owner" or the "Owners", as the case may be), shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (herein called the Code), to an owner of property, including, without limitation, (A) the maximum depreciation deduction for any year (hereinafter called the Depreciation Deduction) with respect to the Units authorized under section 167 of the Code based on the aggregate Final Equipment Cost of the Units utilizing no more than the 12-year depreciable life prescribed for the Units in the Asset Guideline Class 00.25 in accordance with section 167(m) of the Code employing the double declining balance method of depreciation, or any other method permitted under section 167 of the Code and Regulations thereunder (including switching to the sum-of-the-years-digits method or another permitted method when most beneficial to the Owners) [utilizing the half-year convention as provided in Reg. Sec. 1.167(a)-11(c)(2)(iii) and taking into account an estimated gross salvage value of 10% of the basis of the Units which will be reduced by 10% of the basis of the Units as provided in section 167(f) of the Code], and (B) deductions with respect to the interest payable under the Security Documentation pursuant to section 163 of the Code (such deduction being herein called the Interest Deduction).

Notwithstanding anything to the contrary contained herein, Lessee represents, warrants and covenants to the Lessor and Owners that (i) at the time the Lessor becomes the owner of the Units, the Units will constitute "new Section 38 property" within the meaning of Section 48(b) of the Code, and at the time Lessor becomes the owner of the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with Lessor; (ii) at all times during the term of this Lease, the Units will constitute "Section 38 property" within the meaning of Section 48(a) of the Code; (iii) Lessee will maintain sufficient records to verify such use; (iv) upon request of Lessor, Lessee will provide written reports establishing such use; (v) Lessee and the consolidated federal taxpayer group of which it is a member will file their tax returns and maintain their books and financial statements consistent with the provisions of the first paragraph of this subsection 16(a); (vi) neither Lessee nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action to jeopardize the tax benefits anticipated by the Lessor and its Owners pursuant to the first paragraph of this subsection 16(a); (vii) the fair market value of the Units at the end of the term of this Lease will be at least 20% of Final Equipment Cost and the remaining useful life of the Units at the end of the term of this Lease will be at least 20% of the total useful life of the Units; and (viii) Lessee shall take all actions and execute such documents as may be reasonable or necessary to facilitate the accomplishment of the intent hereof.

If, for any Unit or any part thereof there shall be a disallowance, elimination, reduction or disqualification in whole or in part of any Depreciation Deduction, whether or not Lessor or any Owner made use of the Deduction (hereinafter called the Loss of Depreciation), Lessee shall pay to Lessor additional rent to compensate the Owners for the consequent lost cumulative deferral of income tax liability existing thereafter from time to time. Said additional rent, payable as a result of any such Loss, shall be equal to: (i) for the period prior to the payment by any Owner of additional Federal, state and local taxes as a result of such Loss of Depreciation, a sum equal to (A) an amount which, after deduction of all taxes required to be paid by the Lessor and the Owners in respect of the receipt of such amount under the laws of any Federal, state, or local government or taxing authority in the United States, shall be equal to the amount of any interest, penalties, or additions to tax payable by the Lessor and the Owners as a result of such Loss of Depreciation which are not deductible by the Lessor for Federal income tax purposes, plus (B) the amount of any interest, penalties, or additions to tax payable by the Lessor and the Owners as a result of such Loss of Depreciation which are deductible by the Lessor for Federal income tax purposes;

and (ii) for the period after such payment by the Lessor or any Owner, the quarter-annual rental rate shall be increased by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's and the Owners' after-tax rate of return over the term of the Lease in respect of such Unit to equal the after-tax rate of return that would have been available if the Lessor and the Owners had been entitled to utilization of all of the Depreciation Deduction and the Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any state against the Lessor and its Owners attributable to the Loss of Depreciation.

If, regarding Interest Deduction, there shall be a disallowance, elimination, reduction or disqualification of all or part of same, whether or not Lessor and its Owners made use of the Deduction (hereinafter called Loss of Deduction), Lessee shall pay to Lessor additional rent to compensate the Owners for the additional income tax liability thereby incurred. Said additional rent, payable as a result of any such Loss of Deduction, shall be equal to (i) for the period prior to the payment by the Lessor or any Owner of additional Federal, state and local income taxes as a result of such Loss of Deduction, a sum equal to (A) an amount which, after deduction of all taxes required to be paid by the Lessor or the Owners in respect of the receipt of such amount under the laws of any Federal, state or local government or taxing authority in the United States, shall be equal to the amount of aggregate additional tax liability plus any interest and penalties payable by the Lessor and the Owners as a result of such Loss of Deduction which are not deductible for Federal income tax purposes, plus (B) any interest and penalties payable by the Lessor and the Owners as a result of such Loss of Deduction which are deductible for Federal income tax purposes; and (ii) for the period after such payment by the Lessor or any Owner, an amount computed separately for each taxable year of the Lessor or the Owners equal to an amount which, after deduction of all taxes required to be paid by the Owners in respect of the receipt of such amount under the laws of any Federal, state and local government taxing authority in the United States, shall be equal to the amount of additional taxes payable by the Owners for the taxable year for which this computation is made.

