



JOHN MARISCOTTI
EXECUTIVE VICE PRESIDENT

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

8-510A010

January 5, 1978

JAN 10 1978

RECORDATION NO. 9171

RECORDATION NO. 9171 Filed & Recorded

JAN 10 1978 -9 05-AM

Washington, D. C.

JAN 10 1978 -9 05 AM

INTERSTATE COMMERCE COMMISSION

RECEIVED
CERTIFICATION UNIT
JAN 10 8 59 AM '78

INTERSTATE COMMERCE COMMISSION
Interstate Commerce Commission
12th and Constitutional Avenues, N.W.
Washington, D. C. 20423

Attention: Mrs. Lee, Room 1227

Gentlemen:

Enclosed herewith for filing are the following documents:

Three executed Lease Agreements dated as of March 29, 1977, between Pickens Railroad Company, and Middletown & New Jersey Railway Co., Inc.

Three executed Security Agreements, dated as of March 29, 1977, by Middletown & New Jersey Railway Co., Inc. (debtor), in favor of Pickens Railroad Company.

The addresses for the parties are as follows:

Pickens Railroad Company
Post Office Box 216
Pickens, South Carolina 29671

Middletown & New Jersey Railway Co., Inc.
140 East Main Street
Middletown, New York 10940

The equipment covered by these Agreements is 250 50 ft. XM General Purpose Boxcars bearing Road Numbers MNJ 120735 - 120984, both inclusive.

Please return the certified copies of each Agreement to William W. Kehl, Esquire, P. O. Box 10207, Greenville, S. C. 29603, with the recording data stamped thereon.

Very truly yours,

John A. Mariscotti
John A. Mariscotti

JAM:ebw

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

1/10/78

OFFICE OF THE SECRETARY

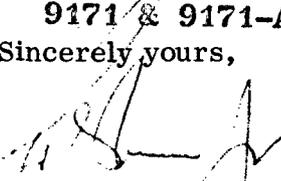
John A. Mariscotti
National RYW. Utilization Corp.
860 Suburban Station
Phila. Pa. 19103

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 1/10/78 at 9:05am
and assigned recordation number(s)

9171 & 9171-A
Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

in writing of this acceptance and the date of delivery. The Boxcars shall be deemed delivered to Lessee upon date of first loading. Any Boxcar moved to Lessee's railroad shall be at no cost to Lessee. Due to the nature of railroad operations in the United States, Lessor can neither control nor determine when the Boxcars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Boxcars leased hereunder, Lessee agrees to pay to Lessor the rental charges set forth in this Agreement. To move the Boxcars and insure optimal use of the Boxcars, Lessor agrees to monitor Boxcar movements and, when deemed necessary, Lessor will issue movement orders with respect to such Boxcars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee shall give preference to Lessor and shall load the Boxcars leased from Lessor prior to loading Boxcars owned or leased by Lessee during the term of this lease or from other parties or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable requests therefore to shippers on its railroad tracks.

C. Additional Boxcars may be leased from Lessor by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by Lessor and Lessee.

4. Railroad Markings and Record Keeping

A. Lessor agrees that on or before delivery of the Boxcars to Lessee, the Boxcars will be lettered with the railroad markings of Lessee, and the name and/or other insignia used by Lessee. Such name or insignia shall comply with all applicable regulations. The NRUC logotype insignia shall be affixed to each side of the cars in standard size.

B. Lessor shall at no cost to Lessee prepare all documents for filing relating to the registration, maintenance and record keeping functions normally performed by Lessee with respect to the Boxcars and shall perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements. Such matters shall include but are not limited to the preparation of the following documents:

- (i) appropriate AAR interchange agreements with respect to the Boxcars including an application for relief from AAR Car Service Rules 1 and 2;
- (ii) registration for each Boxcar in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and
- (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies with respect to the Boxcars.

C. Lessee shall register each and every Boxcar leased hereunder in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. Such registration shall direct that correspondence from railroads using such Box cars shall be addressed to Lessor.

