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RECORDATION NO. 10268 Filed 1425
APR 9 1979 - 12 55 PM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 10268 A Filed 1425
APR 9 1979 - 12 55 PM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 10268 B Filed 1425
APR 9 1979 - 12 55 PM
INTERSTATE COMMERCE COMMISSION

April 9, 1979

9-099A031
Date APR 09 1979
Fee $ 210.00
Washington, D.C.

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

Re: Box Cars Nos. 4050-4099

Dear Sir:

Enclosed for recordation in the order listed below pursuant to 49 U.S.C. 11303 please find the original and three counterparts of each of the following documents:

1. Letter (Purchase Order Assignment) dated as of April 6, 1979, from Rex Railways, Inc., a Delaware corporation (Rex) to McDonnell Douglas Finance Corporation (MDFC), pursuant to which Rex assigns to MDFC certain rights under a purchase order with Pullman Standard Division of Pullman, Incorporated relating to the captioned Box Cars.

2. Lease Agreement (Lease Agreement) dated as of October 12, 1978, between Rex, as lessor, and the Lamoille Valley Railroad Company, the railroad which will lease the Box Cars (Lessee).

3. Conditional Sale Agreement (Conditional Sale Agreement) dated as of April 6, 1979, between MDFC, as Vendor, and Rex, as Vendee, pursuant to which Vendee will purchase and pay for the Box Cars and MDFC will retain security title thereto.

4. Assignment of Lease (Lease Assignment) dated as of April 6, 1979, from Rex to MDFC, pursuant to which Rex assigns to MDFC all the lessor's rights under the Lease Agreement as security for the Conditional Sale Agreement indebtedness.

Rodolfo Lemandez

Counterpart

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Secretary of the Interstate Commerce Commission

April 9, 1979

5. Cross-Collateralization Agreement (Cross-Collateralization Agreement) dated as of April 6, 1979 between MDFC and Rex, pursuant to which Rex is granting MDFC a second security interest in 50 box cars, purchased previously under a certain conditional sale agreement between same parties, dated as of March 9, 1979 and recorded with the Interstate Commerce Commission on March 12, 1979 (Recordation No. 10192-C).

Also enclosed is a check for $210.00 payable to Interstate Commerce Commission in payment of the fee for recording of the Lease Agreement ($50.00), the Conditional Sale Agreement ($50.00), Purchase Order Assignment ($50.00), Assignment of Lease ($10.00) and Cross-Collateralization Agreement ($50.00).

The names and addresses of the parties to the enclosed Agreements are as follows:

Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07632

McDonnell Douglas Finance Corporation
3855 Lakewood Boulevard
Long Beach, California 90846

Lamoille Valley Railroad Company
RFD #1
Stafford Avenue
Morrisville, New Jersey 05661

Rex-Noreco, Inc., the parent of Rex Railways, Inc., proposed to enter into a guaranty agreement pursuant to which it will guarantee the performance by Rex of its obligations under the Conditional Sale Agreement. The address of Rex-Noreco, Inc. is 616 Palisade Avenue, Englewood Cliffs, New Jersey 07632.

The equipment covered by the enclosed Agreements consists of 50 70-ton 50' 6" XM box cars, having A.A.R. mechanical designation "XM" and lessee identifying marks of LVRC 4050 through and including 4099. The cars will be further marked with a legend stating "Title to this Car Subject to Documents Recorded with the Interstate Commerce

Secretary of the Interstate
Commerce Commission

April 9, 1979

Commission."

Please return stamped copies of the enclosed documents to the undersigned.

Very truly yours,

David D. Griffin

DDG/ds
Enclosures
cc: Howard Meyers, Esq.

Interstate Commerce Commission

Washington, D.C. 20423

4/9/79

OFFICE OF THE SECRETARY

David D. Griffin
Battle, Fowler, Jaffin, Pierce & Kheel
280 Park Avenue
New York, N.Y. 10017

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 4/9/79 at 12:55pm, and assigned recordation number(s) 10268,10268-A,10268-B, 10268-C,10268-D & 10269 10269-A 10269-B 10269-C

Sincerely Yours,

H.G. Homme, Jr.,
Secretary

Enclosure(s)

SE-30-T
(2/78)

Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, NJ 07636

April 6, 1979

RECORDATION NO. 10268 Filed 1425
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INTERSTATE COMMERCE COMMISSION

McDonnell Douglas Finance Corporation
3855 Lakewood Boulevard
Long Beach, California

Gentlemen:

Reference is made to that certain letter dated May 11, 1978, from PULLMAN STANDARD DIVISION of PULLMAN INCORPORATED (hereinafter "Builder") to REX RAILWAYS, INC. (hereinafter "Rex"), which letter has been acknowledged and accepted by Rex and Rex-Noreco, Inc., pursuant to which Builder offered five hundred (500) 70-ton, 50'6" Box Cars in accordance with Builder's bidding specification No. 3809 dated May 1, 1978 and to that mailgram dated June 6, 1978, pursuant to which Rex ordered an additional hundred (100) 70-ton, 50'6" Box Cars in accordance with the same specification (such mailgram to be attached to the letter of May 11, 1978 and collectively with all documents referred to therein being hereinafter referred to as the "Purchase Order").

In connection with the financing arrangements made between Rex and McDonnell Douglas Finance Corporation (hereinafter the "Assignee") relating to certain of the Box Cars covered by the Purchase Order, namely the 51st through and including the 100th Box Cars delivered thereunder and more fully described in Annex A to a certain Conditional Sale Agreement dated as of April 6, 1979 (the "Conditional Sale Agreement") between Rex and the Assignee (such Box Cars or any Cars which may be substituted therefor with the consent of the Assignee, hereinafter called the "Units"), it is hereby agreed as follows:

1. Rex hereby sells, assigns, transfers and sets over unto the Assignee all of Rex's right, title and interest in and to the Purchase Order, to the extent the same relate to the Units, including without limitation, in such assignment (a) the right upon valid tender by the Builder

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to purchase the Units pursuant to the Purchase Order, and the right to take title to such Units and to be named the purchaser in the bill of sale to be delivered by the Builder for such Units pursuant to the Purchase Order, (b) all claims for damages in respect of such Units arising as a result of any default by the Builder under the Purchase Order, and (c) any and all rights of Rex to compel performance of the terms of the Purchase order in respect of the Units. Nothing herein shall in any way limit or affect Rex's rights and interests under the Purchase Order relating to Box Cars other than the Units.

2. Anything herein contained to the contrary notwithstanding: (a) Rex shall at all times remain liable to the Builder under the Purchase Order to perform all the duties and obligations of the buyer thereunder to the same extent as if this Assignment had not been executed; (b) the exercise by Assignee of any of the rights assigned hereunder shall not release Rex from any of its duties or obligations to the Builder under the Purchase Order except to the extent that such exercise by Assignee shall constitute performance of such duties and obligations; and (c) Assignee shall have no obligation or liability under the Purchase Order by reason of, or arising out of, this Assignment or be obligated to perform any of the obligations or duties of Rex under the Purchase Order or to make any payment (other than payment of the purchase price for the Units on the terms and conditions contemplated by the Conditional Sale Agreement) or to make any inquiry or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder.

Nothing contained herein shall in any way diminish or limit Rex's indemnities contained in the Conditional Sale Agreement with respect to any liability of Assignee to the Builder or others in any way relating to or arising out of the Purchase Order.

Nothing contained herein shall subject the Builder to any liability to which it would not otherwise be subject under or pursuant to the Purchase Order or modify in any respect the Builder's contract rights thereunder or require the Builder to divest itself of title to or possession of the Units until payment therefor as provided therein.

3. On the date the Builder tenders delivery of the Units pursuant to the Purchase Order, the Assignee shall, subject to the satisfaction of the conditions pre-

cedent contained in the Conditional Sale Agreement, purchase the Units from the Builder and pay the Builder on the Closing Date under the Conditional Sale Agreement an amount equal to the purchase price payable to the Builder on such delivery date for the Units pursuant to the Purchase Order, as such purchase price may be adjusted in accordance with the terms of the Purchase Order and invoiced by the Builder to Assignee on the delivery date for the Units.

4. Rex agrees that at any time and from time to time, upon the written request of Assignee, Rex will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Assignee may reasonably request in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

5. Rex hereby represents and warrants that the Purchase Order is in full force and effect and is enforceable in accordance with its terms and Rex is not in default thereunder. Rex further represents and warrants that Rex has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the whole or any part of the rights hereby assigned, to anyone other than Assignee.

6. Rex agrees that it will not enter into any agreement with the Builder which would amend, modify, supplement, rescind, cancel or terminate the Purchase Order in respect of the Units without the prior written consent of Assignee.

7. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

MCDONNELL DOUGLAS FINANCE CORPORATION

Witness:

By: Jerome Bettman Esq.

_____

REX RAILWAYS, INC.

Witness:

By: Robert M. Gruber, Pres.

