



NATIONAL RAILWAY UTILIZATION CORP.

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

10525

RECORDATION NO. Filed 1425

JUN 21 1979 - 12 35 PM

INTERSTATE COMMERCE COMMISSION

June 21, 1979

9-172A019

JUN 21 1979

Date 50.00

Washington, D. C.

Interstate Commerce Commission
12th & Constitution Ave.
Washington, DC
ATTN: Secretary

Dear Mrs. Lee:

We respectfully request that the following be filed according to Section 20C of the Interstate Commerce Act:

1. Lease of Railroad Equipment - dtd. June 18, 1979 between National Railway Utilization Corporation and GATX Aircraft Corporation

The address of National Railway Utilization Corporation is:

1100 Centre Square East, 1500 Market Street, Phila., PA 19103

The address of GATX Aircraft Corporation is:

1 Embarcadero Center
San Francisco, CA 94111

This lease covers 75 50'-6" 70 Ton XM boxcars bearing the road markings NSL 150550 through 150574 (both inclusive) and NSL 150775 through 150824 (both inclusive). Forty cars (NSL 150550 through 150574 and NSL 150775 through 150789) are being filed now; the remainder will be filed through an Amendment at a later date.

Sincerely,

Charles P. Turnburke
Charles P. Turnburke,
Vice President

*Dear Mrs. Lee
Karen Medden*

FEE OPERATION BR.
I.C.C.

JUN 21 12 30 PM '79

RECEIVED

Interstate Commerce Commission
Washington, D.C. 20423

6/21/79

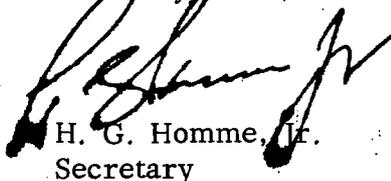
OFFICE OF THE SECRETARY

Charles P. Turnburke
Natl. RYW Utilization Corp.
1100 Centre Square East
1500 Market Street
Phila. Pa. 19102

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/21/79 at 12:30pm, and assigned recordation number(s). 10525

Sincerely yours,



H. G. Homme, Jr.
Secretary

Enclosure(s)

SE-30
(3/79)

10525

RECORDATION NO. Filed 1425

JUN 21 1979 - 12 35 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

dated as of June 18, 1979

between

NATIONAL RAILWAY UTILIZATION CORPORATION

and

GATX AIRCRAFT CORPORATION

LEASE OF RAILROAD EQUIPMENT dated as of June 18, 1979 between NATIONAL RAILWAY UTILIZATION CORPORATION (hereinafter called the Lessee), and GATX AIRCRAFT CORPORATION (hereinafter called the Lessor).

WHEREAS, the Lessor proposes to acquire seventy-five 70-ton 50 foot box cars as more fully described in Schedule A hereto (hereinafter called the Units); and

WHEREAS, the Lessee will lease from the Lessor all the Units so acquired or such lesser number of Units as are delivered and accepted hereunder at the rentals, for the terms and upon the conditions hereinafter provided.

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

Section 1. Purchase Price and Payment. The term Purchase Price shall mean the aggregate purchase price of the Units as set forth in Schedule A hereto. As applied to an individual Unit, Purchase Price shall mean the purchase price of such Unit set forth in Schedule A hereto. On delivery and acceptance of a Unit as hereinafter provided, the Lessor shall pay to the builder of the Units (hereinafter called the Builder) an amount equal to the Purchase Price of the Units, provided that there shall have been delivered to the Lessor, the following documents, in form and substance satisfactory to it, in such number of counterparts as may be reasonably requested; and provided further that the Lessor shall have no obligation to accept delivery of any Unit delivered after June 30, 1979.

(a) a bill of sale from the Builder to the Lessor transferring to the Lessor title to the Units, warranting to the Lessor that (i) the builder has good legal title to the Units, has good and lawful right to sell such Units and that title to the Units is free and clear of all claims, liens, security interests and other encumbrances of any nature; (ii) the Units have been constructed in accordance with the specifications previously certified

to the Lessor by an officer of the Lessee, a copy of such specifications to be attached to such bill of sale, and (iii) covenanting to defend the title to such Units against the demands of all persons whomsoever; and

(b) an opinion of counsel for the Lessee to the effect set forth in Section 14 hereof.