D. Any record keeping performed by Lessee hereunder and all record of payments, charges, and correspondence related to Scheduled Boxcars shall be separately recorded and maintained by Lessee in a form suitable for reasonable inspection by Lessor from time to time during regular business hours of Lessee. Lessee shall supply Lessor with such reports regarding the use of Boxcars by Lessee on its railroad line as Lessor may reasonably request.

5. Maintenance, Taxes and Insurance

A. Lessor will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each Boxcar during its lease term and any extension thereof, including but not limited to repairs, maintenance, and servicing unless the same was occasioned by the fault of Lessee while a Boxcar was in the physical possession of Lessee. Lessee shall be responsible to inspect all Boxcars interchanged to it to insure that such Boxcars are in good working order and condition and shall be liable to Lessor for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to Lessor for and during the lease term of each Boxcar all of its right, title and interest in any warranty in respect to the Boxcars. All claims or actions on any warranty so assigned shall be made and prosecuted by Lessor at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be made payable to Lessor. All proceeds from such recovery shall be used to repair or replace the Boxcars.

B. Lessee shall make minor repairs only with Lessor's permission to facilitate continued immediate use of a Boxcar, but shall not otherwise make any alterations, improvements, or additions to the Boxcars without Lessor's prior written consent. If Lessee makes an alteration to any Boxcar without Lessor's prior written consent, Lessee shall be liable to Lessor for any revenues lost due to such alteration. Title to any such alteration, improvement, or addition occurring in the course of or as a result of normal and customary maintenances shall be and remain with Lessor.

C. Lessor shall make or cause to be made such inspections of and maintenance and repairs to the Boxcars as may be required. Lessor shall also make, at its expense, all alterations, modifications, or replacements of parts as shall be necessary to maintain the Boxcars in good operating condition, as determined by Lessor, throughout the term of the lease of such Boxcars. Lessee shall immediately notify Lessor of any necessary maintenance and repairs transmitted to Lessee by any other railroad or shipper. Lessor shall be responsible for arranging repairs and maintenance at its expense except as noted in 5A.

D. Lessee will at all times while this Agreement is in effect and at its own expense, cause to be carried and maintained insurance with respect to all Boxcars subject hereto, and property damage and public liability insurance in amounts and against risks customarily insured against by railroad companies on similar equipment while on Lessee's railroad tracks. The insurance required by this Section 5D may be satisfied by a self-insurance program acceptable to Lessor and maintained by Lessee in accordance with sound actuarial principles. Lessee will furnish Lessor concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months, with a detailed report signed by an independent insurance broker with respect to the insurance carried on the Boxcars together with the opinion of such brokers as to its compliance with the provisions of this Section 5D. Lessee will cause such firm to agree to advise Lessor promptly of any lapse of any such insurance or of any default of payment of any premium and of any other act or omission of Lessee of which it has knowledge which might, in its opinion, invalidate or render unenforceable, in whole or in part, any insurance on the Boxcars. All insurance shall be taken out in the name of Lessee and Lessor (or its assignee) as their interests may appear. The policies or certificates shall provide that there shall be no recourse against Lessor for the payment of premiums and shall provide for at least ten business days prior written notice to be given to Lessor by the underwriters in the event of cancellation. If the Lessee shall default in the payment of any premium in respect of any such insurance policies, Lessor may, but shall not be obliged to, pay such premium, and if Lessor does so, the Lessee shall repay the amount thereof to Lessor on demand.

E. Lessor agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Boxcar and on the Lease delivery of operation thereof which may be accrued, levied, assessed or imposed during the lease term or which remain unpaid as of the date of delivery of such Boxcar to Lessee, except taxes on net income imposed on Lessee. Lessor and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Boxcars. Lessor shall review all tax returns prior to filing.

