



NATIONAL RAILWAY UTILIZATION CORP.

1100 Centre Square East / 1500 Market Street / Philadelphia, Pennsylvania 19102 / (215) 569-2220

CHARLES P. TURNBURKE
VICE PRESIDENT
EQUIPMENT FINANCE

RECORDATION NO. 10234-A Filed 1425

RECORDATION NO. 10234-A Filed 1425

MAY 30 1979 - 12 40 PM

MAY 30 1979 - 12 40 PM

MAY 30 1979 - 12 40 PM

INTERSTATE COMMERCE COMMISSION 9-150A038

INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION
Interstate Commerce Commission
Washington, DC 20423

Date MAY 30 1979

Fee \$ 100.00

CC Washington, D. C.

RECEIVED
I. C. C.
OPERATION BR.
MAY 30 12 37 PM '79

Attention: Secretary

Dear Sir:

On March 29, 1979, at 10:10 o'clock a.m., there were recorded with the Commission (i) an Equipment Lease, dated March 28, 1979, between S&R Boxcar Company, as Lessor, and National Railway Utilization Corporation and Pickens Railroad Company, as Co-Lessees, and (ii) a Certificate of Inspection and Acceptance, dated the same date, between the same parties. The recordation numbers assigned by the Commission were respectively 10234 and 10234-A.

It is hereby respectfully requested that the following documents also be recorded pursuant to the provisions of the Interstate Commerce Act (Title 49 U.S.C. §11303) and be assigned under the aforementioned recordation number, suffixes B, C and D:

- 1. Assignment of Lease, dated as of May 7, 1979:

Assignor - S&R Boxcar Company
Three Girard Plaza
Philadelphia, PA 19101

Assignee - Girard Bank
Three Girard Plaza
Philadelphia, PA, 19101
Attn: Corporate Trust Division

Co-Lessees - Pickens Railroad Company -and- National Railway Utilization Corporation
P.O. Box 216 1100 Centre Square East
402 Cedar Rock Drive 1500 Market Street
Pickens, SC 29671 Philadelphia, PA 19102

- 2. Security Agreement, dated as of May 7, 1979:

Debtor - S&R Boxcar Company (address as stated above)

Secured Party- Girard Bank (address as stated above)
(Agent for Lenders)

Vertical handwritten notes on the left margin, including a signature and the word "Consent".



Interstate Commerce Commission
May 30, 1979
page -2-

3. Participation Agreement, dated as of May 7, 1979:

Owner - S&R Boxcar Company (address as stated above)

Co-Lessees - Pickens Railroad Company -and- National Railway
(address as stated above) Utilization Corporation

Agent (for Lenders) - Girard Bank (address as stated above)

General Description of the Equipment:

80 Boxcars, Type XM (50' - 6", 70-ton), bearing National Railway Utilization Corporation Road Numbers NSL 150615 to NSL 150694 (both inclusive).

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Charles P. Turnburke".

CHARLES P. TURNBURKE

Vice President - Equipment Finance

RECORDATION NO. 10234 Filed 1425

MAY 30 1979 - 12 40 PM

INTERSTATE COMMERCE COMMISSION

SIGNED COPY

5/15/79

ML&B

PARTICIPATION AGREEMENT dated as of May 7, 1979, among NATIONAL RAILWAY UTILIZATION CORPORATION and PICKENS RAILROAD COMPANY, both South Carolina corporations (hereinafter jointly and severally called the Lessee), S&R BOXCAR CO., a Pennsylvania limited partnership (hereinafter called the Owner), GIRARD BANK, a Pennsylvania banking corporation (hereinafter called the Agent), SIGFRIED WEIS and ROBERT F. WEIS (hereinafter called the Guarantors) and the parties named in Schedule A hereof (hereinafter called the Investors).

WHEREAS, the Owner has purchased certain units of railroad equipment as listed in Schedule B hereof (hereinafter called the Equipment) from Whittaker Corporation (Berwick Forge & Fabricating Division) (hereinafter called the Builder);

WHEREAS, the Lessee has leased from the Owner all units of the Equipment pursuant to an Equipment Lease (No. M-056), dated as of March 28, 1979 (including, as parts thereof, Rental Schedule No. S-01 and Certificate of Inspection and Acceptance, each also dated as of March 28, 1979; collectively hereinafter called the Lease), conformed copy of which is attached hereto as Exhibit A;

WHEREAS, the Investors will finance 82% of the Acquisition Cost (as defined in the Lease) of the Equipment by respectively purchasing non-recourse Promissory Notes (hereinafter called the Promissory Notes) of the Owner in substantially the form of Exhibit B hereto, and in the respective principal amounts set forth in Schedule A;

WHEREAS, as security for the payment of the indebtedness represented by the Promissory Notes, the Owner will grant to the Agent, acting on behalf of the Investors, a security interest in the Equipment and in the rents and other sums payable under the Lease pursuant to a Security Agreement (herein called the Security Agreement) in substantially the form of Exhibit C hereto, and pursuant to an assignment of lease (hereinafter called the Lease Assignment) in substantially the form annexed to the Security Agreement; and

WHEREAS, as further security for the payment of the indebtedness represented by the Promissory Notes, the Guarantors will issue and deliver to the Agent their separate personal guarantees in substantially the form of Exhibit D hereto (hereinafter called a Guarantee);

NOW, THEREFORE, in consideration of the agreements and the covenants hereinafter contained, the parties hereto hereby agree as follows:

1. Subject to the terms and conditions hereof, the Agent, on behalf of the Investors and from funds delivered by them to the Agent, will pay to the Owner \$2,606,156, in funds immediately available in Philadelphia, Pennsylvania, not later than 11:00 a.m., on such date (hereinafter called the Closing Date) not later than June 6, 1979, as shall be requested by the Owner by written notice delivered to the Agent not less than two business days prior thereto. The Owner represents that said amount equals 82% of the Acquisition Cost of the Equipment, as set forth in Schedule B hereto.

Simultaneously with the payment to the Owner of said amount, the Owner will execute and deliver to the Agent, for the account of the Investors, the Owner's Promissory Notes in the respective principal amounts as set forth in Schedule A, dated the date of such payment, together with the Security Agreement, the Lease Assignment and the Lessee's consent and agreement (hereinafter called the Consent) to the Lease Assignment.

The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Philadelphia, Pennsylvania, are authorized or obligated to remain closed. All interest under this Agreement, the Security Agreement or the Promissory Notes shall be calculated on the basis of a 360-day year of twelve 30-day months.

As soon as practicable after the delivery of the Promissory Notes, the Owner will deliver to the Agent a schedule of payments reflecting the dates and amounts of principal and interest payments to be made in respect of each Promissory Note. Each Investor, simultaneously with the final payment to it of all amounts payable in respect of the Promissory Note held by it, will surrender the same to the Owner.

The forms of the Exhibits annexed to this Agreement are hereby approved by the Investors. The Owner and/or the Lessee will not enter into or consent to any modification or supplement to such forms without the prior written approval of each Investor.

The Investors are acting hereunder solely as purchasers for investment, and none thereof shall have any obligations under this Agreement except to make the purchases of the Promissory Notes provided for herein subject to the terms hereof.

2. (a) The Owner and the Lessee severally, and not jointly, each represents and warrants that it has not directly or indirectly offered or sold any of the indebtedness to be represented by the Promissory Notes or other securities to, solicited offers to buy any of such indebtedness or other securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any of such indebtedness or other securities with any person so as to require registration of the Promissory Notes or any such other securities under the provisions of Section 5 of the Securities Act of 1933, as amended.

(b) The Owner and the General Partner thereof severally and jointly represent and warrant as follows:

(i) the Owner is a limited partnership duly formed and validly existing under the laws of the Commonwealth of Pennsylvania;

(ii) the Lease is in full force and effect and has not been modified, amended or supplemented; the Owner is not in default thereunder; and, to the best of the Owner's and the General Partner's knowledge, information and belief, the Lessee is not in default thereunder, nor has any event occurred which, with the passage of time or the giving of notice, or both, would constitute a default by Lessee thereunder;

(iii) the Owner has filed all tax returns, federal, state, municipal, or otherwise, required of it, and the General Partner is not in default in respect of the due and punctual payment of any income tax payable by such partner; and no liens for nonpayment of taxes by such partner exist upon such partner's interest in the Owner, or any property, including the Equipment, or other assets of the Owner; and

(iv) there are no actions, suits or proceedings pending or threatened against or affecting the Owner or the General Partner, or any property rights of the Owner, at law or in equity, or before any commission or other administrative agency, arbitration board or tribunal, which could materially and adversely affect the condition, financial or otherwise, of the Owner or its ability to perform its obligations under this Agreement, the Promissory Notes, the Security Agreement or the Lease Assignment, and neither the Owner nor the General Partner are in default with respect to any order or decree of any court or governmental commission, agency or instrumentality.

(c) The Guarantors severally, and not jointly, each represents and warrants as follows:

(i) he is over twenty-one years of age and has full legal capacity to enter into this Agreement and to execute and deliver his Guarantee as herein provided;

(ii) no liens for nonpayment of taxes by him exist upon his limited partnership interest in the Owner, or upon any property, including the Equipment, or other assets of the Owner;

(iii) there are no actions, suits or proceedings pending or threatened against or affecting him, at law or in equity, or before any commission or other administrative agency, arbitration board or tribunal, which could materially and adversely affect the condition, financial or otherwise, of the Owner or its ability to perform its obligations under this Agreement, the Promissory Notes, the Security Agreement or the Lease Assignment; and

(iv) he, as of the date hereof, has, and as of the Closing Date, will have a net worth of not less than \$5,000,000.

3. Each Investor represents, severally and not jointly, that it is acquiring the Promissory Note for its own account, or for the account of one or more pension or trust funds or other institutional accounts, for investment and not with a view to, or for sale in connection with, the distribution of the same, nor with any present intention of distributing or selling the same, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control. Each Investor represents, severally and not jointly, that (except to the extent that it has otherwise advised its special counsel, Messrs. Morgan, Lewis & Bockius, in writing) it has sole investment discretion in respect of each such account for which it is acting.

The Investors understand that the Promissory Notes have not been registered under the Securities Act of 1933 because the transaction evidenced by this Agreement is exempt from the registration requirements of such Act, and that the Promissory Notes must be held indefinitely unless a subsequent disposition thereof is registered under said Act or is exempt from registration.

4. The obligation of the Investors and the Agent to make payments as herein provided shall be subject to the receipt by the Agent on the Closing Date of the following documents:

(a) An opinion of Messrs. Morgan, Lewis & Bockius, special counsel for the Investors, dated the Closing Date and addressed to the Investors, to the effect that:

(i) this Agreement, assuming due authorization, execution and delivery thereof by the Investors, has been duly authorized, executed and delivered and constitutes a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(ii) the Security Agreement and the Lease have each been duly authorized, executed and delivered and each is a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(iii) the Lease Assignment and the Consent have each been duly authorized, executed and delivered and each is a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(iv) the Agent is vested (for the benefit of the Investors) with a valid security interest in the Equipment pursuant to and in accordance with the Security Agreement;

(v) this Agreement, the Security Agreement, the Lease and the Lease Assignment have each been duly filed and recorded with the Interstate Commerce Commission in accordance with the requirements of the Interstate Commerce Act and no other filing or recordation is necessary for the protection of the rights of the Agent (for the benefit of the Investors) therein, or in the Equipment, in the United States of America, any State thereof or the District of Columbia;

(vi) the Promissory Notes, upon due execution and delivery thereof by the Owner and receipt from the Agent of funds in the same amount as the aggregate principal thereof, will constitute legal, valid and binding obligations of the Owner, enforceable in accordance with their terms;

(vii) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Security Agreement, the Lease, the Lease Assignment or the Consent;

(viii) under the circumstances contemplated by this Agreement it is not necessary to register the Promissory Notes or the Security Agreement under the Securities Act of 1933, as in effect on the date of such opinion, or to qualify the Security Agreement or any other instrument or agreement contemplated hereby or thereby under the Trust Indenture Act of 1939, as in effect on the date of such opinion; and

(ix) the legal opinions referred to in subparagraphs (b) and (c) of this Paragraph 4 are satisfactory in form and substance to said special counsel and that in their opinion the Investors and the Agent are justified in relying thereon;

and as to such other matters incident to the transactions contemplated by this Agreement as the Investors may reasonably request.

(b) An opinion of Messrs. Dechert, Price & Rhoads, counsel for the Owner, dated the Closing Date and addressed to the Investors, to the effect set forth in clauses (i), (ii), (iii) and (vi) of subparagraph (a) of this Paragraph 4, insofar as such matters relate to the Owner, and to the further effect that:

(i) the Owner is a limited partnership duly formed and validly existing under the laws of the Commonwealth of Pennsylvania;

(ii) neither the execution and delivery of this Agreement, the Promissory Notes, the Security Agreement or the Lease Assignment, nor the consummation of the transactions herein and therein contemplated, nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof by the Owner, will conflict with, or result in a breach of, any of the terms, conditions or provisions of the Agreement or Certificate of Limited Partnership pursuant to which the Owner derives its existence or, to the best of the knowledge of said counsel, of any bond, debenture, note, mortgage, indenture, contract or other agreement or instrument to which the Owner is now a party or by which it or its property may be bound;

(iii) to the best of the knowledge of said counsel, no mortgage or deed of trust to which the Owner or the General Partner thereof is a party, or other lien, now in existence and which presently affects, or which may hereafter affect, any property of the Owner or such General Partner, now attaches, or hereafter will attach, to the Equipment, or in any manner affects or will affect adversely the right, title and interest of the Agent or Investors therein;

(iv) there are no actions, suits or proceedings pending or, to the best of the knowledge of said counsel, threatened in any court or before any administrative body against or affecting the Owner or any of its properties, which could have a materially adverse effect on the ability of the Owner to fulfill its obligations under this Agreement, the Promissory Notes, the Security Agreement and the Lease Assignment; and

(v) no authorization or approval from any governmental or public body or authority of the United States of America other than filing and recordation with the Interstate Commerce Commission, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, after diligent inquiry, necessary for the execution, delivery and performance by the Owner of this Agreement, the Security Agreement, the Lease, or the Lease Assignment.