_____

The undersigned, Pullman, Incorporated (Pullman Standard Division), (herein called "Builder") hereby acknowledges notice of and consents to the foregoing Letter of Assignment (herein called the "Assignment," the defined terms therein being herein used with the same meanings) subject to all the terms and conditions thereof and hereby confirms to Assignee that:

1. All representations, warranties, indemnities (including without limitation patent indemnities) and agreements of Builder under the Purchase Order shall inure to the benefit of Assignee to the same extent as if originally named the buyer therein;

2. Except as otherwise expressly provided in the Assignment, Assignee shall not be liable for any of the obligations or duties of Assignor under the Purchase Order nor shall the Assignment give rise to any duties or obligations whatsoever on the part of Assignee owing to Builder;

3. Builder has not and will not enter into or agree to any change order or any other amendment or supplement to or modification of the Purchase Order except as expressly set forth therein or permitted by the Assignment;

4. Upon delivery and acceptance of the Units in accordance with the terms of the Conditional Sale Agreement, title thereto shall vest in Assignee and Builder will execute and deliver to Assignee a bill of sale in favor of the Assignee in a form reasonably satisfactory to Assignee, and furnish such other evidence of title vesting in the Assignee as may be reasonably required by Assignee;

5. All deliveries of Units shall be in the manner required by the provisions of the Conditional Sale Agreement and the Purchase Order.

IN WITNESS WHEREOF, Builder has caused the Builder's Consent and Agreement to be executed and delivered by its duly authorized officer as of the date first set forth in the Assignment.

PULLMAN INCORPORATED
(Pullman Standard Division)

By _____
Title:

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

On this 6th day of April, 1979, before me personally appeared Robert W. Gruber, to me personally known, who being by me duly sworn, says that he is the President of Rex Railways, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(seal)

Martha J. Flanders
(Title of Officer)

My commission expires MARTHA J. FLANDERS
Notary Public, State of New York
No. 31-4678625
Qualified in New York County
Commission Expires March 30, 1980

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

On this 6th day of April, 1979, before me personally appeared Jerome Butkow, to me personally known, who being by me duly sworn, says that he is the duly authorized agent of McDonnell Douglas Finance Corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(seal)

Martha J. Flanders
(Title of Officer)

My commission expires MARTHA J. FLANDERS
Notary Public, State of New York
No. 31-4678625
Qualified in New York County
Commission Expires March 30, 1980

Cars Nos. LVRC 4050-4099

THE RIGHTS OF THE LESSOR IN AND TO THIS LEASE AGREEMENT HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, McDONNELL DOUGLAS FINANCE CORPORATION, A DELAWARE CORPORATION, PURSUANT TO A LEASE AGREEMENT ASSIGNMENT DATED AS OF APRIL 6, 1979. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS OF WHICH THIS COUNTERPART IS COUNTERPART NO. , COUNTERPART NO. 1 CONSTITUTING THE ORIGINAL COUNTERPART.

AGREED AND ACKNOWLEDGED
REX RAILWAYS, INC.

By_____

AGREED AND ACKNOWLEDGED
LAMOILLE VALLEY RAILROAD COMPANY

By_____

LEASE AGREEMENT

This Lease Agreement, made as of this 12th day of October, 1978, between REX RAILWAYS, INC., a New Jersey corporation, 616 Palisade Avenue Avenue, Englewood Cliffs, New Jersey, as principal and/or agent for the parties named on the Schedule referred to in Section Paragraph 1A (Rex Railways, Inc., and such parties are herein collectively referred to as "REX" except that, as to any particular Boxcar referred to in Section Paragraph 1A, only Rex Railways, Inc. and the party identified in the Schedule as the owner/lessor of such Boxcar is referred to as "REX") as Lessor and LAMOILLE VALLEY RAILROAD COMPANY, Morrisville, Vermont, a Vermont corporation, (the "Lessee"), as Lessee.

Receipt of Counterpart No. 1 of this Lease Agreement is hereby acknowledged this day of April, 1979.

McDONNELL DOUGLAS FINANCE CORPORATION

By_____

1. Scope of Agreement.

A. REX agrees to lease to Lessee, and lessee agrees to lease from REX, fifty (50) Boxcars of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or from time to time hereafter and made a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars." The word "Schedule" as used herein includes the Schedule executed concurrently herewith and all additional Schedules and amendments thereto whether for Boxcars or other railroad equipment, each of which when signed by both parties shall be a part of this Agreement, except that any Schedule may be amended by REX alone from time to time, and which upon such amendment be a part of this Agreement, in order to identify (i) the principals for whom REX is acting who own any Boxcars, and (ii) the Boxcars owned by such principals.