6. Rental Charges

A. Lessee agrees to pay the following rental charges to Lessor for the use of Lessor's Boxcars:

(i) Lessor shall receive all of the mileage charges and car hire revenues (including both straight and incentive per diem) paid to Lessee by other railroad companies if the utilization of all of the Boxcars on an aggregate basis for each calendar year shall be equal to or less than ninety (90%) percent. For the purpose of this Agreement, utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that per diem is earned on the Boxcars, commencing from the initial loading, and the denominator of which is the aggregate number

of days in each year that the Boxcars are on lease to Lessee, commencing from the initial loading. In addition, Lessor will receive, as additional rental, all revenues earned by the Boxcars prior to their initial loading.

(ii) In the event the utilization exceed ninety (90%) percent in any calendar year, Lessor shall receive an amount equal to the Lessor Base Rental plus an amount equal to 30% percent of the revenues earned in excess of the Lessor Base Rental. For the purpose of this Agreement, Lessor Base Rental shall be an amount equal to the total mileage charges and car hire revenues for the calendar year multiplied by a fraction, the numerator of which is ninety (90%) percent and the denominator of which is the utilization for such calendar year. (The above determination of Lessor Base Rental insured that Lessee will, if the utilization is greater than ninety (90%) percent in any calendar year, receive 70% percent of all mileage and car hire revenues earned by Lessee in excess of the Lessor Base Rental.)

(iii) The rental charges payable to Lessor by Lessee shall be paid from the monies received by Lessee in the following order until Lessor received the amounts due it pursuant to this Section 6: (1) incentive car hire payments; (2) straight car hire payments; and (3) mileage charges.

B. The calculations required above shall be made within three months after the end of each calendar year. However, since the parties desire that rental payments be made currently so that Lessor may meet its financial commitments, Lessee shall pay to Lessor on the fifth business day after receipt of any car hire settlement, the full amount of such settlement with respect to any Boxcar leased hereunder. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental payment due Lessor, Lessor shall, within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis the amount due it pursuant to this Section. Any amounts payable pursuant to the preceding sentence shall be paid promptly following each calculation, provided, however, that following each cumulative quarterly calculation, any amount paid to either party in excess of the amounts required by the yearly calculations shall be promptly refunded to the appropriate party.

C. In the event the utilization rate in any calendar quarter for any Boxcars is less than 85%, or the rental payable to Lessor for any Boxcars during any calendar quarter averages less than \$ * per car per day, Lessor may, at its option, and upon not less than 30 days prior written notice to Lessee, terminate this Agreement in its entirety or terminate this Agreement as to any group of Boxcars covered by a Schedule.

D. Lessor may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive per diem for Boxcars on an annual basis to three months or less without a commensurate increase in straight per diem or other revenues available to both Lessor and Lessee; or (2) determine that Lessee may not apply its net credit balance from incentive per diem settlements in payment of the rental charges set forth in this Section.

* September - February, Eighteen dollars and fifty cents (\$18.50)
March - August, Ten dollars and sixty cents (\$10.60)

E. If any Boxcar remains on Lessee's railroad tracks for more than seven days, Lessor may, at its option and upon not less than 24 hours prior to written notice, terminate this Agreement and withdraw such Boxcars from Lessee's railroad tracks, except when such Boxcar is awaiting its initial loading. If any such Boxcar remains on Lessee's railroad tracks more than seven days because Lessee has not given preference to Lessor's Boxcars as specified in Section 3B, Lessee shall be liable to Lessor for an amount equal to the car hire revenues Lessee would have earned if such Boxcars were in the physical possession and use of another railroad for the entire period after the expiration of seven days.

F. Pickens is hereby designated as the collection and disbursing agent for all revenues including per diem, mileage, and incentive per diem, and repair bills.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business. Lessee agrees that to the extent it has physical possession and can control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Lessor or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation, or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume or suffer to exist, except liens placed on equipment to finance acquisition, any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Boxcars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time by any person claiming by, through or under Lessee.