(c) An opinion of Messrs. Wyche, Burgess, Freeman & Parham, counsel for the Lessee, dated the Closing Date and addressed to the Investor, to the effect set forth in clauses (i), (ii), (iii) and (v) of subparagraph (a) of this Paragraph 4, insofar as such matters relate to the Lessee, and to the further effect that:

(i) the Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Carolina and is duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of the Lessee require such qualification; or if not so qualified, its failure so to qualify in any other jurisdiction will not have a materially adverse impact on this Agreement, the Lease or the Consent;

(ii) the Lessee has full corporate power, authority and legal right to carry on its principal business as now conducted and to perform its obligations under this Agreement, the Lease and the Consent;

(iii) neither the execution and delivery of this Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the articles of incorporation (as amended) or the by-laws (as amended) of the Lessee, or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder;

(iv) neither the execution and delivery by the Lessee of this Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality;

(v) no mortgage, deed of trust or other lien of any nature whatsoever, now in existence and which now covers or affects any property or interest therein of the Lessee, now attaches, or hereafter will attach, to the Equipment, or in any manner affects or will affect adversely the right, title and interest of the Owner or the Investor therein;

(vi) to the knowledge of counsel there are no actions, suits or proceedings pending or threatened against or affecting the Lessee, or any of its property rights, at law or in equity, or before any commission or other administrative agency, which could materially and adversely affect the condition, financial or otherwise of the Lessee, or its ability to perform its obligations under this Agreement, the Lease or the Consent, and the Lessee is not in default with respect to any order or decree of any court or governmental commission, agency or instrumentality of which such counsel has knowledge;

(vii) the Lease has been filed and recorded with the Interstate Commerce Commission in accordance with the requirements of the Interstate Commerce Act, and no other filing, recordation, deposit or registration is necessary in order to protect the interest and rights of the Owner in and to the Lease, or in the Equipment, in the United States of America, any State thereof or the District of Columbia;

(viii) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Lease, the Lease Assignment or the Consent; and

(ix) the Equipment will be used in interstate commerce and ownership thereof does not subject the Owner either to the provisions of the Interstate Commerce Act or the authority of the Interstate Commerce Commission.

(d) A certificate of an officer of the Lessee, dated the Closing Date and reciting that it is intended for the purpose of the Investors and the Agent relying thereon, to the effect (i) that the Lessee is not in default under, and to the knowledge of the Lessee there is no event which with the passage of time would place the Lessee in default under, this Agreement, the Lease or the Consent, (ii) that the representations and warranties of the Lessee contained in Section 8 of, and elsewhere in the Lease are true and correct as of the date of such certificate with the same effect as if made on such date, (iii) that each unit of the Equipment has been permanently and conspicuously marked on each side, in letters not less than one-half inch in height, with the words "Ownership subject to a Security Agreement filed with the Interstate Commerce Commission", or with words of similar import, and (iv) that no accumulated funding deficiency within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder, exists with respect to any defined benefit pension plan which is qualified within the meaning of Section 401(a) of the Internal Revenue Code of 1954, as amended, and which is sponsored by the Lessee; no Reportable Event (as defined in said Act) has occurred with respect to any such plan; and the Pension Benefit Guaranty Corporation, established under said Act, has not asserted that the Lessee has incurred any liability in connection with any such plan.

(e) The original Lease (delivered to the Agent only); i.e., the counterpart thereof which bears the legend "Original" conspicuously marked thereon.

(f) A release and termination acknowledgment (delivered to the Agent only) of Girard Leasing Corporation (a Pennsylvania corporation), duly executed and acknowledged by said corporation in form recordable with the Interstate Commerce Commission, terminating the security interests held by said corporation pursuant to Security Agreement made April 16, 1979, between the Owner, as debtor, and said corporation, as the secured party, and pursuant to Assignment of Lease, executed April 16, 1979, by the Owner, as assignor, in favor of said corporation, as assignee.

(g) The separate Guarantee (delivered to the Agent only) of each of the Guarantors, unconditionally guaranteeing the payment and fulfillment when due of all of the Owner's obligations and liabilities under the Promissory Notes; provided, however, that the liability thereby of Sigfried Weis shall be limited to an amount not exceeding \$333,889, and the liability thereby of Robert F. Weis shall be limited to an amount not exceeding \$1,001,668.

(h) A Certificate of the General Partner of the Owner, dated the Closing Date, confirming as of said date the representations and warranties set forth in Paragraph 2(b) hereof.

(i) Certificate of Insurance, satisfactory in form and substance to the Investors and their special counsel, conforming to the requirements of Section 17 of the Lease (including identification of the Agent as an additional loss payee), or other documentation, satisfactory to said parties, evidencing compliance with such requirements.

In giving the opinions specified in subparagraphs (a), (b) and (c) of this Paragraph 4, counsel may qualify its opinion to the effect that any agreement is a legal, valid and binding instrument enforceable in accordance with its terms by a general reference to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally. In giving the opinion specified in subparagraph (a) of this Paragraph 4, counsel may rely (i) as to title to the Equipment on March 28, 1979 (i.e., the date of Builder's Bill of Sale), on the Builder's warranty of title as set forth in said Bill of Sale, (ii) as to the filing (and the effectiveness thereof) of the Lease with the Interstate Commerce Commission, on the opinion of counsel for the Lessee, and (iii) as to any matter governed by the law of any jurisdiction other than the Commonwealth of Pennsylvania, or the United States, on the opinion of counsel for the Lessee as to such matter.

5. The Lessee shall from time to time remit all rentals, and other money payable pursuant to the Lease, to the Agent pursuant to the Lease Assignment.

6. The Agent will accept payments made to it by or for the account of the Owner pursuant to the Lease and the Lease Assignment, on account of the principal of and interest on the indebtedness evidenced by the Promissory Notes, and will apply such payments promptly first, to the pro rata payment of interest then due and payable to the Investors on the Promissory Notes, second, to the pro rata payment of the installments of principal then due and payable in the order of maturity thereof until the same shall have been paid in full, and third, the balance, if any, to the Owner.

The Agent will accept all sums paid to it pursuant to Section 14 of the Lease with respect to Casualty Occurrences (as therein defined) and immediately upon receipt thereof, will apply such sums as follows: (i) such part thereof as shall constitute the Stipulated Loss Value of the items of Equipment which shall have suffered such Casualty Occurrence shall be applied to the pro rata prepayment, without premium, of each of the installments remaining unpaid of the aggregate principal indebtedness evidenced by the Promissory Notes (in proportion to the principal amount of such aggregate principal indebtedness represented by each such installment), and (ii) the balance thereof, to the extent required, shall be applied to the payment of interest, on the principal amount so prepaid, from the date of the last payment of interest due under the Promissory Note to the date of such prepayment (any amount thereafter remaining to be applied, in the manner aforesaid, in further reduction of the principal indebtedness). Owner will furnish to the Agent, and Agent will furnish to each Investor, a revised schedule of payments showing the reduction in the installments of principal and interest thereafter remaining payable under the Promissory Notes.

Notwithstanding anything to the contrary contained herein, if an Event of Default (as defined in the Security Agreement) is in effect under the Security Agreement, all moneys held by or coming into the possession of the Agent under the Lease applicable to the payment or prepayment of interest on or principal of the Promissory Notes (including, without limitation, the net proceeds of any repossession and sale or lease of any unit of the Equipment after deduction of all expenses, including reasonable counsel fees, incurred by the Agent in connection with such repossession and sale or lease or otherwise hereunder or under the Security Agreement and the Lease Assignment which shall not theretofore have been reimbursed to the Agent by the Owner pursuant to the Security Agreement) shall be distributed immediately by the Agent pro rata among the Investors in accordance with their respective interests under the Promissory Notes at the time of such distribution, and the Agent shall otherwise take such action as is referred to in this paragraph 6 hereof. The Agent acknowledges that any and all moneys received by it from time to time for the account or benefit of the Investors, shall be held by it in accordance with the degree of care and responsibility applicable to a trustee of an express trust.

So long as, to the actual knowledge of the Agent, no Event of Default under the Security Agreement shall have occurred and be continuing, the Agent shall pay to the Owner any funds received by it pursuant to the Lease and the Lease Assignment not necessary to satisfy the obligations of the Owner then due under the Promissory Notes and the Security Agreement.

All payments to be made hereunder and under the Lease and the Lease Assignment to the Agent by the Lessee shall be made by check mailed to the Agent on the date such payment is due or, upon written request of the Agent, by bank wire of immediately available funds to the Agent at its address as herein set forth.

All payments to be made by the Agent hereunder shall (subject to timely receipt by the Agent of available funds) be made by check mailed to the Investors and to the Owner on the date such payment is due or, upon written request of any party, by bank wire of immediately available funds to such party at such address as may be specified to the Agent in writing.

Except as provided above in the event of the happening of a Casualty Occurrence, the Promissory Notes shall not be prepayable in whole or in part.

So long as, to the actual knowledge of the Agent, no Event of Default (as defined in the Security Agreement) shall have occurred and be continuing, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights or taking or refraining from taking any action which may be vested in it, or which it may be entitled to assert or take, hereunder or under the Security Agreement, the Lease, and the Lease Assignment, except as otherwise specifically provided herein. The Agent shall not incur any liability hereunder or otherwise in acting upon any notice, certificate or other paper or instrument believed by it to be genuine and signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the exercise of its best judgment, or which may seem to it to be necessary or desirable in the premises, except liability resulting from its own wilful misconduct or negligence; provided, however, that in case the Agent shall have actual knowledge of the occurrence of an Event of Default, it shall promptly notify the Owner, the Lessee and the Investors thereof and shall take such action and assert such rights under the Security Agreement, the Lease and the Lease Assignment as shall be agreed upon by holders of interests totaling more than 50%

of the aggregate principal amount then outstanding under the Promissory Notes. In case the Agent is required to take action hereunder, it shall be indemnified against any liability or expense, including reasonable counsel fees, in connection with taking such action or asserting such rights by the holders directing the Agent to take such action in proportion to each holder's interest in the aggregate principal amount then outstanding under the Promissory Notes of the holders agreeing to such action.

The Agent may consult with competent legal counsel of its own choice, and shall not be under any liability for any reasonable action taken or suffered in good faith by it in accordance with the opinion of such counsel.

The Agent will promptly mail or deliver one counterpart or copy of all notices, statements, documents or schedules received by it from the Owner or the Lessee pursuant to the Security Agreement, Lease or Lease Assignment to each Investor.

All notices, instructions, directions and approvals to be delivered hereunder to the Agent by any Investor shall be in writing signed by an officer, assistant officer, manager or assistant manager of such Investor, and the Agent may rely on any notice, instruction, direction or approval so signed.

The Agent does not make any representation or assume any responsibility with respect to (i) the validity of the Security Agreement, the Lease, the Lease Assignment, the Consent or any certificate delivered pursuant thereto (except with respect to its own execution of any thereof) or any of the matters covered thereby, or (ii) the value of or the title to the Equipment.

In the event of any dispute with respect to the delivery or ownership or right to possession of funds or documents at any time held by the Agent hereunder, or with respect to title to any unit of the Equipment, the Agent is hereby authorized and directed to retain, without liability to anyone, all or any of such funds or documents and title to such unit of the Equipment until such dispute shall have been settled by agreement approved by the Investors or by final order, decree or judgment of a court of competent jurisdiction.

The Agent shall be entitled to terminate its duties and responsibilities hereunder by giving written notice to the Investors that it desires to terminate such duties and responsibilities on a date (at least 30 days subsequent to the giving of such notice) stated in said notice; it being understood and agreed that the Agent shall also give such notice if it is directed so to do by the holders of interests totaling at least 50% of the aggregate principal amount then outstanding under the Promissory Notes. If, prior to the date stated in said notice, the holders of interests as aforesaid shall have requested in writing that the Agent assign to a person or institution designated by such holders all right, title and interest of the Agent under the Security Agreement and the Lease Assignment and in and to the Equipment and the Lease, the Agent shall comply with such request. In the event that such request is not received by the Agent on or before the date designated in said notice, the Agent shall be entitled to appoint a successor to act hereunder (which successor shall be a bank or trust company located in the Borough of Manhattan, City and State of New York or in Philadelphia, Pennsylvania, and having capital and surplus aggregating at least \$50,000,000), and to assign to such successor, subject to the provisions of this Agreement, all such right, title and interest of the Agent. Upon such assignment by the Agent to a person or institution designated by such holders or, in the absence of such designation, to a successor appointed by the Agent, the Agent shall thereupon be relieved of all duties and responsibilities hereunder.

7. The Lessee will deliver to each Investor, without further request on such Investor's part, all of the reports and other information described in Section 16 of the Lease, such delivery to occur at the times prescribed therefor by said Section.

8. All insurance policies required under Section 17 of the Lease shall be endorsed so as to be payable to the Agent as its interest may appear, and shall be cancelable only upon written notice to the Agent as provided in said Section.

9. The Lessee will make all necessary arrangements for, and pay all expenses incidental to, the filing and recordation of this Agreement, the Security Agreement, the Lease Assignment, the Consent and the termination acknowledgments referred to under subparagraph 4(f) hereof, with the Interstate Commerce Commission. The Lessee agrees to pay the reasonable fees and disbursements of Messrs. Morgan, Lewis & Bockius as special counsel for the Investors and the Agent.

10. In the event that either the Owner or the Lessee shall have knowledge of an Event of Default under the Lease or under the Security Agreement, such party shall give prompt telephonic notice (confirmed in writing) thereof to the Agent.

11. This Agreement having been executed in the Commonwealth of Pennsylvania by at least one of the parties hereto, and having been delivered in said Commonwealth, all of the terms hereof, and all rights and obligations of the parties hereto hereunder shall be governed by the laws of said Commonwealth. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought.

12. This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument. This Agreement shall become effective among the Lessee, the Owner, the Agent and the Investors immediately upon execution hereof by all of said parties, and any delay in execution and delivery of this Agreement by either of the Guarantors shall not affect its enforceability as aforesaid. Each Guarantor shall be deemed to have become a party hereto, and bound by the provisions hereof, upon execution and delivery of this Agreement by such person.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, all as of the date first above written.

[CORPORATE SEAL]

NATIONAL RAILWAY UTILIZATION CORPORATION

Attest:

By

Martha E. Turner
Secretary

Charles P. Turnbull
Vice President

[CORPORATE SEAL]

PICKENS RAILROAD COMPANY

Attest:

By

Martha E. Turner
Secretary

Charles P. Turnbull

S&R BOXCAR CO.