B. It is the intent of the parties of this Agreement that REX shall at all times be and remain the Lessor of all scheduled Boxcars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term of Agreement.

This agreement shall remain in full force and effect until it shall have been terminated as to all of the Boxcars. The term of this lease agreement with respect to each individual Boxcar shall be for fifteen (15) years commencing upon the date of delivery of each Boxcar as determined in Paragraph 3 hereof. If this agreement has not been sooner terminated and no default has occurred and is a continuing default, the leased term with respect to each Boxcar shall automatically be extended for not more than five (5) consecutive periods of twelve (12) consecutive months, provided however, that REX or Lessee may by written notice delivered by one party to the other party not less than twelve (12) months prior to the end of the initial fifteen (15) year lease term, or any extended term thereof for any Boxcar, terminate this agreement.

3. Delivery and Supply.

REX will inspect each Boxcar tendered by the manufacturer thereof for delivery to Lessee. If the Boxcar conforms to the specifications of the equipment ordered by Rex and the specifications hereof, and to all applicable governmental regulatory specifications, and this agreement has not been terminated,

latory specifications, and this agreement has not been terminated, REX will accept delivery thereof at the manufacturer's facility and REX will further notify Lessee in writing of such acceptance. The Boxcars shall be deemed for the purposes of this agreement to have been delivered to Lessee upon the acceptance thereof by REX.

4. Right of First Refusal.

So long as Lessee shall have on lease one or more of the Boxcars, Lessee shall not lease Boxcars from any other party unless it shall have had delivered to it the one hundred (100) Boxcars leased under this agreement. Once the one hundred (100) Boxcars have been delivered to Lessee, that is, upon REX acceptance of them at the manufacturer's facility, Lessee shall not lease Boxcars similar to the Boxcars leased hereunder from any other party unless it shall have given to REX at least thirty (30) days prior written notice of its desire to so lease additional Boxcars. REX shall then, within fifteen (15) days of receipt of such notice, have the right to lease such additional Boxcars to Lessee upon the same or at better terms and conditions than that offered to Lessee by such other party. The foregoing, however, shall not prohibit Lessee from leasing Boxcars of similar type to the Boxcars leased hereunder if REX does not offer to lease the same upon the same terms and conditions within fifteen (15) days of receiving written notice as provided for above. Lessee warrants herein that it now has only one hundred (100) XM Boxcars leased from REX and has no other XM Boxcars leased prior to the Boxcars referred to herein. Notwithstanding the purchase of Boxcars by Lessee, or Lessee's leasing or direct interchange of Boxcars from other parties, Lessee shall give first preference to REX and shall load the Boxcars leased hereunder from REX prior to loading other Boxcars subject to loading rights given in prior leases provided, however, that in no event shall Lessee be prevented or prohibited from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

5. Railroad Markings and Record Keeping

On or before the delivery of the Boxcars, the Boxcars shall be lettered with the railroad reporting marks of Lessee, with the name and insignia used by Lessee, and with ACI markings. Such name and markings shall comply with all applicable regulations and shall be affixed to the Boxcars in the space directly above Lessee's reporting marks, and with a width of not more than seven (7) feet. ACI markings and Lessee's insignia shall be placed on the Boxcar in compliance with all applicable regulations and, where physically possible, at Lessee's direction.

6. Record Keeping

REX shall, during the term of this agreement, prepare all documents for Lessee's signature and filing relating to the registration, maintenance and record keeping functions normally performed by an owning railroad with respect to Boxcars. Such matters shall include but are not limited to the preparation of the following documents:

(i) Appropriate AAR interchange agreements with respect to Boxcars including an application for relief from AAR car service rules 1 & 2 when required by paragraph 17 hereof below.

(ii) Registration for each Boxcar in the official railway equipment register and the universal machine language equipment register;

(iii) Such reports as may be required from time to time by the Interstate Commerce Commission and other regulatory agencies with respect to the Boxcars.

All registrations and filings and keeping of records shall be at no cost to Lessee. REX shall, on behalf of Lessee, perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR interchange agreements and rules, including but not limited to car hire reconciliation. Correspondence from railroads using the Boxcars shall be addressed to Lessee at Lessee's principal office, that is, Lamoille Valley Railroad Company, Stafford Avenue, Morrisville, Vermont 05661. Copies of all such correspondence shall be promptly forwarded by Lessee to REX. All record keeping performed by REX hereunder and all record of payments, charges and correspondence related to the Boxcars shall be separately recorded and maintained by REX in a form suitable for reasonable inspection by Lessee from time to time during regular REX business hours. Lessee shall supply REX with such reports regarding the use of Boxcars by Lessee on Lessee's railroad line as REX may reasonably request.