The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and to execute and deliver to the Lessor and the Builder a certificate of acceptance and delivery substantially in the form of Exhibit A hereto whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, sixty consecutive quarterly payments in arrears payable on the date ninety days after delivery and acceptance and on the same date in each third month thereafter until paid each in an amount equal to 3.161860% of the Purchase Price.

If any of the quarterly rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Philadelphia, Pennsylvania or San Francisco, California are authorized or obligated to remain closed. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available funds in the city where such payment is to be made.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof

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

Section 3. Term of Lease. The term of this Lease as to the Units shall begin on the of delivery to and acceptance by the Lessee and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate fifteen years thereafter. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 5, 6, 8 and 13 hereof) shall survive the expiration of the term of this Lease.

Section 4. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "GATX Aircraft Corporation, San Francisco, California, Owner-Lessor", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to such Unit and the rights of the Lessor under this Lease. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same under this Lease until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Lessor an opinion of counsel to the effect set forth in subclause (viii) of Section 14 hereof in respect of such statement. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

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

Section 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes or certification, registration or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms of this Lease (all such expenses, taxes, certification, registration and license fees, assessments, charges, fines and penalties being hereinafter called impositions), all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein and from and against which the

Lessee agrees to indemnify, protect, defend, save and keep harmless on an after tax basis the Lessor; provided, however, that the Lessee's obligation to pay impositions shall not include (a) any federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein, (b) all income taxes or franchise taxes measured by net income based on such receipts imposed on the Lessor by the state and city in which the Lessor has its principal place of business, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided, and (c) to the extent that the Lessor receives credit therefor against its federal income tax liability, any foreign income tax; provided, however, that in determining whether the Lessor receives credit for any foreign tax, it should be assumed that credit is received for all other foreign taxes claimed as credits for the taxable year in question before credit is received for any foreign taxes indemnified hereunder which are claimed as credits for such year. The Lessee will also pay promptly all impositions that may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of the Units free and clear of all impositions that might in any way affect the title of the Lessor in and to any Unit or its interests or rights under this Lease; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, interest or rights of the Lessor hereunder. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor the Lessee shall reimburse the Lessor promptly upon presentation of an invoice therefor. The Lessor agrees that if, in the opinion of independent tax counsel selected by the Lessor and acceptable to the Lessee (and whose fees and expenses shall be paid by the Lessee) a bona fide claim exists for a refund of all or a portion of any imposition in respect of which the Lessee has made payment to the Lessor, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by said independent counsel in order to sustain such claim. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. The Lessee shall be entitled to the proceeds of the successful prosecution of any such claim to the extent of payments or reimbursement made by the Lessee pursuant to this Section 5.

In the event any reports with respect to impositions are required to be made, the Lessee will either make such reports in such manner as to show the interest of the Lessor in the Units or notify the Lessor of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee. The obligations of the Lessee under this Section 5 constitute a rental obligation.