[CORPORATE SEAL]

By GIRARD LEASING CORPORATION,
its General Partner

Attest:

By

John B. Ford
Secretary

D. A. Wingler

[CORPORATE SEAL]

GIRARD BANK, as Agent

Attest:

By _____

Secretary

[CORPORATE SEAL]

THE PAUL REVERE LIFE INSURANCE CO.

Attest:

By *C. Reynolds*
Vice President

Michael J. O'Kane
Secretary

[CORPORATE SEAL]

THE PAUL REVERE PROTECTIVE LIFE
INSURANCE CO.

Attest:

By *C. Reynolds*
Vice President

Michael J. O'Kane
Secretary

[CORPORATE SEAL]

THE PAUL REVERE VARIABLE ANNUITY
INSURANCE CO.

Attest:

By *C. Reynolds*
Vice President

Michael J. O'Kane
Secretary

[CORPORATE SEAL]

GIRARD BANK, as Agent

Attest:

C. H. Dougherty
Secretary
CORPORATE TRUST OFFICER

By

M. Denning

VICE PRESIDENT

[CORPORATE SEAL]

THE PAUL REVERE LIFE INSURANCE CO.

Attest:

Secretary

By

Vice President

[CORPORATE SEAL]

THE PAUL REVERE PROTECTIVE LIFE
INSURANCE CO.

Attest:

Secretary

By

Vice President

[CORPORATE SEAL]

THE PAUL REVERE VARIABLE ANNUITY
INSURANCE CO.

Attest:

Secretary

By

Vice President

SIGFRIED WEIS (L.S.)

ROBERT F. WEIS (L.S.)

COMMONWEALTH OF PENNSYLVANIA :

SS:

COUNTY OF *Phila.* :

On this 29th day of May, 1979, before me personally appeared Charles P. Turnbucke, to me personally known, who, being by me duly sworn, says that he is Vice President 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.

[Notarial Seal]

Darlene Marquette
Notary Public

My Commission expires:

DARLENE MARQUETTE
Notary Public, Phila., Phila. Co.
My Commission Expires Sept. 13, 1982

COMMONWEALTH OF PENNSYLVANIA :

SS:

COUNTY OF *Phila.* :

On this 29th day of May, 1979, before me personally appeared Charles P. Turnbucke, to me personally known, who, being by me duly sworn, says that he is Vice President 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.

[Notarial Seal]

Darlene Marquette
Notary Public

My Commission expires:

DARLENE MARQUETTE
Notary Public, Phila., Phila. Co.
My Commission Expires Sept. 13, 1982

COMMONWEALTH OF PENNSYLVANIA :

SS:

COUNTY OF PHILADELPHIA :

On this 24th day of May, 1979, before me personally appeared D. A. Wrigley, to me personally known, who, being by me duly sworn, says that he is Vice President of GIRARD LEASING 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 S&R Boxcar Co. (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]

Diane A. Baxter
Notary Public

My Commission expires:

DIANE A. BAXTER, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES AUG. 31, 1981
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNSYLVANIA :

COUNTY OF PHILADELPHIA :

On this 24th day of May, 1979, before me personally appeared George L. Deming, to me personally known, who, being by me duly sworn, says that he is Vice President of GIRARD BANK, 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.

[Notarial Seal]

Diane A. Baxter
Notary Public

My Commission expires:

DIANE A. BAXTER, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES AUG. 31, 1981
Member, Pennsylvania Association of Notaries

SCHEDULE A

<u>Investors:</u>	<u>Investment</u>
The Paul Revere Life Insurance Co.	\$ 1,365,104.50
The Paul Revere Protective Life Insurance Co.	248,106.05
The Paul Revere Variable Annuity Insurance Co.	992,945.45
	<hr/>
Total	\$ 2,606,156.00

Mailing Address and Address
for manual delivery of documents:

1275 King Street
Greenwich, Conn. 06830
Attn: Vice President - Investment

Address for delivery of funds:

Wire transfer in immediately
available funds (with sufficient
information to identify source
and application of funds) to:

Morgan Guaranty Trust Company of New York
New York, N. Y.

Custody Acc't No.:

051-67-716 (in case of The Paul Revere Life Insurance Co
051-67-804 (in case of The Paul Revere Protective
Life Insurance Co.)
051-67-958 (in case of The Paul Revere Variable
Annuity Insurance Co.)

SCHEDULE B

Equipment

Quantity and Type: Eighty 50'-6" 70-ton general purpose
box cars, Type XM

Lessee's Identifying Numbers: NSL 150615-694 (inclusive)

Aggregate Acquisition Cost: \$3,178,240

EQUIPMENT LEASE

10234

LEASE NO. M-056

EQUIPMENT LEASE dated as of March 28, 1979, between S & R Boxcar Co.
 (hereinafter called "Lessor"), a Pennsylvania limited partnership
 having a place of business at Three Girard Plaza, Philadelphia, PA 19101,
 and National Railway Utilization Corporation a South Carolina corporation with
 its principal place of business at 1100 Centre Square E., 1500 Market Street, Phila., PA 19102
 and Pickens Railroad Company a South Carolina corporation with its
 principal place of business at 402 Cedar Rock Street, Pickens, S.C. 29671,
 (collectively called "Lessee").

In consideration of the mutual covenants hereinafter contained, Lessor and Lessee agree as follows:

1. **DEFINITIONS** - The following terms shall, unless the context otherwise requires, have the following meanings for all purposes of this Lease:

(a) "EQUIPMENT" means the equipment described on each Rental Schedule now or hereafter executed pursuant to this Lease, and owned or to be owned by Lessor and leased by Lessor to Lessee or ordered by Lessor for lease to Lessee as provided herein.

(b) "ACQUISITION COST" of any item of Equipment means an amount equal to the sum of (i) the purchase price of such item of Equipment paid by Lessor, plus (ii) any excise, sales and use tax on or with respect to such item of Equipment, plus (iii) any costs, expenses, and fees paid or incurred by Lessor in obtaining and transporting such item of Equipment to Lessee.

(c) "CERTIFICATE OF INSPECTION AND ACCEPTANCE" means a certificate substantially in the form attached hereto and marked "Exhibit A" to be executed by Lessee, and dated the date of Lessee's acceptance for lease hereunder of any Equipment delivered to Lessee.

(d) "RENTAL SCHEDULE" means a schedule to be executed by Lessor and Lessee, substantially in the form attached hereto and marked "Exhibit B", setting forth a full description of Equipment to be leased hereunder, its Acquisition Cost, the amount of rent payable by Lessee with respect thereto, the lease term thereof, the Lease Commencement Date with respect thereto, and such other details as Lessor and Lessee may desire.

(e) "CASUALTY OCCURRENCE" and "STIPULATED LOSS VALUE" shall have meanings specified in Section 14 hereof.

(f) "EVENTS OF DEFAULT" shall have the meaning specified in Section 20 hereof.

(g) "LEASE COMMENCEMENT DATE" with respect to an item of Equipment means the date of the commencement of the lease term of such item, and shall be the date such item is accepted by Lessee for lease hereunder.

2. AGREEMENT FOR LEASE OF EQUIPMENT - Lessor shall lease to Lessee and Lessee shall lease from Lessor such Equipment as may be mutually agreed, in the manner and upon the terms and conditions specified in this Equipment Lease. Lessee shall evidence its request to Lessor to order particular items of Equipment for lease to Lessee hereunder by executing and delivering a Rental Schedule for such Equipment to Lessor. Lessee's execution of such Rental Schedule shall obligate Lessee to lease the Equipment described therein from Lessor.

3. DELIVERY AND ACCEPTANCE OF EQUIPMENT - Lessor and Lessee understand that the manufacturer or vendor of the Equipment will deliver the Equipment to the place of delivery specified in the Rental Schedules and such delivery shall be deemed to be delivery of the Equipment by Lessor to Lessee hereunder. Lessor hereby authorizes Lessee as its agent to accept for Lessor, and in Lessor's name, the Equipment from said manufacturer or vendor upon delivery. Upon such delivery, Lessee shall cause an inspector or inspectors of Lessee to inspect the Equipment, and if it is found to be acceptable, to accept delivery of such Equipment and execute and deliver to Lessor a Certificate of Inspection and Acceptance stating that such Equipment has been inspected and accepted on behalf of Lessee and Lessor on the date of such Certificate and is marked in accordance with Section 9 hereof, whereupon such Equipment shall be deemed to have been delivered to and accepted by Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

4. NO WARRANTIES BY LESSOR - As between Lessor and Lessee, Lessee's acceptance for lease hereunder of any Equipment as evidenced by its execution of a Certificate of Inspection and Acceptance with respect thereto shall constitute Lessee's acknowledgement that such Equipment (a) is of a size, design, capacity and manufacture acceptable to Lessee for lease hereunder, (b) is suitable for Lessee's purposes, (c) is in good order, repair, and condition, and (d) is subject to all of the terms and conditions of this Lease. LESSOR HEREBY MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE TITLE TO, OR CONDITION OF, ANY EQUIPMENT, ITS MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. In no event shall any defect in, or unfitness of, any Equipment relieve Lessee of the obligation to pay rent or to make any other payments required hereunder or of any other obligations hereunder. Without limiting the generality of the foregoing, Lessor shall not be liable for any defects, either latent or patent, in any of the Equipment, or for any direct or consequential damage therefrom, and shall not be liable to Lessee for loss of use of any of the Equipment or for any interruption in Lessee's business occasioned by Lessee's inability to use any of the Equipment for any reason whatsoever. However, Lessor will take any reasonable steps within its power to make available to Lessee any manufacturer's or similar warranty applicable to the Equipment and make any assignment or other transfer of rights in and to such warranty.

5. LEASE TERM - The lease term of each item of Equipment shall commence on the Lease Commencement Date thereof and shall, unless sooner terminated pursuant to the provisions of Sections 14, 19 or 20 hereof, be for the period specified on the Rental Schedule therefor including the number of days remaining in any partial first period if the Lease Commencement Date occurs on other than the first day of a regular rental period. Lessee may extend the lease term of each item of Equipment for the extended term(s) specified on the Rental Schedule therefor as provided in Section 24 hereof. Notwithstanding the foregoing, the provisions of Section 11 shall apply as between Lessor and Lessee with respect to any Equipment from the time the Equipment is ordered by Lessor. Lessee hereby authorizes Lessor to insert the Lease Commencement Date for an item of Equipment on the Rental Schedule therefor when such item has been accepted by Lessee for lease hereunder. The words "lease term" as used in this Lease shall, for all purposes of this Lease, and unless the context otherwise requires, be deemed to include each extended term referred to in Section 24 hereof.

6. RENT - Lessee's obligation to pay rent for each item of Equipment shall commence on the Lease Commencement Date thereof. Lessee agrees to pay Lessor throughout the lease term of each item of Equipment, the rent specified for each item of Equipment on the Rental Schedule therefor. If the Lease Commencement Date of an item of Equipment occurs on other than the first day of a rental period, the rent for the partial first period of the lease term of such item shall be determined by dividing the amount of regular period rent for such item by the number of days in a regular rental period and multiplying the quotient by the number of days remaining in said partial first period, including the Lease Commencement Date, and such partial first period's rent shall be payable with the first full period's payment of rent. Lessee hereby authorizes Lessor to insert the amount of such partial first period's rent for each such item of Equipment in the Rental Schedule therefor when such item has been accepted by Lessee for lease hereunder. The rents specified on the Rental Schedule(s) shall be payable unconditionally, without any deduction, counterclaim, set-off, further notice or demand, and together with all other payments due under this lease shall be payable directly to Lessor at Lessor's address or to such other party at such other address as Lessor may from time to time designate in writing.

7. ERRORS IN ACQUISITION COST - In the event that at the time an item of Equipment is accepted by Lessee for lease hereunder it becomes known that the actual Acquisition Cost of such item differs from the Acquisition Cost figure for same inserted on the Rental Schedule for such item at the time such item was ordered for lease hereunder, Lessee hereby authorizes Lessor to make the necessary corrections in such Acquisition Cost figure and to also make any necessary adjustments or corrections necessitated thereby in the rent figures for such item set forth on such Rental Schedule. In the event that the actual Acquisition Cost of such items exceeds the Acquisition Cost figure for same inserted on the Rental Schedule by more than ten percent (10%) thereof Lessor shall so notify Lessee in writing, and within fifteen (15) days thereafter either party, at its option, may cancel the lease of such item by giving written notice thereof to the other party; provided, however, that if, for any reason, Lessor is unable to cancel its purchase order for such item or revoke its commitment to the vendor thereof to purchase same, without cost or penalty, the lease of such item may be cancelled by Lessee only with the written consent of Lessor.

8. LESSEE'S REPRESENTATIONS AND WARRANTIES - Lessee represents and warrants that (a) at the time Lessor becomes owner of the Equipment, the Equipment will not have been used by Lessee for purposes other than testing; (b) Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the state of incorporation set forth above, with full corporate power to enter into this Lease and to pay and perform its obligations hereunder; (c) this Lease has been duly authorized, executed and delivered by Lessee and constitutes the valid, legal and binding obligation of Lessee, enforceable in accordance with its terms; (d) all approvals have been received which are required from any public regulatory body or from any parent or affiliate of Lessee or from any person, firm or corporation with respect to the entering into or performance of this Lease; (e) the entering into and performance of this Lease by Lessee, and the leasing of the Equipment hereunder by Lessee, will not result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance in or upon any Equipment pursuant to, any indenture, mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect any property or interest therein of Lessee, now attaches or hereafter will attach to the Equipment leased hereunder or in any manner affects or will affect adversely Lessor's right, title and interest therein; and (f) there are no suits or proceedings pending, or to the knowledge of Lessee threatened, in any court or before any regulatory commission, board or other administrative governmental agency against or affecting Lessee, which will have a material adverse effect on the financial condition or business of Lessee.