7. Maintenance, Taxes and Insurance

a. REX will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each Boxcar during its leased term and any extension thereof, including but not limited to repairs, maintenance and servicing unless the same was occasioned by the fault of Lessee while a Boxcar was in Lessee's physical possession. Lessee shall inspect all Boxcars interchanged to it to insure that such Boxcars are in good working

order and condition and Lessee shall be liable to REX for any repairs required on Lessee's railroad line and not noted at the time of interchange. Lessee hereby transfers and assigns to REX for and during the leased term of each Boxcar all of Lessee's right, title and interest in any warranty in respect to the Boxcars. All claims or actions on any warrant so assigned shall be made and prosecuted by REX at its sole expense and lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be made payable to REX, and Lessee hereby assigns any such recovery to REX. All proceeds from such recovery shall be used to repair or replace such Boxcars on account of which such recoveries are made.

b. Lessee may make running repairs to facilitate continued immediate use of a Boxcar, but shall not otherwise make any repairs, alterations, improvements or additions to the Boxcars without receiving prior written consent from REX. If Lessee makes an alteration to any Boxcar without the prior written consent of REX, Lessee shall be liable to REX for any revenues lost due to such alterations. Title to any such alteration, improvement or addition occurring in the course of or as a result of normal and customary maintenance shall be and remain with REX.

c. REX shall make or cause to be made such inspections of, and maintenance and repairs to, the Boxcars as may be required. Upon request of REX, Lessee shall perform any necessary maintenance and repairs to Boxcars on Lessee's railroad track as may be reasonably requested by REX. REX shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the lease of such Boxcars.

d. Lessee will at all times while this agreement is in effect be responsible for the Boxcars while they are on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules - Freight for cars not owned by Lessee which are operating on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Boxcars by either obtaining insurance or maintaining a self-insurance program which conforms to actuarially sound principles. If Lessee elects to carry insurance, it shall furnish REX concurrently with the execution hereof and thereafter at intervals of not more than twelve (12) calendar months with a certificate of insurance signed by an independent insurance broker with respect to the insurance carried on the Boxcars. All insurance shall be taken out in the name of Lessee and REX (or its assignee) as their respective interests may appear.

e. REX shall reimburse Lessee for all taxes, assessments, and other governmental charges of whatsoever kind or character paid by Lessee relating to each Boxcar and on the lease, delivery or operation thereof which may be accrued, levied, assessed or imposed during the lease term or which remain unpaid as of the date of delivery of such Boxcar to Lessee, except taxes on net income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. REX shall forward to Lessee all sales and use taxes received by it on behalf of Lessee. REX and Lessee will comply with all state and local laws requiring the filing and ad valorem tax returns on the Boxcars. REX and Lessee shall each review all tax returns prior to filing.

8. Rental Charges

a. As and for a part of the consideration for this agreement, Lessee shall pay to REX all of the mileage charges, per diem revenues and incentive per diem revenues payable to lessee by other railroad companies if the utilization of all of the Boxcars during each calendar year this agreement is in force and effect shall, on an aggregate basis, be equal to or less than 80%. For the purposes of this agreement, utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that per diem is earned on the Boxcars, and the denominator of which is the aggregate number of days in each calendar year. Lessee shall pay to REX as rent, in addition to the foregoing, one-half (1/2) of all of the mileage charges, per diem and incentive per diem earned by the Boxcars, on an aggregate basis, for that portion of the revenues earned by the Boxcars attributable to utilization in excess of 80% but not more than 90% in any such calendar year. All revenues earned by the Boxcars that are attributable to the utilization of them, on an aggregate basis, in excess of 90% in any calendar year shall be the sole and separate property of and retained by Lessee.

b. Rental charges payable to REX by Lessee hereunder shall be paid from the monies received by Lessee in the following order until REX receives the amount due it pursuant to the immediately preceeding paragraph:

(i) Incentive per diem;

(ii) Per diem;

(iii) Line haul mileage charges.