8. Remedies Upon Default

A. The occurrence of any of the following events shall be events of default:

(i) The nonpayment by Lessee of any sum required hereunder to be paid by Lessee within ten days after notice thereof;

(ii) The default by Lessee under any other term, covenant, or condition of this Agreement which is not cured within ten days after notice thereof from Lessor.

(iii) Any affirmative act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency, or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency which substantially impairs Lessee's capacity to fulfill its performance under this Agreement.

B. Upon the occurrence of any event of default, Lessor may, at its option, terminate this Agreement and may:

(i) Proceed by appropriate court action to enforce performance by Lessee of this Agreement or to recover damage for a breach thereof (and Lessee agrees to bear Lessor costs and expenses, including reasonable attorney's fees, in securing such enforcements) ;
or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession of the Boxcars, whereupon all right and interest of Lessee in the Boxcars shall terminate; and thereupon Lessor may by its agents enter upon any premises where the Boxcars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. Lessor shall nevertheless have a right to recover from Lessee any and all rental amounts which, under the terms of this Agreement, may then be due or which may have accrued to that date. Upon the occurrence of breach of this Agreement by Lessor, Lessee may proceed as in 8B(ii).

9. Termination

A. At the expiration or termination of this Agreement as to any Boxcars set forth on a Schedule attached herein, Lessee will surrender possession of such Boxcars to Lessor by delivering the same to Lessor. The assembling, delivery, storage and transporting of the Boxcars shall be at the expense and risk of Lessor. A Boxcar shall be deemed terminated and no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Boxcar and the placing thereon of such markings as may be designated by Lessor, either at the option of Lessor (1) upon delivery of such Boxcars to Lessee's railroad line subsequent to termination of such Boxcar's lease term; or (2) removal and replacement of the markings by another railroad line which has physical possession of the Boxcar at the time of or subsequent to termination of the lease term as to such Boxcar.

B. If such Boxcars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Boxcars and place thereon such markings as may be designated by Lessor. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver them to a connecting carrier for shipment.

C. If such Boxcars are not on the railroad line of Lessee upon termination, all costs of assembling, delivering, storing, and transporting such Boxcars, except as provided above, to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by Lessor.

D. If requested by Lessor, Lessee shall provide free uninterrupted storage, on its tracks for the Boxcars, provided that risk of loss during such storage shall be on Lessor. Lessee shall not be liable for per diem, incentive per diem or mileage charges on the Boxcars while stored.

E. From and after termination of this Agreement with respect to any Boxcar and until its return to Lessor, all revenues earned by such Boxcar shall be paid to Lessor as additional rental for use of the Boxcar during the term hereof.

10. Indemnities

Lessor will defend, indemnify and hold harmless Lessee from and against (1) any and all loss or damage of or to the Boxcars, usual wear and tear excepted, unless occurring through the fault of Lessee while Lessee has physical possession of Boxcars; and (2) any claim, cause of action, damage, liability, cost or expense (including legal fees and costs) to which the Boxcars may be subject or which may be incurred in any manner by or for the account of any such Boxcar (unless occurring through the fault of Lessee) relating to the Boxcars or any part thereof, including without limitation the construction, purchase, delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by Lessor or Lessee).

11. Warranties and Covenants

Lessee represents, warrants and covenants that:

A. Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

B. The entering into and performance of this Agreement will not violate any judgement, order, law or regulation applicable to Lessee, or result in any breach of or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Boxcars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

C. There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business properties and assets, or conditions, financial or otherwise, of Lessee.

D. There is no fact which the Lessee has not disclosed to Lessor in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

E. Lessee has during the years 1964-1968 not purchased any Boxcars.

F. Neither Lessee nor its counsel know of any requirements for recording, filing or depositing this Agreement other than pursuant to Section 20c of the Interstate Commerce Act, which is necessary to preserve or protect the title of Lessor or its assignee or mortgagee, in the United States of America.