9. IDENTIFICATION MARKS - Lessee shall, at Lessee's expense, affix or attach to the Equipment a sign, stencil, plaque, legend, tag or other form of notice to disclose Lessor's ownership of the Equipment or that the Equipment is leased, and Lessee shall keep and maintain such sign, stencil, plaque, legend, tag or other form of notice affixed or attached to the Equipment throughout the lease term thereof. In addition, Lessee will cause each piece of Equipment to be kept numbered with identifying number as set forth in Exhibit "B" hereto. Lessee will not allow the name of any persons, association or corporation to be placed on any Equipment as a designation or as a claim of ownership other than that of Lessor; provided, however, that Lessee may cause such Equipment to be lettered with the names or initials or other insignia customarily used by Lessee on equipment used by it of the same or a similar type for convenience or identification of its rights to use such Equipment as permitted under this Lease.

Lessee agrees to keep each unit of the Equipment marked on both sides thereof in letters not less than one inch in height; with the following: "Ownership subject to security agreement filed under I.C.C. Section 20C" or other appropriate words designated by the Lessor with appropriate changes or additions as may be required by law to protect the security interest of the Lessor and/or its Assignee in the Equipment.

10. FEES AND TAXES - Lessee agrees to pay promptly when due, and to indemnify and hold Lessor harmless from, all license, title and registration fees whatsoever, all levies, imposts, duties, charges or withholdings whatsoever, and all sales, use, personal property, stamp and other taxes whatsoever (together with any penalties, fines or interest thereon) whether assessed, levied or imposed by any governmental or taxing authority against or upon Lessor or otherwise, with respect to any Equipment or the purchase, acquisition, ownership, delivery, leasing, possession, use, operation, control, return or other disposition thereof, or the rents, receipts or earnings arising therefrom, or with respect to this Lease, excluding, however, any federal, state or local taxes levied on Lessor's net income, as net income is presently determined under the Federal Internal Revenue Code. In the event any such fees, levies, imposts, duties, charges or taxes are paid by Lessor, or if Lessor be required to collect or pay any thereof, Lessee shall reimburse Lessor therefor (plus any penalties, fines or interest thereon) promptly upon demand. Lessor will file all personal property tax returns covering the Equipment, and unless and until Lessor notifies Lessee in writing to the contrary, Lessor will pay the personal property taxes levied or assessed thereon directly to the levying authority. Lessee will, promptly upon being invoiced by Lessor, reimburse Lessor for the full amount of such personal property taxes so paid by Lessor. In the event Lessor should request Lessee in writing to pay such personal property taxes directly, Lessee agrees that it will do so promptly, upon receipt of such notice. All of the obligations of Lessee under this Section with respect to any fees, levies, imposts, duties, charges, withholdings and taxes (together with any penalties, fines or interest thereon) assessed, levied, imposed or accrued prior to the expiration or other termination of this Lease or the lease term of all Equipment leased hereunder shall continue in full force and effect notwithstanding such expiration or other termination and are expressly made for the benefit of, and shall be enforceable by, Lessor.

11. INDEMNIFICATION BY LESSEE - Lessee agrees to indemnify and hold Lessor harmless against any and all claims, demands, liabilities, losses, damages and injuries, of whatsoever kind, and all fees (including attorney's fees), costs, expenses, penalties, and interest, relating to, resulting from, or in any way arising out of

- (a) Lessor's purchase, acquisition and ownership of, and title to, any Equipment;
- (b) the possession, maintenance, condition (including without limitation, latent and other defects whether or not discoverable by Lessor), use, operation, control, loss, damage, destruction, removal, return, storage, surrender, sale or other disposition of any Equipment;

- (c) any accident in connection with the possession, operation, use, condition, control, return or storage of any Equipment resulting in damage to property or injury to any person;
- (d) all costs, charges, damages or expenses for royalties and/or claims and expenses of litigation, arising out of or in any way connected with the assertion of any claim or demand based upon any infringement or alleged infringement of any patent or other right, by or in respect of any Equipment; and
- (e) strict liability in tort.

The indemnification by Lessee under this Section 11 shall survive the payment of all other obligations under, and the termination of, this Lease and the lease term of all Equipment leased hereunder.

12. USE OF EQUIPMENT - Lessee warrants and agrees that the Equipment will at all times be used and operated under and in compliance with the laws of the jurisdictions in which the Equipment may be located and operated, the Interchange Rules of the Association of American Railroads, if applicable, and in compliance with all lawful acts, rules, regulations and orders of any judicial, legislative or regulatory body having power to regulate or supervise the use of the Equipment, including, but not limited to, the rules and regulations of the United States Department of Transportation and the Interstate Commerce Commission. Lessee further warrants and agrees that the Equipment will be used upon its lines of railroad or upon lines of railroad over which Lessee has trackage or other operating rights or over which railroad equipment of Lessee is regularly operated pursuant to contract or upon other railroads in the usual interchange of traffic (if such interchange is customary at the time); provided, however, that Lessee will not permit the assignment of any Equipment to service involving the regular operation and maintenance thereof outside of the United States of America except for temporary use in the Dominion of Canada in the ordinary interchange of traffic. Lessee shall not permit any liens, charges or encumbrances to be placed on or levied against the Equipment other than liens, charges or encumbrances placed thereon by Lessor or by persons claiming against Lessor but not Lessee. Lessee agrees to procure and maintain in effect all licenses, certificates, permits and other approvals and consents required by federal, state, county, municipal, or foreign laws and regulations in connection with the possession, use, operation and maintenance of the Equipment. Lessee agrees that without Lessor's prior written consent Lessee will not assign or transfer its rights under this Lease, or sublease any of the Equipment, except and then only so long as the Lessee shall not then be in default under this Lease (and subject to this Lease and to the rights of Lessor hereunder, and without releasing the Lessee from its obligations hereunder) Lessee may sub-lease all of the equipment to a railroad provided that: (1) such sub-lease is subject to the jurisdiction of the Interstate Commerce Commission; (2) that such sub-lessee shall subject the rights of the sub-lessee under such sub-lease to the rights of the Lessor under this Lease in respect of the equipment covered by such sub-lease in the event of the happening of an Event of Default under this Lease, and (3) the Lessee shall notify Lessor of any such sub-lease, specifying the equipment by car number and the identity of the sub-lessee. In the event of the happening of an Event of Default hereunder, Lessor may, in addition to other remedies provided for herein, enforce the rights of the Lessee under any such sub-lease for the account of the Lessor in the Lessee's name.

13. IMPROVEMENT, MAINTENANCE AND REPAIR OF EQUIPMENT - Lessee will, at its own expense, (a) maintain the Equipment in good and safe operating order, repair and condition, and in accordance with the requirements of any governmental authority, domestic or foreign having jurisdiction thereof, (b) will pay for all fuel, service, inspections, overhauls, replacements, substitutions, materials and labor necessary or desirable for the proper use, repair, operation and maintenance of the Equipment, and

(c) will keep the Equipment protected from the elements when not in use. Lessee, at its sole cost and expense, may modify and make additions or improvements to the Equipment, provided that (i) such alterations, modifications, additions or improvements do not eliminate the multi-use capabilities of the Equipment, or reduce the value or utility of the Equipment or impair the certification, performance, safety, quality, capability, use or character of the Equipment, (ii) Lessee promptly notifies Lessor in writing of the nature of any such alterations, modifications, additions and improvements, (which modifications, additions and improvements shall, unless and until removed by Lessee at the request of Lessor, automatically become the sole property of Lessor) and subject to the terms of this Lease, and included in the term "Equipment", and (iii) upon the termination of the lease term of any Equipment as to which such alterations, modifications, additions and improvements have been made, Lessee, if requested to do so by Lessor, shall remove any such alterations, modifications, additions and improvements, and restore such Equipment to its original condition as of the Lease Commencement Date with respect thereto, reasonable wear and tear only being accepted.

14. LOSS, DAMAGE OR DESTRUCTION OF EQUIPMENT - Lessee shall bear all risks of damage to, or loss or destruction of, any Equipment during the lease term thereof and until such Equipment has been returned to Lessor pursuant to the provisions of Sections 18 and 20, whichever is applicable. Except as otherwise herein expressly provided, no such damage to, or loss or destruction of, any Equipment, shall impair any obligation of Lessee to Lessor, under this Lease, including, without limitation, the obligation to pay rent. In the event that any item of Equipment shall become lost, stolen, destroyed or irreparably damaged from any cause whatsoever, or if any item of Equipment or Lessor's title thereto shall be requisitioned or seized by any governmental authority (each such occurrence being hereinafter called a "Casualty Occurrence") during the lease term of such item and until such item has been returned to Lessor in accordance with the provisions of Section 18 or 20 hereof, whichever is applicable, Lessee shall promptly notify Lessor in writing of such fact, fully informing Lessor of all details with respect thereto, and shall, within thirty (30) days after such Casualty Occurrence, pay Lessor an amount in cash equal to the sum of (1) the accrued rent payable for such item from the date of such Casualty Occurrence up to and including the date of such payment, plus (ii) the "Stipulated Loss Value" for such item as set forth in Schedule A or any subsequent schedules which may hereafter be made a part thereof. Upon such payment this lease shall terminate with respect to the Equipment or part thereof so paid for and Lessee thereupon shall become entitled thereto.

Any insurance proceeds received as the result of a Casualty Occurrence with respect to an item of Equipment shall be applied first in reduction of any then unpaid obligation of Lessee to Lessor hereunder and secondly in reduction of Lessee's obligation to pay the "Stipulated Loss Value" for such item, if not already paid by Lessee to Lessor, or, if already paid by Lessee, to the reimbursement of Lessee for its payment of such "Stipulated Loss Value" and the balance of the insurance proceeds, if any, shall be paid to Lessee, if Lessee is not then in default hereunder. In the event that an item of Equipment has been damaged, but not irreparably, Lessee at the option of Lessor shall:

- (a) place the same in good repair, condition and working order; or
- (b) replace parts, but not all, of such item of Equipment with like property in good repair, condition and working order, which property shall thereupon become subject to this Lease.

In the event of such damage which can be repaired or Equipment which can be replaced, Lessor shall, if no Event of Default has occurred and continuing hereunder, release to Lessee the proceeds of any insurance received by Lessor as a result of such damage for the purpose of reimbursing Lessee for the costs of repairing or restoring such item, upon receipt by Lessor of evidence, satisfactory to Lessor, that such repair or restoration has been completed, and an invoice therefor.

15. PASS-THROUGH OF INVESTMENT TAX CREDIT - Lessor agrees to make such elections, and to duly execute, file or deliver to Lessee such documents as shall be necessary to effectuate such elections as may from time to time be necessary during the term of this Lease to transfer to Lessee the benefit of any investment credit that may be, or become, available under the Internal Revenue Code with respect to the Equipment.

16. ANNUAL REPORTS - One or before March 1 of each year, commencing with March 1 next following the date hereof, Lessee will cause to be furnished to Lessor, if requested, an accurate statement, as of the preceding January 1, (a) showing the amount, description and identifying numbers of all items of Equipment that may have suffered a Casualty Occurrence during the preceding twelve (12) months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition and state of repair of such items as Lessor may reasonably request, (b) certifying that all items of Equipment have been marked as required by Section 9 hereof, and (c) certifying that all items of Equipment continue to remain within the territorial limitations provided in Section 12 hereof. Lessor shall have the right at its sole cost and expense, by its authorized representatives upon reasonable notice to Lessee, to inspect the items of Equipment and Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to Lessor the existence and proper maintenance thereof during the continuance of this Lease.

In addition, the Lessee will deliver or cause to be delivered as promptly as possible, but in any case not later than 120 days after the end of its fiscal year, to the Lessor (a) a consolidated annual financial report of the Lessee prepared in accordance with generally accepted accounting principles consistently applied and audited and certified by a recognized public accounting firm, which shall include, without limitation, a statement of income and retained earnings and a balance sheet, all in reasonable detail and satisfactory in scope to the Lessor, and (b) as soon as available and to the extent available, and in any event within 60 days after the first, second and third quarterly accounting periods in each fiscal year of the Lessee, copies of the consolidated balance sheet of the Lessee as of the end of such accounting period and copies of related consolidated statements of income of the Lessee for the portion of the fiscal year then ended with the last day of such quarterly accounting period, all in reasonable detail and satisfactory in respect to the Lessor.

The Lessor, at its sole cost and expense, shall have the right to discuss the affairs, finances and accounts of the Lessee relating to the Equipment and to the transactions contemplated by the Lessee and agreements in respect thereto with the Lessee's officers, employees and independent public accountants.

17. INSURANCE - Lessee will maintain, at its sole cost and expense, at all times during the lease term of any Equipment, and until such Equipment has been returned to Lessor in accordance with the provisions of the Sections 18 or 20, whichever is applicable, with reputable insurers acceptable to Lessor (a) insurance in an amount

not less than the "Stipulated Loss Value" (hereinbefore defined) of each such item of Equipment leased hereunder, insuring against loss and/or damage to such Equipment arising out of any risk covered by fire, windstorm, explosion, and extended coverage and against such other risks as are customarily insured against by companies owning property of a similar character and engaged in a business similar to that engaged in by Lessee, and (b) comprehensive public liability and property damage insurance in the amount of \$10.0 million, single limit coverage, insuring against liability for death, bodily injury and property damage resulting from ownership, maintenance, use or operation of the Equipment. All insurance policies shall (i) name Lessor as an additional insured, with losses under the physical loss and/or damage policies to be payable to Lessor and Lessee (and also to an assignee of Lessor, if requested by such assignee) as their respective interests may appear, (ii) provide that the policies will not be invalidated as against Lessor (or as against any assignee of Lessor) because of any violation of a condition or warranty of the policy or application therefor by Lessee, and (iii) provide that the policies may only be materially altered or cancelled by the insurer after thirty (30) days prior written notice to Lessor and to any assignee of Lessor. Lessee shall deliver to Lessor, prior to the Lease Commencement Date for any item of Equipment (or at such other time or times as Lessor may request) a certificate of other evidence of the maintenance of all such insurance satisfactory to Lessor; provided however, that Lessor shall be under no duty to examine such certificate or other evidence of insurance, or to advise Lessee in the event that its insurance is not in compliance with this Lease. In the event of failure on the part of Lessee to provide and furnish any of the aforesaid insurance, Lessor may procure such insurance and Lessee shall, upon demand, reimburse Lessor for all expenditures made by Lessor for such insurance, together with interest thereon computed at the rate of twelve percent (12%) per annum (or the maximum per annum rate of interest permitted by law, whichever is less), from the date of Lessor's payment until reimbursed by Lessee. The comprehensive physical loss or damage insurance policy or policies shall also provide that upon receipt by the insurer from Lessor of any written notice of the occurrence of an Event of Default hereunder, any proceeds payable by said insurer with respect to any loss or destruction of, or damage to, any Equipment, shall be payable solely to Lessor (and to any assignee of Lessor, if requested by such assignee) from the date of said insurer's receipt of such written notice, up to the date said insurer received written notice from Lessor that said Event of Default is no longer continuing hereunder.