The amounts payable pursuant to the preceding paragraphs of this subsection 16(a) shall be payable upon demand by Lessor, accompanied by a statement describing in reasonable detail the Loss of Depreciation, and/or Loss of Deduction, as the case may be, and setting forth the computation of the amount so payable.

It is the intent of the parties that the Owners' after-tax rate of return shall not be affected by Loss of Depreciation or Loss of Deduction. It is the further intent of the parties that such return is computed based upon the assumption that the Owners shall derive full tax benefit of Depreciation Deduction and Interest Deduction computed using the maximum corporate or individual income tax rates, as the case may be (Federal, state and local), in effect at the date hereof. Computation of the amounts due to the Owners as a result of these indemnification provisions shall be made in accordance with the above intention and assumptions.

For purposes of this subsection 16(a), a Loss of Depreciation or Loss of Deduction shall occur upon the earliest of (1) the happening of any event (such as disposition or change in use of any Unit) which may cause such Loss of Depreciation or Loss of Deduction; (2) the payment by any Owner to the Internal Revenue Service of the tax increase resulting from such Loss of Depreciation or Loss of Deduction; (3) the adjustment of the tax return of any Owner to reflect such Loss of Depreciation or Loss of Deduction; or (4) the determination by Internal Revenue Service that Depreciation Deduction or Interest Deduction are not available with respect to all or any part of the Units. Lessee shall also pay any interest and penalties paid or which would be payable to the taxing authority or jurisdiction if there were no other adjustments to said tax return; provided, however, that interest shall not run after the payment by Lessee to Lessor of the full amount of any indemnification then requested by Lessor.

Notwithstanding anything to the contrary set forth in this subsection 16(a), no amount shall be payable as an indemnity hereunder to Lessor or an Owner thereof, as the case may be, in respect of (A) tax imposed by reason of Section 56 of the Code attributable to an item of tax preference arising under this Lease which is described in Section 57(a)(3) of the Code, or (B) any Loss of Depreciation or Loss of Deduction to the extent such Loss is solely the result of the occurrence of any one or more of the following events: (1) an Owner shall fail to have sufficient taxable income against which to apply the Depreciation Deduction or Interest Deduction; (2) an amendment to the Code or the promulgation of or amendment to Treasury Regulations which became effective after the last Delivery Date of the Units; (3) an Owner is prohibited from obtaining the benefit of such Deductions by reason of Section 465 of the Code, the so-called at-risk limitation; (4) an Owner is prevented from obtaining the benefit of such Deductions by reason of a disallowance of such Deductions by Internal Revenue Service, as a result of its determination that Lessor is for federal income tax purposes an association (taxable as a corporation) rather than a partnership; (5) the inability of an Owner to utilize the Interest Deduction as a result of the limitation on the deduction of so-called investment interest as provided in Section 163(d) of the Code; (6) a determination by Internal Revenue Service with respect to the taxable year of Lessor in which the Units have been placed in service that an Owner is not entitled to deduct his distributive share of the Depreciation Deduction computed under the half-year convention described in Treas. Reg. §1.167(a) - 11(c)(2)(iii) attributable to the period occurring before such Owner acquired an interest in Lessor;

(7) a disqualifying disposition due to the sale of any unit(s) or the lease thereof by Lessor prior to any default by Lessee; (8) a failure of the Lessor to timely claim Interest Deduction or Depreciation Deduction for the Units in the tax return of the Lessor, provided that such failure shall not result from consequences or from actions for which the Lessor would have been eligible or allowed to take had the Loss of Depreciation or Loss of Deduction not occurred; (9) a disqualifying change in the nature of the Lessor's business or liquidation thereof; (10) a foreclosure by any person holding through Lessor of a lien on any Unit, which foreclosure results solely from an act of Lessor; or (11) any event which by the terms of this Lease requires payment by Lessee of the Casualty Value, if such Casualty Value is thereafter actually paid by Lessee, to the extent that such payment reimburses the Lessor for amount(s) otherwise payable by Lessee pursuant to this subsection 16(a).