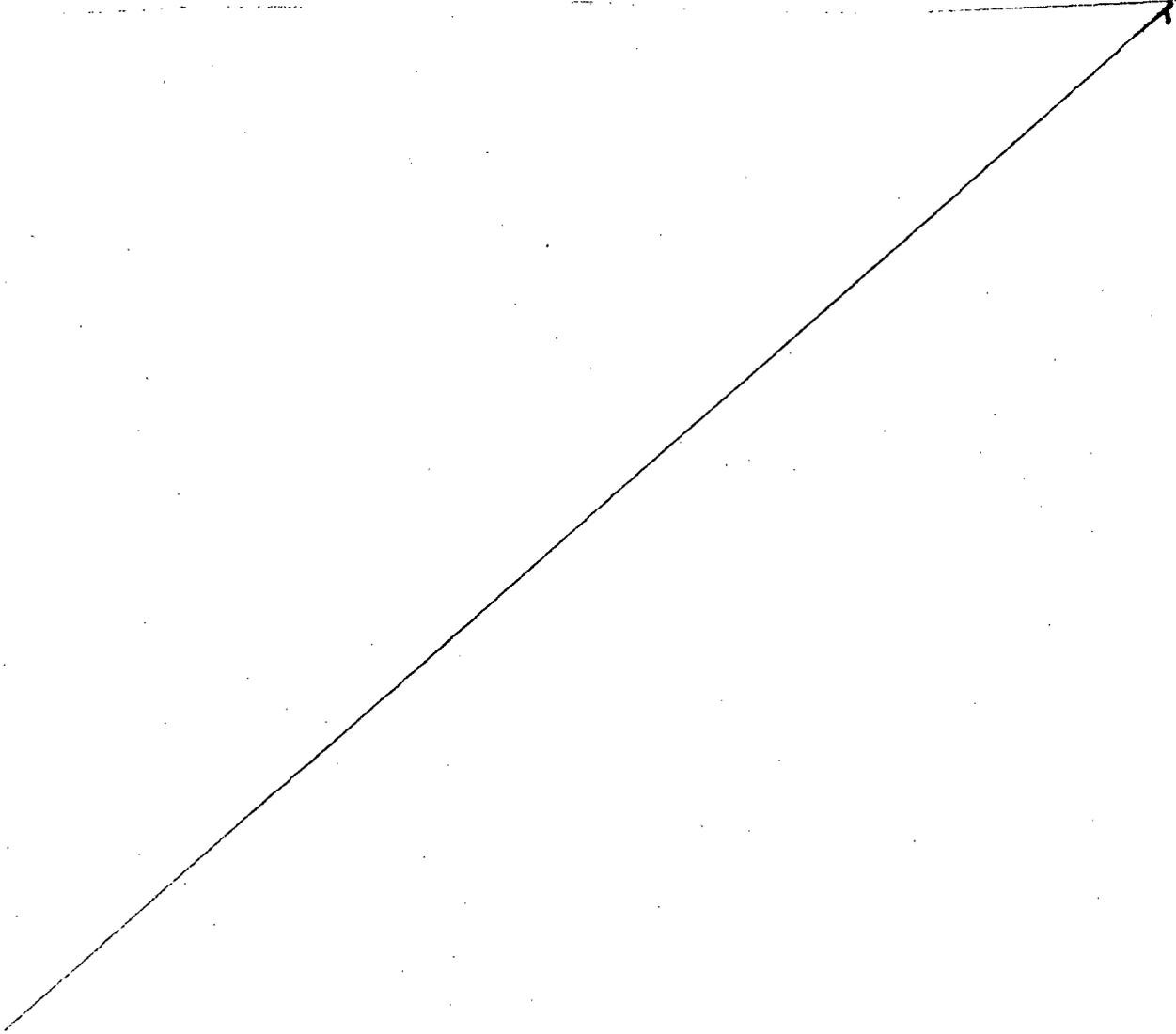
Section 6. Payment for Casualty Occurrences; Insurance.
In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in Sections 13 or 10 hereof, as the case may be, the Lessee shall promptly and fully notify the Lessor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B attached hereto. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue. Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such unit it may have, and the term of this Lease as to such Unit shall thereupon terminate.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto.

Whenever any Unit shall suffer a Casualty Occurrence after the final rental payment has been made pursuant to Section 2 hereof and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect hereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 25% of the Purchase Price of such Unit.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after the date first above mentioned.

Any insurance proceeds (less expenses of collection) as the result of insurance carried by the Lessee or condemnation payments received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this Section 6, if such amounts are received by the Lessor on the date when such Casualty Value is due; provided, however, that such insurance proceeds or condemnation payments shall thereupon be paid to the Lessor or the Lessee as their interests may appear. If the Lessor shall receive any such insurance pro-



ceeds or condemnation payments after the Lessee shall have made payments pursuant to this Section 6 without deduction for such amounts, such insurance proceeds or condemnation payments shall be paid to the Lessor or the Lessee, as their interests may appear. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which proceeds were paid has been fully repaired.

Section 7. Reports. On or before March 31 in each year, commencing with the calendar year 1980, the Lessee will furnish to the Lessor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statements, the numbers and markings required by Section 4 hereof have been preserved or replaced. The Lessor shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