18. RETURN OF EQUIPMENT - Upon the expiration or termination of the lease term of any Equipment, whether by the passage of time or otherwise, Lessee will forthwith surrender and return possession of such Equipment to Lessor, in its original condition as of the Lease Commencement Date therefore, reasonable wear and tear only being excepted, by one of the following methods, as directed by Lessor and at the risk of Lessee: (a) placing such Equipment upon such storage tracts as Lessor reasonably may designate, (b) permitting Lessor to store such equipment on such tracks for up to 180 days, and (c) transporting such Equipment to any connecting carrier for shipment.

19. LESSOR'S OWNERSHIP - Lessee acknowledges and agrees that it has not, and by the execution of this Lease it does not have or obtain, and by payments and performance hereunder it does not and will not have or obtain, any title to the Equipment, nor any property right or interest, legal or equitable, therein, except its rights as Lessee hereunder and subject to the terms hereof. If Lessee is unable to return, or is prevented from returning, any Equipment to Lessor upon the expiration or termination of the lease term thereof as required under Section 18 hereof, for any reason whatsoever, including, but not limited to, the assertion by any third party

of any claim against such Equipment, or of any right with respect thereto, then in any such event, Lessee shall forthwith notify Lessor in writing of such fact, such Equipment shall, for all purposes of this Lease be deemed to have been the subject of a Casualty Occurrence, and Lessee shall pay Lessor the amounts provided in Section 14 hereof, with respect to such Equipment, at the time, in the manner, and with the consequences provided in such Section.

20. EVENTS OF DEFAULT - If, during the continuance of the Lease, one or more of the following events (hereinafter called "Events of Default") shall occur:

- (a) Default shall be made in the payment of any rent hereunder, or default shall be made in the payment of any obligation provided for in this Lease;
- (b) Lessee shall default in the observance and/or performance of any other covenant, condition and agreement on the part of Lessee to be observed and/or performed under this Lease and such default shall continue after written notice from Lessor to Lessee specifying the default and demanding the same to be remedied;
- (c) Any representation or warranty made by Lessee herein or in any document or certificate furnished to Lessor in connection herewith or pursuant hereto shall at any time prove to be incorrect when made in any material respect;
- (d) Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of Lessee's rights and obligations hereunder, or Lessee shall make or permit any unauthorized sublease or transfer of any Equipment, or the possession of same;
- (e) Lessee shall make an assignment for the benefit of its creditors, or cease being in substantially the same line or lines of business in which Lessee is presently engaged, or cease doing business as a going concern, or become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature, or consent to the appointment of a trustee or receiver, or a trustee or a receiver shall be appointed for Lessee or for a substantial part of Lessee's property without Lessee's consent and such appointment shall not be dismissed for a period of sixty (60) days, or bankruptcy, reorganization, insolvency, arrangement, or liquidation proceedings shall be instituted by or against Lessee and, if instituted against Lessee, shall not be discharged or dismissed for a period of thirty (30) days, or Lessee's corporate existence shall terminate; or
- (f) Any obligation of Lessee for the payment of borrowed money or for the acquisition of assets by lease, conditional sale or similar arrangement, shall not be paid or refinanced at maturity, whether by acceleration or otherwise, or shall be declared to be due and payable prior to the stated maturity thereof by reason of default or other violation of the terms of any promissory note or agreement evidencing or governing such obligation;

then, in any such case, Lessor, at its option, may do any one or more of the following:

- (1) declare this Lease in default upon written notice to Lessee, whereupon, the entire amount of rent remaining to be paid over the balance of the lease term of all

Equipment then leased hereunder, computed from the date of Lessee's default, shall become immediately due and payable;

(2) proceed by appropriate court action or actions at law or in equity or in bankruptcy, to enforce performance by Lessee of the covenants and terms of this Lease and/or to recover damages for the breach thereof;

(3) terminate this Lease upon written notice to Lessee;

(4) whether or not this Lease be so terminated, and without notice to Lessee, repossess the Equipment wherever found, with or without legal process, and for this purpose Lessor and/or its agents may enter upon any premises of or under control or jurisdiction of Lessee or any agent of Lessee without liability for suit, action or other proceeding by Lessee (any damages occasioned by such repossession being hereby expressly waived by Lessee) and remove the Equipment therefrom.

With respect to any Equipment returned to Lessor, or repossessed by Lessor pursuant to subparagraph (4) above, Lessor may hold or use such Equipment for any purpose whatsoever if this Lease has been terminated, or if it has not been terminated, Lessor shall either sell same at a private or public, cash or credit sale, or re-lease same for such term and upon such rental as shall be solely determined by Lessor. In the event of the sale or re-leasing by Lessor of any such Equipment, Lessee shall be liable for, and Lessor may forthwith recover from Lessee as liquidated damages for breach of this Lease, and not as a penalty, an amount equal to such sum of (X) the entire amount of rent which would have accrued for the balance of the lease term of such Equipment, computed from the date of Lessee's default, plus (Y) an amount equal to the percentage of the Acquisition Cost to Lessor of such Equipment, shown as the last percentage factor on the Schedule A ("Stipulated Loss Value") applicable to such Equipment, (which amount represents Lessor's estimate, as of the date of the execution of this Lease, of what the minimum value of such Equipment would be at the end of the lease term), less (Z) the proceeds of any sale or re-leasing of such Equipment, after first deducting therefrom all costs and expenses of repossession, storage, repairs, reconditioning, sale, re-leasing, attorney's fees and collection fees with respect to such Equipment.

If Lessee fails to deliver any Equipment to Lessor or Lessor is unable, for any reason, to effect repossession of any Equipment, then with respect to such Equipment, Lessee shall be liable for, and Lessor may forthwith recover from Lessee as liquidated damages for breach of this Lease, and not as a penalty, an amount equal to the sum of the amounts specified in items (X) and (Y) above for such Equipment.

Whether or not any Equipment is returned to, or repossessed by Lessor, as aforesaid, Lessee shall also be liable for, and Lessor may forthwith recover from Lessee, all unpaid rent and other unpaid sums that accrued prior to the date of Lessee's default. In addition to the foregoing, Lessor may also recover from Lessee all costs and expenses, including without limitation reasonable attorney's fees and fees of collection agencies, incurred by Lessor in exercising any of its rights or remedies hereunder.

Since pursuant to the foregoing Lessor may receive or recover payment of the amounts specified in subparagraph (1) and items (X) and (Y) above earlier than Lessor would otherwise be entitled to receive or recover same but for Lessee's default, such amounts shall be discounted to their then present value at the rate of six percent (6%) per annum, and there shall be added to such amounts, after such discount, interest at the rate specified in Section 23.1 hereof from the date of Lessee's default up to the date of the payment of such amounts to Lessor.

In the event that any court of competent jurisdiction determines that any provisions of this Section 20 is invalid or unenforceable in whole or in part, such determination shall not prohibit Lessor from establishing its damages sustained as a result of any breach of this Lease in any action or proceeding in which Lessor seeks to recover such damages. Any repossessions or resale of any Equipment shall not bar an action for damages for breach of this Lease, as hereinbefore provided, and the bringing of an action or the entry of judgement against Lessee shall not bar Lessor's right to repossess any or all Equipment.

The remedies herein provided in favor of Lessor, shall not be deemed to be exclusive, but shall be cumulative and shall be in addition to all other remedies in Lessor's favor existing in law, in equity or in bankruptcy.

21. ASSIGNMENT AND MORTGAGE - Lessor may assign this Lease, and may grant a mortgage on, or security interest in, any Equipment to any such assignee, in whole or in part, without notice to, or the consent of, Lessee. Each such assignee shall have all of the rights but none of the obligations of Lessor under this Lease and Lessee shall, upon receipt of written notice thereof, recognize each such assignment and mortgage or security interest and shall accept and comply with the directions or demands given in writing by any such assignee. Lessee shall not assert against such assignee any defense, counterclaim or set-off that Lessee may have against Lessor. However, nothing herein shall relieve Lessor from its obligations to Lessee hereunder. After any such assignment this Lease may not be amended or modified without the prior written consent of any such assignee. Upon any assignment of this Lease or the granting of any mortgage on, or security interest in, any of the Equipment, Lessor or its assignee may record any instruments relating to the assignment, mortgage, or security interest desired by Lessor or such assignee in accordance with the laws of appropriate jurisdictions.

22. RECORDING AND FILING: EXPENSES - Prior to the delivery and acceptance of any of the Equipment, Lessee will, at Lessee's cost and expense, cause this Lease and any assignment hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act. Within 21 days from the execution of this Lease, Lessee will, at Lessee's cost and expense, also cause this Lease and any assignment thereof to be deposited in the office of the Registrar General of Canada and promptly thereafter will cause notice of such deposit to be given in the Canada Gazette, in accordance with Section 86 of the Canadian Railway Act. In addition, Lessee will, upon demand of Lessor, at Lessee's cost and expense, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will re-file, re-register, re-record or re-deposit whenever required) any and all further instruments required by law in the United States or requested by Lessor (or any assignee of Lessor) including without limitation, financing statements under the Uniform Commercial Code (which, notwithstanding the intent of Lessor and Lessee that this is a true lease, Lessor shall have the right to file wherever and whenever Lessor requires), for the purpose of proper protection to the satisfaction of Lessor, (and/or Lessor's assignee) of Lessor's title to any Equipment (and/or of Lessor's assignee's security interest, if any, in any of the Equipment) or for the purpose of carrying out the intention of this Lease. Lessee will also pay, or will upon demand reimburse Lessor, for all of the reasonable out-of-pocket costs and expenses incurred by Lessor in connection with this Lease and/or Lessor's purchase of any of the Equipment for lease hereunder, and for all fees and costs of any attorney especially retained by Lessor to take any action or proceeding to enforce the terms of this Lease.

23. MISCELLANEOUS -

23.1 LATE CHARGES ON OVERDUE PAYMENTS - Any nonpayment of rent or other amounts due hereunder shall result in the obligation on the part of Lessee promptly to pay

also an amount equal to twelve percent (12%) per annum (or the maximum per annum rate of interest permitted by law, whichever is less) of the overdue rent or other amounts for the period of time during which they are overdue.

23.2 NOTICES - Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, certified, return receipt requested, postage prepaid, addressed to either party at its address set forth herein, or to such other address as either party shall hereafter furnish to the other in writing.

23.3 ENTIRE AGREEMENT; SEVERABILITY; EFFECT AND MODIFICATION OF LEASE - This Lease constitutes the entire agreement between the parties with respect to the leasing of the Equipment. 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. 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 officers of Lessor and Lessee.

23.4 EXECUTION IN COUNTERPARTS - This Lease and any Rental Schedules hereunder may be executed in several counterparts, only one of which shall be conspicuously marked "original" and shall be deemed to be the original, which such original shall be delivered to Lessor or its assigns. If this Lease or any Rental Schedule is executed in several counterparts, all counterparts other than that marked original shall be conspicuously marked "duplicate".

23.5 GOVERNING LAW - Lessor and Lessee agree that this Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

23.6 LESSOR'S RIGHT TO PERFORM FOR LESSEE - If Lessee fails to duly and promptly perform any of its obligations under this Lease (except for the payment of rent) or fails to comply with any of the covenants or agreements contained herein, Lessor may itself perform such obligations or comply with such covenants or agreements, for the account of Lessee without thereby waiving any default, and any amount paid or expense (including reasonable attorneys' fees) incurred by Lessor in connection with such performance or compliance shall, together with interest thereon at the rate of twelve percent (12%) per annum (providing such rate does not exceed the maximum rate permitted by law, in which event the maximum rate permitted by law shall apply) be payable by Lessee to Lessor on demand.

23.7 AGREEMENT FOR LEASE ONLY - Lessor and Lessee agree that this Lease is and is intended to be a true lease (and not a lease intended as security or a lease in the nature of a security interest) and further agree to treat same as a true lease for all purposes, including without limitation, legal, tax, clerical and accounting.

24. OPTION TO RENEW AND PURCHASE - Upon the expiration of the initial term of the Lease, Lessee shall have the option to renew the lease term of all of the Equipment, as defined in the Lease (except for items of Equipment that have been destroyed or for which Lessor has received payment of the Stipulated Loss Value, as defined in the Lease, with respect thereto), for successive terms of one year each (each of which is a "Renewal Term"). Exercise of each such option shall be effective only if (a) Lessee has paid all rentals and all other sums then due by Lessee to Lessor, or which would become due upon request of Lessor, as required under the provisions of the Lease, and (b) no Event of Default, and no event which with the giving of

notice or lapse of time, or both, would constitute such an Event of Default, has occurred and then remains unremedied to Lessor's satisfaction. Each such option to renew may be exercised by Lessee only upon written notice to Lessor at least 180 days prior to the expiration of the initial term or the then current Renewal Term, at a rate that would be obtained at the time of such renewal in an arms-length transaction between an informed and willing prospective lessee and an informed and willing lessor under no compulsion to lease (said rate being herein called the "Fair Rental Rate").

Upon the expiration of the initial term or any Renewal Term with respect to each Rental Schedule, provided that Lessee has paid all rentals and all other sums then due by Lessee to Lessor, or which would become due upon request of Lessor as required under the provisions of this Lease, and provided that no Event of Default, and no event which with the giving of notice or lapse of time, or both, would constitute such an Event of Default, has occurred and then remains unremedied to Lessor's satisfaction, Lessee shall have the option exercisable on at least 180 days prior written notice to Lessor, to purchase all, but not less than all (except for items that have been destroyed and for which Lessor has received payment of the Stipulated Loss Value with respect thereto) of the Equipment then subject to said Rental Schedule, for an amount, payable on or before such expiration date, which is equal to: an amount that would be obtained in an arms-length transaction between an informed and willing buyer and an informed and willing seller under no compulsion to sell (said amount being herein called the "Fair Market Value").