Upon request of Lessor or its assignee or mortgagee at any time or times, Lessee shall deliver to Lessor an opinion of its counsel addressed to Lessor or its assignee or mortgagee, in form and substance satisfactory to Lessor or its assignee or mortgagee, which opinion shall confirm and be to the effect of the matters set forth in this Paragraph 11 A through F.

12. Lessor shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately

notify Lessor of any accident connected with the malfunctioning or operation of the Boxcars including in such report the time, place, and nature of the accident and the damage caused to property, the names and addresses of any persons injured and of witnesses and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify Lessor in writing within five (5) days after any attachment, tax lien, or other judicial process shall attach to any Boxcar. Lessee shall furnish to Lessor promptly upon its becoming requested, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. 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 this Lease or sublease or loan any of the Boxcars without the written consent of Lessor.

B. All rights of Lessor hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part with or 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 covering the cars heretofore or hereafter created by Lessor. If Lessor 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 thereafter make such payments to the designated assignee.

The making of an assignment or sublease by Lessee or an assignment by Lessor 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.

14. All railroad freight cars, except those furnished by Lessor and those received in normal daily interchange of railcars with connecting carriers, now or hereafter in the possession or control of Lessee which are used or will be used in interchange service must meet specification approval of National Railway Utilization Corporation, be maintained to NRUC standards, and shall be managed by NRUC. To that end, Lessee shall execute a management agreement with NRUC substantially in the form attached hereto as a precondition to this Lease.

15. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

B. Any notice required or permitted to be given by one party to another hereunder shall be properly given when made in writing, deposited in the United States mail, registered or certified, postage prepaid, addressed to:

Lessor at: 860 Suburban Station
1617 John F. Kennedy Boulevard
Philadelphia, Pennsylvania 19103

Lessee at: Middletown & New Jersey Railway Co., Inc.
140 East Main Street
Middletown, New York 10940

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

C. Lessee shall keep the Boxcars free from any encumbrances or liens, which may be a cloud upon or otherwise affect the title of Lessor, 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 shall promptly discharge any such lien, encumbrance or legal process. Lessee shall take all action requested by Lessor to confirm the interest of Lessor in the Boxcars as Lessor and that Lessee has no interest in the Boxcars other than as Lessee hereunder.

D. During the continuance of this Lease, Lessor shall have the right, at its own cost and expense, to inspect the Boxcars at any reasonable time or times wherever the Boxcars may be.

E. No failure or delay by Lessor shall constitute a waiver or otherwise affect or impair any right, power, or remedy available to Lessor nor shall any waiver or indulgence by Lessor or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

F. This Agreement shall be governed by and construed according to the laws of the State of New York.

16. Additional Insurance Provision

Lessor will at all times while this Agreement is in effect and at its own expense, cause to be carried and maintained insurance with respect to all Boxcars subject hereto, and property damage and public liability insurance in amounts of not less than the following schedule:

	<u>Each Occurrence</u>	<u>Aggregate</u>
General Liability (Comprehensive)		
Bodily Injury	\$ 500,000	\$1,000,000
Property Damage	500,000	1,000,000
Special Pak Coverage	500,000	1,000,000
Excess Indemnity, Personal Injury & Property Damage Continued	2,500,000	2,500,000