The Lessee will furnish the Lessor (i) within 60 days after the end of each of the first three quarterly fiscal periods of the Lessor, balance sheets of the Lessor as of the close of such periods, together with the related statements of income and retained earnings, all in reasonable detail and certified by the Comptroller of the Lessee and (ii) within 120 days after the close of each fiscal year of the Lessee, the balance sheet of the Lessee as of the close of such fiscal year, together with the statements of income and retained earnings for such fiscal year, all prepared in reasonable detail in accordance with generally accepted accounting principles and certified by a recognized national firm of independent public accountants, including accompanying notes, (iii) within 120 days after the close of each fiscal year of the Lessee, a certificate of the Lessee signed by the principal financial officer or a vice president of Lessee, to the effect that the signer has reviewed the relevant terms of this Lease and has made, or caused to be made under his supervision, a review of the transactions and condition of the Lessee during the preceding fiscal year, and that such

review has not disclosed the existence during such period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default or which, after notice or lapses of time or both, would constitute an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Lessee has taken or is taking or proposes to take with respect thereto, (iv) all reports which Lessee shall send to its stockholders and all reports which it is or may be required to file with the Securities and Exchange Commission, (v) promptly upon the filing of the same, the Railroad Annual Report Form R-2 (or any form substituted therefor) of the Lessee and (vi) from time to time such other information as the Lessor may reasonably request.

Section 8. Disclaimer of Warranties; Compliance with Laws and Rules; Use; Maintenance; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units.

The Lessee agrees, for the benefit of the Lessor to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at

its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor adversely affect the property or rights of the Lessor under this Lease.

The Lessee agrees that none of the Units will be assigned to regular service outside the continental United States.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) which is subject to this Lease in good operating order, repair and condition.

Any and all additions to any Unit (except equipment or devices which have been added to such Unit by the Lessee, the cost of which is not included in the Purchase Price of such Unit, which are not required for the operation or use of such Unit by the Interstate Commerce Commission, the Department of Transportation or any other applicable regulatory body and which may be readily removed from such Unit without materially damaging such Unit or the value thereof) and any and all parts installed on and additions and replacements made to any Unit shall constitute accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free from any lien, charge, security interest or encumbrance shall immediately be vested in the Lessor. The Lessee shall not permit any special device or assembly to be attached or affixed to any Unit which may not be readily removed from such Unit without materially impairing such Unit or the value thereof unless such special device or assembly is to be considered an accession to such Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default or an Event of Default under this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

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

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in payment of any amount provided for in Sections 2, 6 or 12 hereof, and such default shall continue for seven business days;

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

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 25 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

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

E. any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee

hereunder) and, unless such shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

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

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thence forth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days from the beginning of the rental period to and including the date of such termination and the denominator is the total number of days in such

full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Unit, which represents the excess of (x) the present value, at the time of such termination, of the entire unpaid balance of all rental for such Units which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9 1/2% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, (ii) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental, and (iii) an amount which, after deduction of all taxes required to be paid by the Lessor and in respect of the receipt thereof under the laws of any federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Lessor, cause the Lessor's net after-tax annual cash flow and net after-tax annual rate of return to be the same as such net after-tax annual cash flow and net after-tax annual rate of return would have been had the Lessor been entitled to utilization of all or such portion of the ADR Deduction (as such deduction is defined in Section 16 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in Section 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessor or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of any Event of Default plus such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture.

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

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

Section 10. Return of Units Upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner and at the usual speed place such Units upon storage tracks of the Lessee or such other tracks as the Lessor reasonably may designate, provided that such storage will not interfere with the railroad operations of the Lessee or any of its affiliates;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage for a period of 180 days or until such Units have been sold, leased or otherwise disposed of by the Lessor, whichever shall occur first, provided that such storage will not interfere with the railroad operations of the Lessee or any of its affiliates; and

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .035132% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under Sections 5, 6, 8, 9 and 17 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the partners or any beneficiary of any such assignee if such assignee is a partnership or a trust, respectively).

So long as no Event of Default hereunder occurs, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them, except that the Lessee may sublease the Units to any current or future affiliate of the Lessee. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or resulting from claims against the

Lessor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

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

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

Section 12. Renewal Option; Right of First Refusal to Purchase. (a) Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than four months prior to the end of the original

term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all the Units then covered by this Lease, for five years commencing on the scheduled expiration of the original term of this lease, at a "Fair Market Rental" payable in quarterly payments in arrears in each year of such extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental. If, after 60 days from the giving of notice by the Lessee of Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined in accordance with the foregoing definition by the following procedure. If either party to such determination shall have given written notice to the other requesting determination of such rental by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

(b) Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, Lessor shall not, within one year after the end of an Initial Lease Term or any renewal term, sell, transfer or otherwise dispose of a Unit on which the Lease terminated at the end of such original term or renewal term unless:

(i) Lessor shall have received from a responsible purchaser a bona fide offer in writing to purchase such Unit;

(ii) Lessor shall have given Lessee notice (A) setting forth in detail the identity of such purchaser, the proposed date of purchase and all other material terms and conditions of such purchase, including, without limitation, any arrangements for the financing of such purchase known to Lessor and (B) offering to sell such Unit to Lessee upon the same terms and conditions as those set forth in such notice; and

(iii) Lessee shall not have notified Lessor, within 20 days following receipt of such notice of its election to purchase such Unit upon the terms and conditions set forth in such notice.