If, on or before a date 135 days prior to the expiration of the initial term or any Renewal Term with respect to each Rental Schedule, Lessor and Lessee are unable to agree upon a determination of the Fair Rental Rate or the Fair Market Value of the Equipment, Lessee shall have no obligation to renew this Lease or purchase the Equipment. However, if Lessee wishes to proceed with its option, such value shall be determined in accordance with the procedure for Appraisal.

Appraisal shall mean a procedure whereby two recognized independent equipment appraisers, one chosen by Lessee and one by Lessor shall mutually agree upon the amount in question. Lessor or Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 business days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers as described above, the two appraisers are unable to agree upon the amount in question, a third recognized independent appraiser shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the appraisers so appointed and chosen shall be given within a period of ten (10) days after the selection of such third appraiser. The average of the three appraisals arrived at by said three appraisers shall be binding and conclusive on Lessor and Lessee. Lessor and Lessee shall pay the fees and expenses of the respective appraisers appointed by them and shall share equally the fees and expenses of the third appraiser, if any, and those of the American Arbitration Association, if applicable.

After a determination of the Fair Rental Rate or the Fair Market Value of the Equipment has been made in accordance with the procedure described above, Lessee shall exercise its option to renew the lease for the Fair Rental Rate or to purchase the Equipment for the Fair Market Value thereof by delivering written notification of such exercise to Lessor not less than ninety (90) days prior to the expiration of the term of each Rental Schedule.

If Lessee has elected to purchase the Equipment pursuant to this option and provided Lessee is not then in default hereunder, Lessee shall purchase from Lessor and Lessor shall sell to Lessee, without recourse or warranty, the Equipment for a cash consideration equal to the Fair Market Value thereof.

If Lessee has elected to renew the Lease pursuant to this option, the renewal rentals shall be payable on the same day of each rental period consistent with the rental payment dates of the original term of the Lease commencing with the first rental period after the expiration of the initial term and continuing until the expiration of the Renewal Term(s).

Upon payment of the Fair Market Value, Lessor shall, upon request of Lessee, execute and deliver to Lessee or to Lessee's assignee or nominee, a bill of sale (without representations or warranties except that the Equipment is free and clear of all claims, liens, security interests and other encumbrances by or in favor of any person claiming through or under Lessor) for the equipment, and such other documents as may be required to release the Equipment from the terms and scope of this Lease and to transfer title thereto to Lessee or such assignee or nominee, in such form as may reasonably be requested by Lessee, all at Lessee's expense.

IN WITNESS WHEREOF, Lessor and Lessee, each pursuant to the due authority, have caused these presents to be signed in their respective names by their duly authorized officers and their corporate seals, if applicable, to be hereunder affixed and duly attested, as of the date first above written. The obligations of National Railway Utilization Corporation and Pickens Railroad Company as lessees hereunder are joint and several.

S & R Boxcar Co.

(LESSOR)

By *D. A. Wingley*
Its Vice President, General Partner

NATIONAL RAILWAY UTILIZATION CORPORATION

(LESSEE)

By *Richard J Kelly*
Its V. P.

PICKENS RAILROAD COMPANY

(LESSEE)

By *Richard J Kelly*
Its V. P.

ATTEST:

By *Jesse B. York*

(Corporate seal)

ATTEST:

By *Margaret E. Turner*
asst. (Secretary)

(Corporate seal)

ATTEST:

By *Margaret E. Turner*
asst. (Secretary)

Schedule A ("Stipulated Loss Value") to Equipment Lease No. M-056, dated
March 28, 1979, between S & R Boxcar Co. ("Lessor")
and National Railway Utilization Corp. and Pickens Railroad Company ("Lessee").

During the rental period indicated in Column 1, the Stipulated Loss Value for that time is an amount equal to the percentage of the Acquisition Cost of the Equipment (as those terms are defined in the Lease) shown in Column 2.

<u>COLUMN 1</u>	<u>COLUMN 2</u>	<u>COLUMN 1</u>	<u>COLUMN 2</u>
1	103.4	31	78.1
2	103.2	32	76.6
3	103.0	33	75.0
4	102.9	34	73.5
5	102.8	35	72.0
6	102.7	36	70.4
7	102.5	37	69.8
8	102.3	38	68.2
9	102.1	39	66.6
10	101.6	40	65.0
11	101.0	41	63.6
12	100.4	42	62.2
13	99.8	43	61.0
14	99.0	44	59.7
15	98.1	45	58.3
16	97.2	46	57.3
17	96.3	47	56.3
18	95.2	48	55.3
19	94.1	49	54.2
20	93.0	50	53.8
21	92.0	51	53.4
22	90.7	52	53.0
23	89.4	53	52.6
24	88.1	54	52.0
25	86.8	55	51.5
26	85.4	56	51.0
27	84.0	57	50.5
28	82.6	58	50.0
29	81.1	59	50.0
30	79.6	60	50.0

If noted here, this Schedule A is applicable to Rental Schedule No.(s) _____ only,
otherwise to all Rental Schedules of the Lease not having specifically noted Schedule A's.

Lessee (initial) _____

Lessee (initial) _____

Lessor (initial) SR

EXHIBIT A

CERTIFICATE OF INSPECTION AND ACCEPTANCE

Rental Schedule No. _____

Pursuant to Equipment Lease (Lease No. _____) dated as of _____, 19____,
(the "Lease") by and between _____
("LESSOR") and _____
("LESSEE").

The undersigned, being the duly authorized representative of the Lessor and Lessee hereby CERTIFIES that the following units of equipment (the "Equipment") referred to in the Lease between the Lessor and the Lessee.

<u>Quantity</u>	<u>Description</u>	<u>Road Number</u>
-----------------	--------------------	--------------------

have been duly delivered to the Lessor in good order and duly inspected and accepted by the undersigned as of the date hereof on behalf of the Lessor, and have thereby been duly delivered by the Lessor to the Lessee and have been duly accepted and inspected by the undersigned on said date on behalf of the Lessee as conforming in all respects with the requirements and provisions of the Lease.

Date

Duly Authorized Representative of Lessor and Lessee

Title

Date

Duly Authorized Representative of Lessor and Lessee

Title

EXHIBIT B

RENTAL SCHEDULE NO. _____ to Equipment Lease No. _____, dated _____, 19____, (the "Lease") by and between the undersigned, the terms and conditions of which are hereby incorporated herein by reference. Lessee hereby (a) authorizes Lessor to order for lease to Lessee the equipment described herein (the "Equipment") and to insert hereon the Lease Commencement Date and the partial first period's rent (if any) for such Equipment upon Lessee's acceptance of same for lease, (b) agrees to lease such Equipment from Lessor effective the Lease Commencement Date thereof and for the lease term specified below, and (c) agrees to pay Lessor the rent, in the amounts and at the times specified below, for each item of Equipment. All of the terms used herein which are defined in the Lease shall have the same meaning as so defined.

DESCRIPTION

ROAD NUMBER

ACQUISITION COST

This Rental Schedule is for a term of _____ quarters (plus _____ days partial first period term) and the Lease Commencement Date is _____, 19____. The partial first period rent of \$_____ is payable together with \$_____ regular quarterly rent on the _____ day of _____, 19____, followed by equal payment of regular rent on the _____ day of each quarter thereafter until a total rent of \$_____ has been paid. Lessee has the option of extending this Lease pursuant to paragraph 24 of the Lease, if applicable.

Name and address of Vendor of Equipment _____

_____ (LESSOR) By _____ (authorized signature)

Date _____ Its _____ (title)

_____ (LESSEE) _____ (LESSEE)

By _____ (authorized signature) By _____ (authorized signature)

Its _____ (title) Its _____ (title)

Date _____ Date _____

STATE OF PENNSYLVANIA :
COUNTY OF PHILADELPHIA : SS.
:

On this 28th day of March, 1979, before me personally appeared D. A. Wiegley, to me personally known, who, being by me duly sworn, said that he is a Vice President of Gerard Leasing Corp., that the seal affixed to the foregoing instrument is the corporate seal of said corporation; that said instrument was signed and sealed on this day 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.

Diane A. Baxter
Notary Public

My Commission Expires:

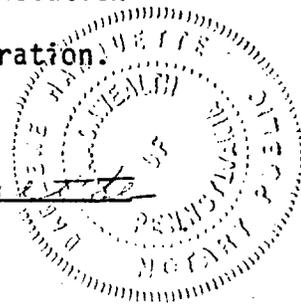
DIANE A. BAXTER, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES AUG. 31, 1981
Member, Pennsylvania Association of Notaries

STATE OF *Pennsylvania*
COUNTY OF *Philadelphia*

:
:
: SS.
:

On this *28th* day of *March*, 1979, before me personally appeared *Richard J. Kelly*, to me personally known, who, being by me duly sworn, said that he is a *Vice President* of *National Railway*, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on this day 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.

Darlene Marquette
Notary Public



My Commission Expires:

DARLENE MARQUETTE
Notary Public, Phila., Phila. Co.
My Commission Expires Sept. 13, 1982

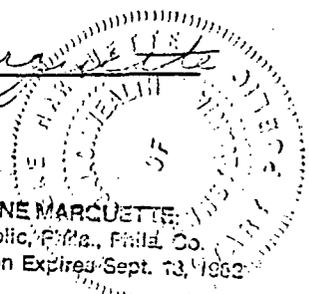
STATE OF *Pennsylvania* :
COUNTY OF *Philadelphia* : SS.

On this *28th* day of *March*, 1979, before me personally appeared *Richard J. Kelly*, to me personally known, who, being by me duly sworn, said that he is a *Vice President* of *Pikeville Railroad*, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on this day 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.

Darlene Marcquette
Notary Public

My Commission Expires:

DARLENE MARQUETTE
Notary Public, Phila., Phila. Co.
My Commission Expires Sept. 13, 1982



10234 10001

MAR 28 1979

INTERSTATE COMMERCE COMMISSION

RENTAL SCHEDULE NO. S-01 to Equipment Lease No. M-056, dated March 28 1979, (the "Lease") by and between the undersigned, the terms and conditions of which are hereby incorporated herein by reference. Lessee hereby (a) authorizes Lessor to order for lease to Lessee the equipment described herein (the "Equipment") and to insert hereon the Lease Commencement Date and the partial first period's rent (if any) for such Equipment upon Lessee's acceptance of same for lease, (b) agrees to lease such Equipment from Lessor effective the Lease Commencement Date thereof and for the lease term specified below, and (c) agrees to pay Lessor the rent, in the amounts and at the times specified below, for each item of Equipment. All of the terms used herein which are defined in the Lease shall have the same meaning as so defined.

<u>DESCRIPTION</u>	<u>ROAD NUMBER</u>	<u>ACQUISITION COST</u>
80 - 50'6" 70-ton Type XM Railroad boxcars	# NSL 150615 thru # NSL 150694 inclusive	\$ 3,178,240.00

* Includes Certification and Inspection Fees of \$120,000.00

This Rental Schedule is for a term of 60 quarters (plus -0- days partial first period term) and the Lease Commencement Date is March 28, 1979. The partial first period rent of \$ -0- is payable together with \$ 97,339.64 regular quarterly rent on the 28th day of June, 1979, followed by equal payment of regular rent on the 28th day of each quarter thereafter until a total rent of \$ 5,840,378.22 has been paid. Lessee has the option of extending this Lease pursuant to paragraph 24 of the Lease, if applicable.

Name and address of Vendor of Equipment Berwick Forge & Fabricating Company
P.O. Box 188, West Ninth Street, Berwick, PA 18603

S & R Boxcar Co. (LESSOR) By D. A. Wingley (authorized signature)

Date 3/28/79 Its Vice President, General Partner (title)

NATIONAL RAILWAY UTILIZATION CORP. (LESSEE) PICKENS RAILROAD COMPANY (LESSEE)
By Bill Skel (authorized signature) By Bill Skel (authorized signature)

Its V.P. (title) Its V.P. (title)

Date 3/28/79 Date 3/28/79

10234-A

REGISTRATION NO. 10234 FILED 1425

MAR 28 1979 10 10 AM

CERTIFICATE OF INSPECTION AND ACCEPTANCE

Rental Schedule No. S-01

Pursuant to Equipment Lease (Lease No. M-056) dated as of March 28, 19 79, (the "Lease") by and between S & R BOXCAR CO. ("LESSOR") and National Railway Utilization Corporation and Pickens Railroad Company ("LESSEE").

The undersigned, being the duly authorized representative of the Lessor and Lessee hereby CERTIFIES that the following units of equipment (the "Equipment") referred to in the Lease between the Lessor and the Lessee.

<u>Quantity</u>	<u>Description</u>	<u>Road Number</u>
80	50'6" 70-Ton Type XM Railroad boxcars	# NSL 150615 thru NSL 150694 inclusive

have been duly delivered to the Lessor in good order and duly inspected and accepted by the undersigned as of the date hereof on behalf of the Lessor, and have thereby been duly delivered by the Lessor to the Lessee and have been duly accepted and inspected by the undersigned on said date on behalf of the Lessee as conforming in all respects with the requirements and provisions of the Lease.

March 28, 1979

Date

Richard A. Kell

Duly Authorized Representative of Lessor and Lessee

V.P.

Title

March 28, 1979

Date

Richard A. Kell

Duly Authorized Representative of Lessor and Lessee

V.P.

Title

PROMISSORY NOTE
(NON-RECOURSE)

\$ _____

Philadelphia, Pa.
_____, 1979

S&R BOXCAR CO. ("Maker"), a Pennsylvania limited partnership, for value received, hereby promises to pay to the order of _____ ("Investor") at its principal office at 1275 King Street, Greenwich, Conn. 06830, or at such other place in the United States as the holder hereof may from time to time designate in writing to the Maker, the principal sum of _____ (\$ _____), together with interest thereon at the rate of 11.0% per annum in 60 installments of principal and interest, the first thereof being due and payable on June 28, 1979 in the amount of \$ _____, and continuing thereafter in 59 consecutive equal quarterly installments of \$ _____ on the same day of each quarter to and including March 28, 1994.