(c) In the event damage or destruction of a Boxcar has been reported in accordance with Rule 7 of the AAR Code of Car Hire Rules and Intrerpretatins - Freight and the amount of rent due REX by Lessee on account thereof have been paid to and received by REX, such damaged or destroyed Boxcar will be removed from the force and effect of this agreement as of the date payment of car hire revenues attributable to it ceased, and all relevant portions of this agreement shall be deemed to have been adjusted to properly reflect such removal.

d. Within three (3) months after the end of each calendar quarter this agreement is in force and effect, FEX shall calculate, on a quarterly basis rather than a yearly basis, the rent earned by REX hereunder. Such rent shall be paid by Lessee to REX within (10) business days of receipt by Lessee of written notice from REX of the amount of rent due hereunder. In all events, REX may, at its election, demand and receive from Lessee not more than 85% of the revenues earned by the Boxcars in any such calendar quarter. Within three (3) months of the end of each calendar year this agreement is in force and effect, REX shall calculate the rent earned by it hereunder for such calendar year and, within ten (10) business days of completing such calculation, give Lessee written notice thereof. Lessee shall, in such accounting, receive full credit for all payments made by it hereunder to REX on account of such calendar year's rent. If such accounting concludes that a refund of rent paid by Lessee to REX is due, REX shall submit such refund with the accounting. If such accounting concludes that Lessee owes to REX additinal rent, Lessee shall pay such additional rent within ten (10) business days of receipt by it of such accounting.

e. In the event the utilization of the Boxcars in any calendar quarter is less than 80% on an aggregate basis REX may, at its option and uponnot less than thirty (30) days prior written notice thereof to Lessee, terminate this agreement as to any number or all of the Boxcars.

f. REX may, at its option, terminate this agreement if the Interstate Commerce Commission shall, at any time,

(i) issue an order reducing incentive per diem for hire of Boxcars on an annual basis to three (3) months or less without imposing a corresponding increase in per diem or other revenues on account of car hire at least equal in amount to such reduction, or

(ii) determine that Lessee may not apply its net credit balance from incentive per diem settlements in payment of the rental charges incurred by Lessee hereunder.

g. If any Boxcar remains on Lessee's railroad tracks for more than seven (7) consecutive days REX may, at its option and upon not less than twenty-four (24) hours prior written notice, terminate this agreement as to such Boxcar and withdraw such Boxcar from Lessee' railroad tracks, and in such event all relevant portions of this agreement shall be adjusted to reflect the changed number of Boxcars leased hereunder. If any such Boxcar has remained on Lessee's railroad tracks more than seven (7) days because Lessee has not given preference to the Boxcars as specified above, Lessee shall, in addition, pay to REX an amount equal to the car hire revenues Lessee would have earned on account of such Boxcar or Boxcars if such Boxcar or Boxcars were in the physical possession of another railroad for the entire period after the expiration of such seven (7) days. This section 8(g) shall not apply, however, if a Boxcar remains on Lessee's railroad tracks for more than seven (7) days because it was awaiting repairs in Lessee's repair facility and such repairs, because of circumstances not under Lessee's control, could not be completed within such seven (7) day period.

9. Possession and Use

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

10. Encumbrances

Lessee will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or other security interest or claim on or with respect to the Boxcars or any interest therein, or in this agreement or schedule thereto. Lessee will promptly at its own expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest or claim if the same shall arise at any time.

11. Remedies Upon Default

a. The occurence of any of the following events shall be events of default:

(i) The non-payment by Lessee of any sum required hereunder to be paid by Lessee within ten (10) business days after receipt of written notice thereof;

(ii) The default by Lessee under other terms, covenants, or conditions of this agreement which is not cured within ten (10) business days after receipt of written notice thereof by Lessee from REX;

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

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

(v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditors or governmental agency.

(vi) The non-payment by REX of any sum required hereunder to be paid by REX to Lessee within ten (10) business days of receipt of written notice thereof by REX.

b. Upon the occurrence of any event of default by Lessee REX may, at its option, terminate this agreement and may further:

(i) Proceed by appropriate court action to enforce performance by Lessee of this agreement, or to recover damages for a breach thereof (and Lessee agrees to bear REX costs and expenses, including reasonable attorney's fees, in securing such enforcement), or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession of the Boxcars, whereupon all right and interest of Lessee in the Boxcar shall terminate, and thereupon Rex may by its agents enter upon any premises where the Boxcars may be located and take possession of the same and thereafter hold, possess and enjoy the same free from any right of Lessee. REX shall, nevertheless, have the right to recover from Lessee any and all rental amounts which under the terms of this agreement may be due or which may have accrued to that date.

c. Upon the occurrence of any event of default by REX Lessee may, at its option, proceed by appropriate court action to enforce performance by REX of this agreement or to recover damages for a breach thereof (and REX shall bear Lessee's costs and expenses, including reasonable attorney's fees, in such proceedings).