If Lessee shall not have so elected to purchase such Unit, Lessor may sell such Unit at a price and upon other terms and conditions no less favorable to Lessor than those specified in such notice, provided Lessor shall have completed such sale by the later of (x) the date 180 days after the date of such notice to Lessee or (y) the date for such sale specified in such notice. Notwithstanding the foregoing provisions hereof, Lessor may, if Lessee has not renewed this Lease pursuant to Subsection (a) above, lease such Unit at any time after the end of the lease term or any renewal term, as the case may be, without first offering to lease such Unit to Lessee.

Section 13. Return of Units Upon Expiration of Term.

As soon as practicable on or after the expiration of the original or extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of the Units to the Lessor upon such storage tracks as the Lessor shall reasonably designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store the Units on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of a railroad operated by the Lessee or an affiliate of the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of the Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having

jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .035132% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 14. Representations and Warranties; Opinion of Counsel. The Lessee represents and warrants to the Lessor that:

(i) the Lessee is a corporation duly organized and validly existing in good standing under the laws of its state of incorporation and is duly qualified and authorized to do business wherever necessary to carry on its present business and operations and to own its properties and to perform its obligations under this Lease;

(ii) the Lessee has the full power, authority and legal right to enter into and perform its obligations under this Lease, and the execution, delivery and performance of this Lease has been duly authorized by all necessary corporate action on the part of the Lessee;

(iii) the Lessee is not a party to any agreement or instrument or subject to any charter or other corporate restriction which will materially adversely affect its financial condition, business or operations or the ability of the Lessee to perform its obligations under this Lease;

(iv) neither the execution and delivery of this Lease nor the consummation of the transaction herein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof 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, or of the corporate charter (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 may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder;

(v) no 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 the Lessee, now attaches or hereafter will attach to the Units or in any manner affects or will affect adversely the Lessor's right, title and interest therein;

(vi) no authorization or approval is required from any governmental or public body with respect to the entering into or performance by the Lessee of this Lease;

(vii) this Lease has been duly authorized, executed and delivered by the Lessee and, assuming due authorization, execution and delivery thereof by the other parties thereto, is a legal, valid and binding agreement, enforceable in accordance with its terms; subject as to the enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally;

(viii) this Lease has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and such filing and recordation will protect the Lessor's interest in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state or local government or agency is necessary in order to protect the interests of the Lessor in and to the Units in the United States of America; and

(ix) no adverse change has occurred in the financial condition of the Lessee since December 31, 1978.

(x) Lessee is subject to the jurisdiction of the Interstate Commerce Commission by reason of its operation of Pickens Railroad Company and St. Lawrence Railroad each of which is a class II railroad. Lessee intends to initially assign the Units to its St. Lawrence Railroad Division.

Simultaneously with the execution and delivery of this Lease the Lessee will deliver to the Lessor counterparts of the written opinion of counsel for the Lessee, addressed to the Lessor, in scope and substance satisfactory to the Lessor and its counsel, to the effect set forth in clauses (i), (ii), (iv), (v), (vi), (vii), (viii) and the first sentence of clause (x). The Lessee will also deliver to the Lessor counterparts of a certificate of the chief mechanical officer of the Lessee as to each Unit having a useful economic life of a least 28 years and an anticipated residual value at the end of 22 years of at least 20% of the Purchase Price thereof.

Section 15. Recording. The Lessee will cause this Lease and any assignment hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to its satisfaction, of the Lessor's interest in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor.