Upon receipt of formal notification by Federal or state taxing authorities of a proposed disallowance or adjustment of any credit or deduction arising from this Lease for which additional rent may be payable by Lessee in accordance with this subsection 16(a) (hereinafter called Disallowance), the Lessor shall promptly notify Lessee of such Disallowance. Upon receipt of a written request from Lessee to contest such Disallowance, and at Lessee's expense, the Lessor shall in good faith use its best effort (determined in the sole discretion of tax counsel of the Lessor to be reasonable, proper and consistent with the overall tax interests of the Owners) to contest such proposed Disallowance, provided, however, that such Disallowance need not be contested beyond the level of an Internal Revenue Service examining agent unless and until the Lessor shall have received from independent tax counsel selected by the Lessor and approved by Lessee an opinion to the effect that there is a meritorious defense to such Disallowance. In such event, the Disallowance shall be contested by such appropriate administrative or judicial proceedings as may be determined by the Lessor in its sole discretion.

The Lessor shall not be required to take any action to contest such Disallowance unless and until Lessee shall have agreed to indemnify the Lessor in a manner satisfactory to the Lessor for any liability or loss in connection with this Lease or the transaction contemplated herein which the Lessor or any Owner may incur as a result of taking such action, and Lessee shall pay the Lessor and the Owners on demand all out-of-pocket costs and expenses incurred by the Lessor and the Owners in connection with contesting such Disallowance. Lessee further agrees to abide by the final determination arrived at in any such contest.

All of Lessor's and Owners' rights and privileges arising from the indemnities contained in this subsection 16(a) shall survive the expiration or other termination of this Lease, and said indemnities are expressly made for the benefit of, and shall be enforceable by Lessor, its successors and assigns.

(b) Rental Adjustment for Lessee's Capital Expenditures. In the event and to the extent that the cost of any improvement and/or addition (hereinafter called Capital Expenditures) to a Unit made by the Lessee, under and pursuant to the terms of this Lease or otherwise, is required to be included in the gross income of the Lessor or any Owner for Federal income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, then the

rentals for the Units set forth in §3 hereof shall, on the next succeeding rental payment date after the date on which the Lessee is required to furnish written notice thereof to the Lessor pursuant to the last paragraph of this subsection 16(b) after said inclusion in the Lessor's or any Owner's gross income is required, be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, after taking into account any present or future tax benefits that the Lessor and the Owners reasonably anticipate they will derive from Lessee's additional investment in the Units by reason of said inclusion (including without limitation any current deductions and current and future depreciation deductions), cause the Lessor's and Owners' net return (calculated on the same basis as used by the Lessor and the Owners in originally evaluating this transaction) to equal the net return that would have been realized by the Lessor and the Owners if the cost of such Capital Expenditures had not been includible in the Lessor's and Owners' gross income.

In determining the present or future tax benefits to be taken into account in establishing the rental increase required hereby, the Lessor shall attempt to maximize such benefits and hence minimize the increase in rents by making such elections (including where advantageous the applicable asset guideline repair allowance and accelerated depreciation, if then permitted) and utilizing such conventions and accounting methods as will further such objectives; provided, however, that the Lessor and the Owners shall not be required to make any election or utilize a particular convention or accounting method if the Lessor determines, in its sole discretion but in good faith, that in so doing it will adversely affect its Federal income tax liability determined without regard to this transaction.

For purposes of this subsection 16(b) the cost of Capital Expenditures made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor and the Owners for Federal income tax purposes" if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of said Capital Expenditures is incurred; (ii) any provision of the Code or the applicable regulations enacted or adopted after the date of this Lease; (iii) any published revenue ruling of the Internal Revenue Service issued after the date of this Lease which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal income tax liability of the Lessor and of the Owners; or (iv) the adjustment by the Internal Revenue Service of the tax return of the Lessor or any Owner to reflect such additional income.

The Lessor and Owners agree that they will, upon the written request and at the sole expense of the Lessee (A) seek a modification of any private ruling letter described in (i) of the preceding paragraph to eliminate the requirement that the cost of Capital Expenditures be included in gross income, and (B) contest the inclusion of the cost of Capital Expenditures in their gross incomes if such inclusion is required pursuant to (ii), (iii) or (iv) of the preceding paragraph in such forum as they, in their sole judgment but with due regard to the Lessee's advice, shall select; provided,

however, that the Lessor or any Owner shall not be required to contest such inclusion unless it has received an opinion from independent counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such inclusion and the Lessee has advanced to the Lessor such sums as the Lessor may reasonably deem necessary to pay the costs of such contest on behalf of itself or any Owner.

It is further agreed that the Lessee may claim a deduction for Federal income tax purposes of any cost of Capital Expenditures which are required to be included in the gross income of the Lessor for Federal income tax purposes.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Capital Expenditures which are required to be included in the gross income of the Lessor or any Owner for Federal income tax purposes prior to the time such Unit is disposed of in a taxable transaction, the Lessee will give written notice thereof to the Lessor describing such Capital Expenditures in reasonable detail and specifying the cost thereof with respect to each Unit.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 10.75% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at the address set forth in item 2 of Schedule B hereto;

(b) if to the Lessee, at 402 Cedar Rock Street, Pickens, South Carolina 29671, Attention: Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at 2 Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department, or as the Vendor may otherwise specify.