This Note is one of several Notes limited in aggregate amount of \$2,606,156 and is secured under and is subject to the terms of a security agreement between Maker and Investor dated as of May 7, 1979 ("Security Agreement") which assigns and grants to the Investor's Agent (named therein) a security interest in that certain lease (the "Lease") under which National Railway Utilization Corporation and Pickens Railroad Company are lessees and Maker is lessor made as of March 28, 1979, and in the items of railway rolling stock which are the subject of such Lease. Reference is hereby made to the Security Agreement for the terms on which this Note is secured and payable.

All sums received by Maker or by Investor as assignee pursuant to Section 14 of the Lease, as well as the net proceeds received upon any sale or disposition of any of the equipment in respect of which this Note was issued, shall be applied immediately upon receipt to the prepayment of this Note. In the event of any prepayment of this Note pursuant to the provisions of this paragraph, the amount of the installments thereafter coming due hereunder shall be reduced by an amount which bears the same proportion to the installments which would have been due hereunder, except for such prepayment, as the proportion of the principal amount so prepaid bears to the total remaining principal balance hereof due and owing immediately prior to such prepayment.

For recovery upon default by Maker in the payment of amounts due hereunder, the holder hereof shall have resort solely to the "income and proceeds from the Equipment" (as defined in the Security Agreement) and not to any other of Maker's property. The holder

hereof shall not proceed for the collection of any amount payable hereunder against, or execute upon, any other assets of Maker. Any judgment entered in any action for recovery of amounts due hereunder against Maker shall not be a lien against any other property of Maker, and such holder shall execute and deliver all documents and take all such other action as may be necessary to release of record from any such lien such other property of Maker.

The terms of this Note and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

EXECUTED and delivered the date first above written.

S&R BOXCAR CO.

[CORPORATE SEAL]

By GIRARD LEASING CORPORATION,
its General Partner

Attest:

By _____

Secretary

SECURITY AGREEMENT

THIS SECURITY AGREEMENT made as of May 7, 1979, between S&R BOXCAR CO., a Pennsylvania limited partnership with its principal place of business at Three Girard Plaza, Philadelphia, Pennsylvania 19101 (the "Debtor") and GIRARD BANK with an office at Three Girard Plaza, Philadelphia, Pennsylvania 19101 (the "Agent").

To secure the payment of the Debtor's promissory notes (the "Notes") of even date herewith, payable to the order of The Paul Revere Life Insurance Co., The Paul Revere Protective Life Insurance Co., and The Paul Revere Variable Annuity Insurance Co. (the "Investors") in the aggregate principal amount of \$2,606,156 (said Notes having been issued pursuant to the terms of a Participation Agreement among the Debtor, the Agent, the Investors and the lessees hereinafter named, dated the date hereof; the "Participation Agreement"), and to further secure Debtor's obligations hereunder and the obligations of said lessees under the Lease referred to in paragraph 1 below, Debtor hereby assigns, transfers, mortgages and pledges to the Agent, for the benefit of the Investors, and grants to the Agent a security interest in the following and in all proceeds thereof ("Collateral"):

1. all of the Debtor's right, title and interest in the equipment lease dated as of March 28, 1979 (the "Lease") in which NATIONAL RAILWAY UTILIZATION CORPORATION and PICKENS RAILROAD COMPANY are lessees ("Lessee") and Debtor is lessor and all rentals and other moneys payable thereunder or receivable by the Debtor under or in connection therewith, including all proceeds of insurance, condemnation and requisition proceedings, and sales or other dispositions of the property subject thereto, and all the Debtor's rights, powers and remedies herein and thereunder (but none of its duties or obligations thereunder, if any), including, exclusively, all the Debtor's rights to give and receive any notice, consent, waiver, demand or approval under or in respect of such Lease, to exercise any election or option thereunder or in respect thereof, to accept any surrender of the property subject to the Lease, to execute and deliver any bill of sale for any such property, and to do all other things which the Debtor is entitled to do under such Lease; and

2. subject to the interest therein and rights of the Lessee under the Lease, all the equipment which may at any time be leased to the Lessee pursuant to the Lease (the "Equipment") and all the Debtor's right, title and interest in the Equipment and in all parts, fittings, accessories, accessions, substitutions and replacements therefor or thereof.

In furtherance of the foregoing, Debtor has executed an assignment of lease ("Assignment") dated the date hereof and annexed hereto as Exhibit B, and the Debtor hereby irrevocably constitutes and appoints Agent as its attorney-in-fact, with full power of substitution and revocation, in the name of the Debtor or otherwise to demand, enforce, collect, receive and receipt and give releases for any payment or indemnity becoming due or arising under the Lease or any policy of insurance relating to the Equipment or any Collateral (including any return of insurance premiums), to endorse and collect any checks, drafts or other instruments payable to the Debtor therefor, and to do and take all such other actions as are referred to above relating to the Lease, the Equipment or other Collateral, to file any claims or institute any proceeding for the foregoing which Agent deems necessary, and to compromise any such demand, claim or action.

So long as any amount remains owing on the Note, without Investors' prior written consent, the Debtor will not itself grant any consent under the Lease, give any notice thereunder or otherwise exercise any rights, powers or remedies of the Lessor thereunder, or agree to any release of any obligation of the Lessee thereunder or to any modification or termination thereof. The Debtor hereby consents to and waives notice of the granting by Agent as assignee and secured party hereunder of indulgences to Lessee or extensions of time for payment of any obligations of Lessee under the Lease, Agent's taking or releasing of any security for the obligations of the Lessee under the Lease, Agent's acceptance of partial payments on the Lease or settlement, compromising or compounding of any obligations of any person, primarily or secondarily liable on or with respect to the Lease, all in such manner and at such time or times as Agent may reasonably deem advisable.

A. REPRESENTATIONS AND WARRANTIES - Debtor represents and warrants that:

1. there have been delivered to and accepted by the Lessee pursuant to the Lease, units of Equipment having an aggregate acquisition cost (as defined in the Lease) equal to at least 121.9% of the principal amount of the Notes. The Lease provides

for the payment, on or before the installment payment dates of the Notes, of rentals in amounts at least equal to the amounts of such installments of principal and interest under the Notes. The original Lease has been delivered to Agent;

2. the Debtor has good and marketable title to the units of Equipment referred to in subparagraph 1 above, subject only to the interests therein of the Lessee under the Lease;

3. the Debtor has executed and delivered to Agent schedules describing in detail sufficient to identify them, the units of Equipment referred to in subparagraph 1 above;

4. no event has occurred which is an Event of Default (or with the passage of time or the giving of notice or both would be such an Event of Default) hereunder or under the Lease;

5. Debtor is a limited partnership duly organized and validly existing under the laws of the Commonwealth of Pennsylvania; it has full power, authority and legal right to borrow the amount evidenced by the Notes, to execute and deliver this Agreement and the Notes, and to perform and observe the terms and provisions of this Agreement and the Notes; this Agreement and the Notes, when issued for value, will constitute valid and binding obligations of the Debtor enforceable (within legal limits imposed by Federal Bankruptcy Laws or laws relating to or affecting creditor's rights generally) in accordance with the respective terms hereof and thereof;

6. the making and performance by the Debtor of this Agreement and the borrowing and execution and delivery of the Notes have been duly authorized on its part, and will not violate any provision of law or of the Debtor's agreement or certificate of limited partnership, or constitute a default under or result in the creation of any lien, charge or encumbrance upon any property or assets of the Debtor or the general partner thereof pursuant to - any agreement, indenture or other instrument to which the Debtor or such general partner is a party or by which the Debtor or such general partner may now be bound;

7. there are no actions, suits, or proceedings pending or, to the knowledge of the Debtor, threatened, against or affecting the Debtor or the general partner thereof in any court or by or before any government department, agency or instrumentality in which any adverse decision might materially affect the ability of the Debtor to perform its obligations hereunder and under the Notes; and

8. without Investors' prior written consent so long as any of the Notes remain unpaid, Debtor will not grant any consent under the Lease, give any notice thereunder or otherwise exercise any rights, powers or remedies of the Lessor thereunder, or agree to any release of any obligation of the Lessee thereunder or to any modification or any termination thereof. Without limiting the generality of the foregoing, the Debtor agrees that it will not avail itself of the right, reserved to it under Section 23.6 of the Lease, to make payment on behalf of the Lessee (or provide funds to the Lessee for like purpose) of any amount nonpayment of which by the Lessee would occasion an Event of Default under clause (f) of Section 20 of the Lease.

B. DOCUMENTATION - The Debtor will execute and deliver to Agent such documents identifying the Equipment as Investors may from time to time reasonably request. In addition, the Debtor will execute, acknowledge, deliver, file and record all such documents, including financing statements, and take all such other action as may be necessary or as Investors may reasonably request, to perfect and continue perfected under applicable laws the security interests granted hereby as first lien security interests in the Collateral, and the Debtor hereby irrevocably constitutes and appoints Agent its attorney-in-fact for such purposes, with full power of substitution. The Debtor also will execute and deliver such instruments and take all such other action as Investors may reasonably request to effectuate the purposes of this Agreement and to secure the rights and remedies conferred upon Investors and/or Agent hereunder.

C. DEFAULT - Each of the following will constitute an event of default hereunder ("Event of Default"):

1. the failure by Debtor to pay any amount of principal of or interest on the Notes when due, whether at the maturity thereof or by reason of any requirement for the prepayment thereof, by acceleration or otherwise, and such failure shall continue for five days after Agent shall have given the Debtor written notice thereof;

2. the failure by Debtor to pay any other amount or perform any other obligation when due hereunder or under the Participation Agreement, or any representation or warranty set forth herein or in the Participation Agreement shall fail to be true in any material respect, and such failure shall continue for 20 days after the Agent shall have given the Debtor written notice thereof;

3. the occurrence of an Event of Default under the Lease (as defined therein);

4. the adjudication of the Debtor or the general partner thereof as bankrupt or insolvent, or the entry of an order appointing a receiver or trustee for the Debtor or such partner or any of its or their property or approving a petition seeking re-organization, arrangement, composition, adjustment of the debts, liquidation or dissolution of the Debtor or such partner under the Bankruptcy Act or any similar law of the United States or any state or other competent jurisdiction, or the filing by the Debtor or such partner of a petition or answer seeking or consenting to any of the foregoing, or the making by the Debtor or such partner of a general assignment for the benefit of creditors;

5. the occurrence of a breach of any of the Representations and Warranties under paragraph A hereof; or

6. the failure by either Guarantor (named in the Participation Agreement) to execute and deliver to the other parties entitled thereto on or before June 22, 1979 a counterpart of the Participation Agreement or his Guarantee in the form attached as Exhibit D to said Agreement; or failure of either Guarantor to confirm annually, in the manner provided in the form of Guarantee attached as Exhibit D to the Participation Agreement, a net worth of at least \$5,000,000, unless in substitution for such Guarantee an alternate security arrangement shall be concluded in content and form satisfactory to the Investors.

D. REMEDIES - At any time after the occurrence of an Event of Default and while the same remains uncured, Agent may declare, by written notice to the Debtor, the entire unpaid balance of the principal of the Notes and interest accrued thereon to be immediately due and payable, and, in addition, Agent shall have and may exercise all the rights and remedies of a secured party under the applicable Uniform Commercial Code, including the right, subject to prior rights of the Lessee under the Lease, to take possession of any Equipment or other Collateral not then in Agent's possession and to dispose of it, or the Debtor's interest therein, at public or private sale, at which Agent or any Investor, subject to the provisions of applicable law, may be the purchaser.

Any notice or any such sale required by law shall be reasonably and sufficiently given if given to the Debtor at least 15 days prior to the date thereof at the address and in the manner herein provided for notices. The proceeds shall be applied to the cost and expenses of collection and retaking as set forth in paragraph G and then shall be applied to the obligations secured by this Agreement in accordance with the provisions of paragraph F and Debtor will be entitled to any surpluses thereafter. No delay or omission on Agent's part to exercise any right hereunder will impair any such right or be construed as a waiver of any default or any acquiescence therein.

No waiver of any default hereunder will affect any later default or impair any of Agent's rights hereunder. No single, partial or full exercise of any rights by Agent will preclude further or other exercise thereof. The remedies provided for herein shall not be deemed exclusive, but are cumulative and in addition to all other remedies available under applicable law.

E. LIMITATION OF THE DEBTOR'S LIABILITY - Subject only to a default by the Debtor under subparagraph 5 of paragraph C and notwithstanding any other provision of this Agreement or of the Notes, it is understood and agreed that all payments to be made by the Debtor under or pursuant to this Agreement and to the Notes will be made only from the "income and proceeds from the Equipment" (as defined in this paragraph) and the Debtor's liability hereunder and under the Notes will be limited thereto. For recovery upon default by the Debtor in the payment or performance of any of its obligations hereunder and under the Notes, Agent will have resort solely to the "income and proceeds from the Equipment" and not to any other property of the Debtor or the partners thereof. Lender will not proceed for the collection of any amount payable hereunder and under the Notes, against, or execute upon, any other assets of the Debtor or the partners thereof. Any judgment entered in any action for recovery of any amount due hereunder and under the Notes against the Debtor will not be a lien against any other property of the Debtor or the partners thereof, and Agent and Investors agree to execute and deliver all documents and take all such other action as may be necessary to release of record from any such lien such other property of the Debtor or the partners thereof. As used herein the term "income and proceeds from the Equipment" means

1. if an Event of Default shall have occurred hereunder and while it shall be continuing so much of the following amounts as are indefeasibly received by the Debtor under the Lease or by the Agent as Assignee pursuant to the Assignment at any time after such occurrence and during the continuance thereof; (a) all amounts of rentals and late charges in respect thereof paid pursuant to the Lease for or with respect to any Equipment, and (b) any and all payments or proceeds so received by the Debtor under the Lease or the Agent as Assignee for or with respect to the Equipment as the result of the sale,

lease or other disposition thereof and after deducting all costs and expenses of such sale, lease or other disposition (including sales and transfer taxes, legal fees and expenses, and storage and delivery charges), and

2. at any other time, only that portion of the amounts referred to in the foregoing clauses (1)(a) and (1)(b) as are indefeasibly received by the Debtor or the Agent as Assignee and as shall equal the portion of the unpaid principal balance of the Notes, accrued interest thereon and all other amounts payable by the Debtor hereunder, to the extent then due thereunder or hereunder; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) which were received by the Debtor or the Agent as Assignee when no such Event of Default had occurred and was continuing and which exceeded the amount required to discharge the portion of the unpaid principal balance of the Notes, accrued interest thereon and amounts payable by the Debtor hereunder due and payable on the date when such amounts were received by the Debtor or the Agent as Assignee or were required to be paid to it pursuant to the Lease.