Section 16. Federal Income Taxes. This Lease has been entered into on the assumption that (A) the Lessor, as the owner of the Units, will be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the "Code"), to an owner of property, including, without limitation the maximum depreciation deduction with respect to the Units authorized under Section 167 of the

Code for new property (hereinafter called the ADR Deduction), (a) utilizing a 12-year depreciable life, which is the lower limit listed in Revenue Procedure 77-10, I.R.B. 1977-12,4 for property in Asset Guideline Class No. 00.25, in accordance with the Class Life Asset Depreciation Range System described in Section 167(m) of the Code and the Treasury Regulations promulgated thereunder as in effect on the date hereof, (b) employing initially the double declining-balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the sum of the years-digits method of depreciation when most beneficial to the Lessor, (c) including in the basis of the Units the entire Purchase Price thereof and all other items properly includable under Section 1012 of the Code (hereinafter called the Basis), and (d) taking into account a salvage value, after the reduction allowed by Section 167(f) of the Code, of 15% of Basis; and (B) all amounts includable in gross income by the Lessor with respect to this Lease will be treated as income from sources within the United States.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor, and that each of such corporations will file such returns, take such action and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. The Lessee agrees to keep and make available for inspection and copying by the Lessor such records as will enable the Lessor to determine whether it is entitled (A) to the full benefit of the ADR Deduction with respect to the Units, and (B) to treat amounts includable in gross income with respect to this Lease as income from sources within the United States.

If (A) for any reason whatsoever (other than for the reasons set forth below) all or any part of the ADR Deduction with respect to any Unit shall be unavailable in computing each of the items of income, gain, loss, deduction or credit of the Lessor, or (B) the Lessor shall not be entitled to treat all amounts includable in gross income with respect to this Lease as income from sources within the United States for any taxable year (or portion thereof) during which this Lease is in effect as the result of the location of any Unit outside the United

States, then the rental applicable to such Unit set forth in Section 3 shall, on the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact, be increased by such amount as shall be required, in the reasonable opinion of tax counsel for the Lessor to cause the Lessor's net after-tax annual cash flow and net after-tax rate of return to be the same as such net after-tax annual cash flow and net after-tax rate of return would have been had the ADR Deduction been wholly available and had the Lessor been entitled to treat all amounts includable in gross income with respect to this Lease as income from sources within the United States; provided, however, that such rental shall not be so increased to the extent that the ADR Deduction with respect to such Unit is unavailable as a direct result of the occurrence of any of the following events:

(i) a voluntary transfer by the Lessor of legal title to such Unit, a voluntary disposition by the Lessor of any interest in such Unit or a voluntary reduction by the Lessor of its interest in the rentals from such Unit under the Lease, unless, in each case, an Event of Default shall have occurred and be continuing;

(ii) the failure of the Lessor to claim the ADR Deduction on its income tax return for the appropriate year, unless the Lessor shall have received an opinion of independent tax counsel to the effect that the Lessor is not entitled to claim the ADR Deduction; or

(iii) the failure of the Lessor to have sufficient income to benefit from the ADR Deduction.

In the event a claim shall be made against the Lessor which, if successful, would result in payment by the Lessee of increased rental pursuant to the preceding paragraph, and if, in the opinion of the Lessor's or the Lessee's tax counsel (hereinafter called Counsel), a bona fide defense to such claim exists, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to sustain such defense; provided, however, that the Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses that may be entailed therein. The Lessor may, at its option, take

such action prior to making payment of any tax, interest or penalty with respect to such claim (hereinafter called a Tax Payment) or may make such Tax Payment and then sue for a refund. If the Lessor takes such action prior to making such Tax Payment, such increased rental need not be paid by the Lessee while such action is pending. In such case, if the final determination shall be adverse to the Lessor, the increased rental shall be computed by the Lessor as of the date of such final determination and the Lessee shall commence payment thereof on the rental payment date next succeeding such final determination and, on or before such rental payment date, the Lessee shall pay to the Lessor as additional rental an amount which, when reduced by any increase in the Lessor's income tax liability or liabilities resulting from the Lessor's receipt of such additional rental, will equal the amount of all interest and penalty paid by the Lessor in respect of such final determination. If the Lessor makes such Tax Payment and then sues for a refund, such increased rental shall commence to be payable by the Lessee on the first rental payment date after such Tax Payment is made and, on or before such rental payment date, the Lessee shall pay to the Lessor as additional rental an amount which, when reduced by the increase in the Lessor's income tax liability or liabilities resulting from the Lessor's receipt of such additional rental, will equal the amount of all interest and penalties paid by the Lessor included in such Tax Payment. In such case, if the final determination shall be in favor of the Lessor, (A) the rental payable by the Lessee to the Lessor shall be adjusted by such amount as shall be required, in the reasonable opinion of the Lessor, and pursuant to the assumptions set forth in the immediately preceding paragraph, to cause the Lessor's net after-tax annual cash flow and net after-tax rate of return to be the same as such net after-tax annual cash flow and net after-tax rate of return would have been if such Tax Payment had not been made (or such adjustment shall be made proportionately if the final determination is partly in favor of and partly adverse to the Lessor) and such adjusted rental shall be payable by the Lessee on the rental payment date next succeeding such final determination and thereafter, and (B) the Lessor shall pay to the Lessee an amount which, when reduced by the tax benefit to the Lessor resulting from the payment of such amount, will equal the amount of any penalty or interest refunded to the Lessor as a result of such final determination and any interest on such refunded penalty and interest paid to the Lessor by the government, promptly upon receipt thereof.