12. Termination

At the expiration or termination of this agreement as to any or all of the Boxcars, Lessee will surrender possession of such Boxcars and deliver the same to REX. The costs of assembling, delivery, storage and transporting of the Boxcars shall be borne by REX. Upon such termination, Lessee's railroad markings shall be removed from each Boxcar so terminated. If such Boxcars are on Lessee's railroad line at the time of such termination, or are subsequently returned thereto in the ordinary course of railroad freight loadings and interchanges, Lessee shall within five (5) business days of the commencement of its possession of such Boxcars after such termination remove its railroad markings from the Boxcars and place thereon such markings as may be designated by REX. After such removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver the same to a connecting carrier for shipment. Lessee shall provide up to ten (10) days free storage on its railroad tracks for REX or the subsequent Lessee of any terminated Boxcar. If such Boxcars are not on Lessee's railroad line upon termination, all costs, including the costs of removal of Lessee's railroad markings and the replacement thereof, shall be borne by REX.

13. Indemnities

REX will defend, indemnify and hold harmless Lessee from and against any and all loss or damage of or to Boxcars,

usual wear and tear excepted, unless occurring through the fault of Lessee while Lessee has physical possession of Boxcars. REX will provide basic insurance coverage of $10,000,000 to insure Lessee against any claim, cause of action, damage, liability, costs or expenses (including legal fees and costs) arising from the Boxcars for which Lessee may be liable incurred in any manner by or for the account of any such Boxcar, with or without the fault of Lessee, relating to the Boxcars or any part thereof, including without limitation the construction, purchase, delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement operation or the condition thereof (whether defects, if any, are latent or are discoverable by REX or Lessee). Notwithstanding anything herein to the contrary, it is clearly understood that REX's liability herein is limited to the extent of the insurance coverage provided.

14. Warranties and Covenants

Lessee represents, warrants and covenants that:

a. Lessee is a corportion duly organized, validly existing and in good standing under the laws of the State of Vermont and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this agreement;

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

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

d. There is no fact which Lessee has not disclosed to REX in writing, and Lessee is not a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as Lessee can now foresee, will individually or in the aggregate materially adversely effect the business, condition or any material portion of the properties of Lessee

or the ability of Lessee to perform its obligations under this agreement;

e. Lessee has, during the years 1964-1968, neither leased nor purchased any Boxcars. Lessee has no knowledge of any circumstance or fact that would prevent or limit the use of incentive per diem funds for the purpose of leasing the subject Boxcars.

15. Inspection

REX shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify REX of any accident connected with the malfunctioning or operation of the Boxcars including in such report the time, place and nature of the accident and the damage caused to property, the names and addresses of any persons injured and of witnesses and other information appurtenant to Lessee's investigation of the accident. Lessee shall also notify REX in writing within five (5) days after any attachment, tax lien, or other judicial process shall attach any Boxcar. Lessee shall furnish to REX promptly upon its becoming available, a copy of its annual report submitted to the Interstate Commerce Commission and, when requested, copies of any other income or balance sheet statements required to be submitted to the Interstate Commission.

16. AAR Car Service Rules

Lessee may, at its option, at any time during the term of this agreement apply for relief from the American Association of Railroads Code of Car Service Rules - Freight Rules Numbers 1 and 2. In addition, if the utilization of any or all of the Boxcars falls below 80% in any calendar quarter, Lessee shall, at the request of REX, apply for such relief. In either event, REX shall prepare all documents for Lessee's signature and filing relating to such application for relief.

17. Binding Effect

This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not, without the prior written consent of REX, assign this lease or any of the rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease and violation hereof shall be void. In addition to this lease, each party shall execute other documents

contemplated by this transaction or as may be required in furtherance of this lease. It is expressly understood and agreed by the parties hereto that this lease constitutes a lease of Boxcars only, and no joint venture or partnership is being created hereby. Notwithstanding the calculation of rental payments, nothing herein shall be construed to convey to Lessee any right, title or interest in the Boxcars except as a Lessee only. No failure or delay by either party shall constitute a waiver or otherwise effect or impair any right, power or remedy available to it nor shall any waiver or indulgence by either party or any partial or single exercise of any right, power or remedy preclude any other or further exercise therof or the exercise of any other right, power or remedy. This agreement shall be governed by and construed in accord with the laws of the State of New Jersey in effect at the time of the execution hereof. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the principal address of the other party.