§ 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, 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 other jurisdiction.

Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 20. Obligations of Co-Lessee. By its execution and delivery of this Lease, the Co-Lessee recognizes and agrees that it is jointly and severally liable hereunder, to the same extent and purpose as the Lessee, subject only to requirement that before being called on hereunder to perform any of the obligations of a lessee as aforesaid, the Lessee shall first have failed to perform such obligation when and as due, and the Lessor shall have given to the Co-Lessee two days' prior notice in writing of such failure.

§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Assignment hereof to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 22. Law Governing. This Lease having been executed and delivered in the Commonwealth of Pennsylvania, the terms hereof, and all rights and obligations hereunder, shall be governed by the laws of such Commonwealth; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

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

ST. LAWRENCE PARTNERS

By BRANDYWINE CORPORATION,
its General Partner

[Corporate Seal]

Attest:

Secretary

By

VICE President

PICKENS RAILROAD COMPANY

By _____
Vice President

[Corporate Seal]

Attest:

_____
Asst. Secretary

NATIONAL RAILWAY UTILIZATION CORPORATION

By _____
Vice President

[Corporate Seal]

Attest:

_____
Asst. Secretary

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA

On this 27th day of December, 1977, before me personally appeared B.E. Moore, to me personally known, who, being by me duly sworn, says that he is Vice President of Brandywine Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and on behalf of St. Lawrence Partners (a partnership of which said corporation is the General Partner) by authority duly vested in said corporation as such General Partner, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation and of said partnership.

[Notarial Seal]

Lynn Ann McDowell
Notary Public

My Commission expires:

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA :

On this 8th day of December, 1977, before me personally appeared John A. Marisco to me personally known, who, being by me duly sworn, says that he is V. Pres. of Pickens Railroad Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lynn Ann McDowell
Notary Public

My Commission expires:

LYNN ANN McDOWELL
Notary Public, Phila., Phila. Co.
My Commission Expires April 10, 1981

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA :

On this 27th day of December, 1977, before me personally appeared John A. Marisotti, to me personally known, who, being by me duly sworn, says that he is V. Pres of National Railway Utilization Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Lynn Ann McDowell
Notary Public

My Commission expires:

LYNN ANN McDOWELL
Notary Public, Phila., Phila. Co.
My Commission Expires April 13, 1981

SCHEDULE A TO LEASE

Type	Quantity	Lessee's Identifying Numbers (Both Inclusive)
50'-6" 70-ton general purpose box cars, Type XM	30	M&NJ 120805-834

SCHEDULE B TO LEASE

Casualty Values

Item 1:

Date	Percentage	Date	Percentage
3/31/1978	110.179049	9/30/1985	96.330144
6/30/1978	111.171333	12/31/1985	94.280014
9/30/1978	111.737416	3/31/1986	92.142216
12/31/1978	112.561356	6/30/1986	89.940538
3/31/1979	113.286829	9/30/1986	87.701194
6/30/1979	113.909200	12/31/1986	85.423400
9/30/1979	114.423595	3/31/1987	83.110307
12/31/1979	114.824925	6/30/1987	80.761138
3/31/1980	115.132501	9/30/1987	78.375092
6/30/1980	115.341941	12/31/1987	75.951349
9/30/1980	115.448666	3/31/1988	73.493146
12/31/1980	115.447868	6/30/1988	70.999659
3/31/1981	115.353079	9/30/1988	68.470040
6/30/1981	115.159943	12/31/1988	65.903426
9/30/1981	114.863899	3/31/1989	63.303144
12/31/1981	114.460161	6/30/1989	60.668320
3/31/1982	113.962666	9/30/1989	57.998056
6/30/1982	113.367112	12/31/1989	55.291435
9/30/1982	112.668978	3/31/1990	52.551480
12/31/1982	111.863539	6/30/1990	49.777257
3/31/1983	110.965209	9/30/1990	46.967808
6/30/1983	109.969765	12/31/1990	44.122149
9/30/1983	108.872776	3/31/1991	41.242028
12/31/1983	107.669610	6/30/1991	38.326431
3/31/1984	106.375241	9/30/1991	35.374318
6/30/1984	104.985577	12/31/1991	32.384621
9/30/1984	103.496322	3/31/1992	29.358211
12/31/1984	101.869649	6/30/1992	26.293980
3/31/1985	100.120607	9/30/1992	25.668320
6/30/1985	98.275524	12/31/1992	25.000000

Item 2: St. Lawrence Partners
c/o FDI Management Corporation
Suite 1100
300 Delaware Avenue
Wilmington, Delaware 19801

With copy to:

Messrs. Blank, Rome, Klaus & Comisky
Four Penn Center Plaza
Philadelphia, Pa. 19103
Attn: Elliott K. Braverman, Esq.