In the event that the Lessee shall pay all or any portion of any instalment of rental prior to the date upon which such payment is herein required to be made, the Lessee shall pay to the Lessor an amount which, after deduction of all taxes and other charges in respect of the receipt of such amount under the laws of any federal, state or local governmental or taxing authority in the United States or under the laws of any foreign country or subdivision of any taxing authority thereof, shall be equal to the excess of (A) the taxes and other charges payable by the Lessor as a result of the receipt of such instalment of rental over (B) the taxes and other charges that would have been payable by the Lessor had such instalment of rent been paid by the Lessee on the date upon which such payment is herein required to be made.

In the event the rental rates shall be adjusted as hereinbefore provided, the Casualty Values set forth in Section 7 hereof shall be adjusted accordingly.

The Lessee's and the Lessor's agreements to pay any sums which may become payable pursuant to this Section 17 shall survive the expiration or other termination of this Lease.

It is understood that Lessee will claim, in respect of the Units, the investment credit allowable under Section 38 of the Code. For purposes of enabling the Lessee to claim the benefit of such investment credit, Lessor will, at the request of Lessee, execute, deliver and file such forms as shall be prepared and presented to Lessor by the Lessee to have the Lessee treated, pursuant to Section 48(d) of the Code, as the purchaser of the Units. Lessor makes no representation or warranty with respect to the effectiveness of such steps or the availability or benefit to Lessee of such credit.

Section 17. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 3% over the best commercial loan rate on 90 day loans to responsible and substantial borrowers as in effect from time to time at Wells Fargo Bank, National Association, San Francisco, California of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at One Embarcadero Center, San Francisco, California 94111, Attention of Contracts Administration,

(b) if to the Lessee, to its Comptroller at
Post Office Box 216, Pickens, South Carolina 29671

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

Section 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

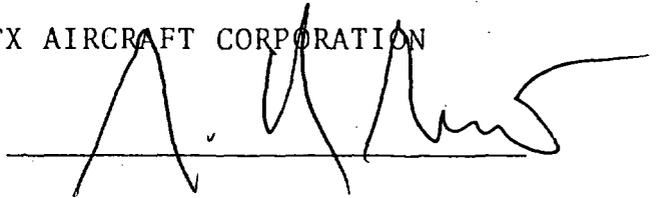
Section 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lessor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of California; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

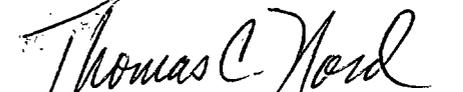
IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

GATX AIRCRAFT CORPORATION

By

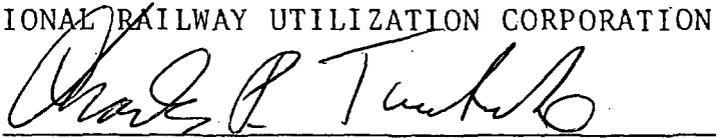


GATX AIRCRAFT CORPORATION
..
(Corporate Seal)
Attest:


Assistant Secretary

NATIONAL RAILWAY UTILIZATION CORPORATION

By



(Corporate Seal)

Attest:


Assistant Secretary

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Average Unit Base Price</u>	<u>Total Base Price</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
Standard XM box cars	75	\$40,000.00	\$3,000,000	NSL 150550-150574 NSL 150775-150824 NSL 150775-150789

SCHEDULE B

CASUALTY VALUE

From the Due
Date for
Rental
Payment Number:

Until the Due
Date for
Rental
Payment Number:

The Casualty Value
as a Percentage of
Original Cost for Each
Unit of Equipment is:

1	2	101.150 %
2	3	101.547 %
3	4	101.843 %
4	5	102.035 %
5	6	102.252 %
6	7	102.293 %
7	8	102.274 %
8	9	102.196 %
9	10	102.159 %
10	11	101.968 %
11	12	101.720 %
12	13	101.414 %
13	14	101.151 %
14	15	100.739 %
15	16	100.269 %
16	17	99.742 %
17	18	99.259 %
18	19	98.629 %
19	20	97.943 %
20	21	97.198 %
21	22	96.499 %
22	23	95.656 %
23	24	94.757 %
24	25	93.799 %
25	26	92.888 %
26	27	91.837 %
27	28	90.729 %
28	29	89.564 %
29	30	88.445 %
30	31	87.191 %
31	32	85.880 %
32	33	84.512 %
33	34	83.191 %
34	35	81.739 %
35	36	80.230 %
36	37	78.665 %
37	38	77.148 %
38	39	75.503 %
39	40	73.803 %
40	41	72.046 %
41	42	70.339 %
42	43	68.508 %
43	44	66.621 %
44	45	64.679 %
45	46	62.789 %
46	47	60.778 %
47	48	58.713 %
48		56.592 %
		54.525 %

From the Due
Date for
Rental
Payment Number:

Until the Due
Date for
Rental
Payment Number:

The Casualty Value
as a Percentage of
Original Cost for Each
Unit of Equipment is:

49
50
51
52
53
54
55
56
57
58
59
60

49
50
51
52
53
54
55
56
57
58
59
60

52.341 %
50.105 %
47.813 %
45.575 %
43.223 %
40.816 %
38.353 %
35.942 %
33.414 %
30.828 %
28.184 %
25.000 %

Commonwealth of Pennsylvania
County of

On this the *24th* day of June 1979, before me, *Charles*
P. Furber the undersigned officer, personally appeared
Rich. P. ... who acknowledged himself to be the
of National Railway Utilization Corporation, a
corporation, and that he, as such *officer*, being author-
ized so to do, executed the foregoing Lease of Railroad Equip-
ment for the purposes therein contained, by signing the name
of the corporation by himself as *Vice President*.

IN WITNESS WHEREOF, I hereunto set my hand and official
seal.

Elsie M. Williams
ELsie MARLENE WILLIAMS
Notary Public, Phila., Phila. Co.
My Commission Expires Oct. 18, 1982
title of officer

State of New York
County of New York ss.:

On the ^{18th} day of June 1979, before me personally came Gardner Gray II to me known, who, being by me duly sworn, did depose and say that he resides at 262 Aqueduct Rd, New York, PA; that he is the vice President of GATX Aircraft Corporation, the corporation described in and which executed the above Lease of Railroad Equipment; that he knows the corporate seal of said corporation; that the seal affixed to said Lease of Railroad Equipment is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

Gale L. Michaels (SOS)
Notary Public

GALE L. MICHAELS (SOS)
NOTARY PUBLIC, State of New York
No. 30-4630199
Qualified in Nassau County
Commission Expires March 30, 1980

Exhibit A

Acceptance Certificate

Delivery Date: June , 1979

THIS ACCEPTANCE CERTIFICATE is executed pursuant to that certain Lease dated as of June 15, 1979 and Schedule thereto (the "Lease") between National Railway Utilization Corporation and GATX Aircraft Corporation.

The terms used herein shall have the meaning given to such terms in the Lease.

Lessee confirms (i) that all the Units described in Annex A attached hereto (the "Units") have been delivered and accepted as of the above delivery date; (ii) that the Units have been fully assembled, installed and successfully tested as to applicable performance criteria; (iii) that on payment of the Purchase Price therefor, the Units shall be free and clear of all claims, liens, security interests and encumbrances of any nature; (iv) that the Lease and Lessee's obligation to pay rent thereunder with respect to said Units shall commence as of the above delivery date and (v) that the Units have been examined by its duly authorized representatives and that such examination shows that the requirements of Section 4 of the Lease with respect to the identification of the Units have been met.

The total Purchase Price of the Units subject to this Acceptance Certificate is \$3,000,000.00. The quarterly rental for said Units computed in accordance with the provisions of the Lease is \$

EXECUTED as of the delivery date first above written.

NATIONAL RAILWAY UTILIZATION CORPORATION

By _____
Authorized Officer