IN WITNESS WHEREOF, the parties hereto have caused this lease of railroad equipment to be executed as of the 12th day of October, 1978.

REX RAILWAYS, INC.

By_____
Title:

LAMOILLE VALLEY RAILROAD COMPANY

By_____
Title:

EQUIPMENT SCHEDULE

REX RAILWAYS, INC. hereby leases the following Boxcars to Lamoille Valley Railroad Company pursuant to that certain Lease Agreement dated as of October 12, 1978.

A.A.R. Mech. Design.	Description	Number	Dimensions Inside Length	Width	Height	Doors Width	No. of Cars
XM	New 50'6" inside length 70-ton boxcars with 10" end-of-car cushioning	LVRC 4050-4099	Exact dimensions to be furnished by Car builder			10' sliding doors	50

REX RAILWAYS, INC.

(Title)

DATE:

LAMOILLE VALLEY RAILROAD COMPANY

(Title)

DATE:

ADDENDUM VALUATION AGREEMENT

Notwithstanding anything herein to the contrary, whenever an Insurance Carrier must honor a claim herein submitted by the Lessor, the value of the railcars referred to in this Lease shall be as follows:

1st year value of car is 110% of purchase price
2nd year value of car is 109% of purchase price
3rd year value of car is 108% of purchase price
4th year value of car is 107% of purchase price
5th year value of car is 106% of purchase price
6th year value of car is 105% of purchase price
7th year value of car is 104% of purchase price
8th year value of car is 103% of purchase price
9th year value of car is 102% of purchase price
10th year value of car is 101% of purchase price
11th year value of car is 100% of purchase price
12th year value of car is 99% of purchase price

OR

Depreciated value, whichever is higher.

REX RAILWAYS, INC. LAMOILLE VALLEY RAILROAD COMPANY

_____ _____
Lessor Lessee

Dated:_____

ADDENDUM # 2

1. It is understood and agreed that the Boxcars are leased for use in the United States of America, and Lessee shall use the Boxcars, and shall use its best efforts to cause any railroad or other person who uses the Boxcars off the line of the Lessee to use the Boxcars, within the United States of America except for temporary or incidental use in Canada.

2. It is recognized that Rex and Lessee have entered into a Lease Agreement dated as of even date containing substantially identical terms and conditions to the Lease and relating to 50 Boxcars numbered LVRC 4000-4049, all of Rex's rights under which are being assigned to McDonnell Douglas Finance Corporation, a Delaware corporation (Assignee). Accordingly, it is agreed that paragraph 4 is amended to read as follows:

"4. Right of First Refusal.

So long as Lessee shall have on lease one or more of the Boxcars, Lessee shall not lease Boxcars from any other party unless it shall have had delivered to it the fifty (50) Boxcars leased under this agreemment. Once the fifty (50) Boxcars have been delivered to Lessee, that is, upon REX acceptance of them at the manufacturer's facility, Lessee shall not lease Boxcars similar to the Boxcars leased hereunder from any other party except for the Boxcars leased to the Assignee unless it shall have given to REX at least thirty (30) days prior written notice of its desire to so lease a specified number of additional Boxcars. REX shall then, within fifteen (15) days of receipt of such notice, have the right to lease one-half (1/2) of the number of such additional Boxcars to Lessee upon the same or at better terms and conditions than that offered to Lessee by such other party. The foregoing, however, shall not prohibit Lessee from leasing Boxcars of similar type to the Boxcars leased hereunder if REX does not offer to lease the number of Boxcars specified above upon the same terms and conditions within fifteen (15) days of receiving written notice as provided for above. Notwithstanding the purchase of Boxcars by Lessee, or

Lessee's leasing or direct interchange of Boxcars from other parties, Lessee shall give first preference to REX and shall load the Boxcars leased hereunder from REX prior to loading other Boxcars subject to loading rights given in prior leases provided further, however, that Lessee shall use its best efforts to grant equal loading preference to the Boxcars owned by REX and by Assignee and not to prefer the Boxcars owned by one over the Boxcars owned by the other, and in no event shall Lessee be prevented or prohibited from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks."

REX RAILWAYS, INC., Lessor	LAMOILLE VALLEY RAILROAD COMPANY, Lessee
By:_____	By:_____
Title:	
Dated: April , 1979	

STATE OF)
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 President of REX RAILWAYS, INC., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

STATE OF)
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 President of LAMOILLE VALLEY RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public