provided, that such insurance continues to be available to Lessor at an annual premium which shall not escalate at a rate in excess of 20% per year. Said insurance shall provide for contractual coverage as the same arises from this Lease. Said insurance shall in no event be less than the most extensive in amount and coverage as that provided by Lessee in regard to any similar lease of Boxcars by it or by any related company. The insurance required by this Section 16 may be satisfied by a self-insurance program acceptable to Lessee and maintained by Lessor in accordance with sound actuarial principles. Lessor will furnish Lessee concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months, with a detailed report signed by an independent insurance broker with respect to the insurance carried on the Boxcars together with the opinion of such brokers as to its compliance with the provisions of this Section 16. Lessor will cause such firm to agree to advise Lessee promptly of any lapse of any default of payment of any premium and of any other act or omission of Lessor of which it has knowledge which might, in its opinion, invalidate or render unenforceable, in whole or in part, any insurance on the Boxcars. All insurance shall be taken out in the name of Lessee and Lessor (or its assignee) as their interests may appear. The policies or certificates shall provide that there shall be no recourse against Lessee for the payment of premiums and shall provide for at least thirty business days prior written notice to be given to Lessee by the underwriters in the event of cancellation. If the Lessor shall default in the payment of any premium in respect to any such insurance policies, Lessee may, but shall not be obliged to, pay such premium, and if Lessee does so, the Lessor shall repay the amount thereof to Lessee on demand. Nothing herein contained nor any provision of any policy obtained hereunder (including, but not limited to, any provision naming Lessee as named insured), shall have the effect of limiting, modifying, or terminating the obligations and responsibilities of Lessor under Paragraph 10 of this Lease or of any other paragraph of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date above written.

THE PICKENS RAILROAD COMPANY

DATE: Nov 8, 1977

BY: *John H. Reed*
Executive Vice President

ATTEST:

Charles P. Turnburke
Charles P. Turnburke, Ass't. Sec.



Middletown & New Jersey Railway Co., Inc.

DATE: March 29, 1977

BY: *Leine T. Rasmussen*

President

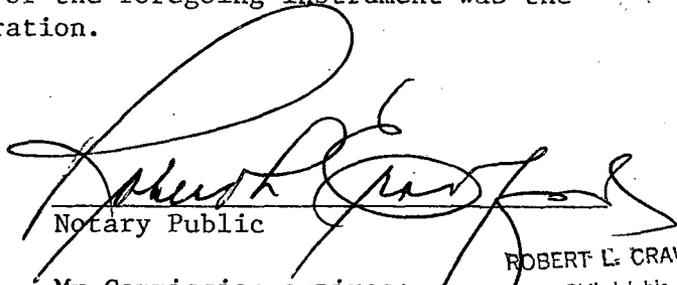
ATTEST:

Edit Shilling
Assistant Secretary

STATE OF: PENNSYLVANIA)

COUNTY OF: PHILADELPHIA)

On this 18th day of November, 19 77, before me personally appeared John H. Rees, to me personally known, who, being by me duly sworn, says that he is Executive Vice President of Pickens Railroad Company and Charles P. Turnburke, 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.


Notary Public

ROBERT L. CRAWFORD
My Commission expires: Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires February 18, 1973

STATE OF: NEW YORK)

COUNTY OF: ORANGE)

On this 1st day of April, 19 77, before me personally appeared PIERRE T. RASMUSSEN, to me personally known, who, being by me duly sworn, says that he is Pierre T. Rasmussen, President of Middletown and New Jersey Railway Co. Inc., and Edith Shilling, to me personally known to be the Asst. 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.


Notary Public

My Commission Expires: March 30, 1979

LEASE SCHEDULE NO. 1

Lease Schedule, dated this 29th day of March, by and between
The Pickens Railroad Company, and Middletown & New Jersey Railway Co., Inc.
("Lessee").

The Boxcars described herein are leased to Lessee subject to the terms
and conditions of that certain Lease of which this Schedule is a part
between Pickens and Lessee, dated March 29, 1977.

DESCRIPTION OF CAR: 50 ft. XM General Purpose Boxcar

NUMBER OF CARS: Two hundred fifty

REPORTING NUMBERS AND MARKS: MNJ 120735 - 120984

TERM Ten (10) years from the date of delivery and acceptance of each
Boxcar covered by this Schedule.

SPECIFICATIONS DESIGNATED BY LESSEE:

Middletown & New Jersey Railway markings

PLACE OF DELIVERY: Initial Load

Middletown & New Jersey Railway Co.
Lessee

BY:

Pierre G. Rasmussen

The Pickens Railroad Company
Lessor

BY:

John H. Per
Executive Vice President