Nothing herein contained shall limit, restrict, or impair Agent's right to accelerate payment of the Notes upon the occurrence of an Event of Default, to bring suit and obtain a judgment against the Debtor on the Notes or this Agreement for the full amount of the unpaid principal of the Notes, interest thereon and all other amounts payable by the Debtor pursuant hereto (provided that the liability of the Debtor on any such judgment and the satisfaction thereof shall be limited as hereinabove provided), or to exercise (subject to the rights of Lessee under the Lease) Agent's rights and remedies hereunder with respect to the Collateral, including the Equipment and the Lease (including the right to enforce Agent's rights, as Assignee, under the Lease and to dispose of the Equipment and the Lease and to recover from the proceeds thereof the full amount of the unpaid principal of the Notes, interest thereon and all other amounts payable by the Debtor pursuant hereto).

F. PREPAYMENT OF NOTE - If any amount shall become due and payable to the Debtor or the Agent as Assignee pursuant to Section 14 of the Lease because of the loss, theft, irreparable damage or destruction of any units of Equipment, then, thereupon, a like aggregate amount will be immediately due and payable on account of the principal of and interest accrued on the Notes. In the event of any partial prepayment of the principal of the Notes pursuant to the first sentence of this paragraph F, the amount of each installment payment thereon thereafter coming due will be reduced by an amount which bears the same proportion to the amount of such installment which would have been due in the absence of such prepayment as the amount of such principal prepayment bears to the unpaid principal balance outstanding immediately prior to such prepayment. All amounts received or collected by Agent as a result of exercising any of the remedies afforded Agent under paragraph D hereof shall be used to pay, first, all unpaid principal and, second, accrued interest under the Notes, and thereafter any surplus shall be paid to Debtor.

G. COLLECTION EXPENSES - Subject to the provisions of the preceding paragraph F hereof, in addition to all other amounts payable hereunder and under the Notes, the Debtor will pay all Agent's reasonable expenses, including attorneys' fees, incurred from time to time in enforcing its rights and remedies hereunder, under the Notes or under the Lease, and, in addition thereto, a commencement fee of \$300 payable as of the date hereof, and thereafter an annual administration fee of \$150, payable in advance on each anniversary date thereafter occurring so long as any Notes shall remain outstanding. If Agent brings suit (or files any claim or petition in any bankruptcy, reorganization, insolvency or other proceeding) to enforce any of its or Investors' rights (or other recovery or relief), Agent may recover in such action (or other proceeding), in addition to all other amounts payable hereunder and thereunder, its reasonable expenses in connection therewith, and the same shall be included in such judgment (or other form of award).

H. COLLECTION OF RENTALS - Agent will, on behalf of Investors and Debtor, collect and receive from the Lessee all rentals and other money payable pursuant to the Lease, and the Agent may take all such action as may be necessary or desirable to demand, enforce, collect, receive and receipt for all such payments and to otherwise enforce compliance by Lessee with all terms and provisions of the Lease. Upon the Agent's indefeasible receipt of any such payment or other "income and proceeds from the Equipment" (as defined in paragraph E hereof), Agent will promptly remit to Investors so much thereof as may equal any amount then due and payable under the Notes, and to the Debtor any remaining balance. If, pursuant to the rights herein granted, Agent shall indefeasibly collect or receive any "income and proceeds from the Equipment" (as so defined), then, so long as no Event of Default hereunder shall have occurred and be continuing, Agent will remit promptly to Debtor the amount so collected or received which exceeds amounts then due under the Notes or hereunder.

I. NOTICES - All notices, declarations, requests, consents and other communications given hereunder or in connection herewith or with the Note shall be in writing and delivered or deposited in the United States mail, registered or certified, postage pre-paid, addressed to Debtor at its address stated above, to the Agent at its address stated below, and to an Investor at its address as stated in Schedule A to the Participation Agreement, or to such other address as any such party may hereafter specify by written notice to the other.

J. APPLICABLE LAW - This Agreement is being delivered and is intended to be performed in the Commonwealth of Pennsylvania. This Agreement and the Notes shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Commonwealth of Pennsylvania.

K. SUCCESSORS AND ASSIGNS - This Agreement will bind and inure to the benefit of the respective successors and assigns of the parties hereto, including any holder, as such, of any Note. By acceptance of an assignment hereof or of any Note, each of the Investors' successors or assigns (including any holder, as such, of any Note) will be deemed to have agreed to be bound by the provisions hereof and of the Note and Investors' undertakings hereunder and thereunder, especially including the provisions of Section E, entitled "Limitation of the Debtor's Liability".

EXECUTED the date first above written.

S&R BOXCAR CO.

[CORPORATE SEAL]

By GIRARD LEASING CORPORATION,
its General Partner

Attest:

By _____

Secretary

[CORPORATE SEAL]

GIRARD BANK, as Agent

Attest:

By _____

Address for notices, etc:
Three Girard Plaza
Philadelphia, Pennsylvania 19101
Attn: Corporate Trust Dep't

Secretary

ASSIGNMENT OF LEASE

S&R BOXCAR CO. ("Assignor"), a Pennsylvania limited partnership, hereby assigns and transfers to GIRARD BANK ("Assignee") as Agent on behalf of certain Investors named in Schedule A of a Participation Agreement, dated May 7, 1979, among said Investors, Assignor and others, all of Assignor's right, title and interest in and to the lease made as of March 28, 1979 (Lease No. M-056) and all rental schedules and supplements thereto ("Lease") of which National Railway Utilization Corporation and Pickens Railroad Company, with addresses respectively at 1100 Centre Square East, 1500 Market Street, Philadelphia, Pa. 19101 and at 402 Cedar Rock Street, Pickens, S. C. 29671, are lessees and Assignor is lessor, together with all rentals and other moneys coming due thereunder and all proceeds of insurance, condemnation and requisition proceedings and sale or other dispositions of any of the property subject thereto payable to or receivable by the Assignor under or in connection therewith, and all rights, powers and remedies (but none of the duties or obligations, if any) of Assignor under the Lease, including, exclusively on the part of the Assignee, all rights of the Assignor to give and receive any notice, consent, waiver, demand or approval under or in respect of the Lease, to exercise any election or option thereunder or in respect thereof, to accept any surrender of any property subject thereto, to execute and deliver any bill of sale for any such property, and to do all other things which Assignor is entitled to do under the Lease.

Assignor authorizes Assignee to do every act and thing in the name of the Assignor, Assignee or otherwise which Assignee may deem advisable to enforce the terms of the Lease, and the Assignor hereby irrevocably appoints Assignee the true and lawful attorney for the Assignor with full power of substitution and revocation, together with full power and authority in the name of the Assignor, Assignee or otherwise, to demand, enforce, collect, receive, receipt and give releases for any moneys due or to become due under or arising out of the lease or any policy of insurance or indemnity relating to the property subject thereto or the Lease (including any returns of premium), to endorse all checks and other instruments payable to Assignor, and to do and take all such other actions as are referred to in the preceding paragraph relating to the Lease or such property, to file any claims or institute any proceedings for the foregoing which Assignee deems necessary, and to compromise any such demand, claim or action.

This Assignment is made pursuant to and for the purposes of a certain Security Agreement of even date herewith given by Assignor to Assignee to secure the payment of Assignor's Notes and other obligations as provided therein.

Executed as of May 7, , 1979

S&R BOXCAR CO.

[CORPORATE SEAL]

By GIRARD LEASING CORPORATION,
its General Partner

Attest:

By _____

Secretary

COMMONWEALTH OF PENNSYLVANIA :

SS:

COUNTY OF :

On this _____ day of _____, 1979, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of GIRARD LEASING 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 S&R Boxcar Co. (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]

Notary Public

My Commission expires:

CONSENT AND AGREEMENT

The undersigned, NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation, and PICKENS RAILROAD COMPANY, a South Carolina corporation, the lessees (hereinafter collectively called the Lessee) named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease (hereinafter called the Assignment), hereby (a) acknowledges receipt of a copy of the Assignment and (b) consents to all the terms and conditions of the Assignment and agrees that:

(1) Lessee will pay all rentals, casualty payments, liquidated damages, indemnities and other moneys provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Equipment leased thereunder, directly to the Assignee or to whomsoever the Assignee may from time to time direct.

(2) the Assignee shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Assignee were named therein as the Lessor;

(3) the Assignee shall not, by virtue of the Assignment, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Assignee, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Assignment, or of any of the rights created by either thereof.

This Consent and Agreement shall be deemed to be a contract made and effected under the laws of the Commonwealth of Pennsylvania and, for all purposes, shall be construed in accordance with the laws of said Commonwealth.

Dated: May 7, 1979 NATIONAL RAILWAY UTILIZATION CORPORATION

By _____
Vice President

PICKENS RAILROAD COMPANY

By _____
Vice President

_____ ("Guarantor"), in consideration of the benefit to the Guarantor of credit extended or which may be extended by the Investors named in Schedule A of the Participation Agreement, dated May 7, 1979, among said Investors, S&R Boxcar Co., et al., to said S&R Boxcar Co. ("Maker"), a Pennsylvania limited partnership of which the Guarantor is a limited partner, and intending to be legally bound, hereby undertakes the following obligations:

1. Guarantee. The undersigned absolutely, unconditionally and irrevocably guarantees the due and punctual payment when due of all of the Maker's obligations and liabilities to the Investors under the Maker's promissory notes in the aggregate principal amount of \$2,606,156, dated _____, 1979 ("Notes"), together with the payment on demand of all costs and expenses (including counsel fees) incurred by the Investors and/or their Agent in connection with the enforcement of the Notes or this Guarantee.

2. Guarantor's Liability.

(a) The Guarantor's liability hereunder shall be to pay no more than a total of \$ _____*. Until the Notes shall have been paid in full (at which time any remaining liability of the Guarantor hereunder shall cease), the Guarantor's obligations hereunder shall be subject to reduction (or discharge) only to the extent that the Guarantor shall make actual payments pursuant hereto. The Guarantor's liability shall not be reduced in amount or otherwise affected by any reduction in the indebtedness evidenced by the Notes, either through payments thereon by the Debtor pursuant to the terms thereof, or through payments made by others in its stead, except that at no time shall the Guarantor be liable hereunder in an amount in excess of the remaining principal amount of and interest on the Notes (plus any applicable late charges and/or expenses of collection).

(b) The Guarantor's liability hereunder shall extend to and cover the Notes as the same may be amended, renewed, replaced or otherwise changed, and the Guarantor shall be bound hereunder irrespective of the existence, value or condition of any collateral security, including other guarantees, which may at any time be held to secure the Notes guaranteed hereunder. The Guarantor's obligations hereunder shall be direct, absolute and unconditional irrespective of (i) the legality, validity or enforceability of the Notes, (ii) the bankruptcy, insolvency, dissolution or other similar proceeding affecting the Maker, or (iii) any circumstance which might constitute a legal or equitable discharge of or defense to a guarantor.

* \$1,001,668 in the case of Robert F. Weis; \$333,889 in the case of Sigfried Weis.

3. Consent by Guarantor. The Guarantor consents to the following without notice to the Guarantor and agrees that none of the following shall in any way impair this Guarantee or otherwise affect the Guarantor's liability or obligation hereunder:

(a) the extension or change in the time of payment or the manner, place or terms of payment of the Notes;

(b) the exchange, release or surrender of all or any collateral security, including other guarantees, which may at any time be held to secure the Notes;

(c) the modification of, or granting of any indulgence under any agreement or document which may at any time be held as collateral security to secure the Notes;

(d) the sale of all or any such collateral, and

(e) the settlement or compromise with any person or persons primarily or secondarily liable on the Notes.

4. Failure by Investors, etc. No delay, forbearance or failure to act by the Investors or their Agent, with or without notice to the Guarantor, shall prejudice the Investors' rights against the Guarantor hereunder.

5. Default by Maker; No Setoff. In case of the failure of timely payment by the Maker on the Notes, for any reason whatsoever, the Guarantor shall pay the Notes on demand, and it shall not be necessary to take any further action against the Maker or otherwise in any respect; it being the intention of the Guarantor that the obligation herein set forth is a guarantee of performance, not merely of collection. The obligation of the Guarantor hereunder shall not be subject to any right of setoff, counterclaim, recoupment or other similar right which Guarantor may have against others for any reason whatsoever.

6. Waivers by Guarantor. The Guarantor expressly waives presentment, demand, notice of demand and of nonperformance, protest, notice of protest and the benefit, direct or indirect, or all statutes of limitations. The Guarantor expressly authorizes the Investors and their Agent to maintain an action on this Guarantee whether or not the Maker is joined therein or separate action is brought against the Maker.

7. Preferences, etc. Should any payment or transfer by the Maker to or for the benefit of the Investors be held to be preferential under bankruptcy or other similar laws, or if for any other reason the Investors and/or their Agent are not entitled to retain any such payment or transfer, the payment or transfer shall not constitute a release of the Guarantor from any liability hereunder, but the Guarantor will pay such amount to the Investors on demand, and this Guarantee shall continue to be effective or shall be restated, as the case may be, to the extent of the payment or transfer.

8. No Subrogation. The Guarantor shall not by reason of any payment hereunder by him succeed to or be subrogated to any rights of the Investors against the Maker or be deemed a successor or assignee of the Investors unless and until the Notes shall have been paid in full.

9. Miscellaneous. This Guarantee and the rights of the Investors hereunder shall (a) inure to the benefit of and be enforceable by the Investors' successors and assigns, (b) be governed by Pennsylvania law, (c) not be waived or amended except in writing signed by the Investors and the Guarantor, and (d) be in addition to any other guarantee of the Notes by any other person and the rights of the Investors thereunder. Until the Guarantor's obligations hereunder shall be fully discharged, the Guarantor, on and as of each annual anniversary date of this Guarantee, shall deliver to the Investors a statement in writing, signed by such Guarantor, confirming as of a date not more than 30 days prior thereto, that his net worth continues to be in an amount not less than that represented in the Participation Agreement; namely, \$5,000,000.

Executed by the Guarantor this _____ day of _____, 1979.