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RECORDATION NO. Filed 1423
SEP 29 1978 '8 49 PM
INTERSTATE COMMERCE COMMISSION

September 28, 1978

9725
RECORDATION NO. Filed 1423
SEP 29 1978 '8 49 PM
INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Sir:

Enclosed for recordation pursuant to the provisions of Section 20c of the Interstate Commerce Act and the rules and regulations thereunder, as amended, are the original and two counterparts each of a Limited Recourse Note - Security Agreement dated September 28, 1978 and a Management Agreement dated September 28, 1978.

A general description of the railroad equipment covered by the enclosed documents is as follows:

> Fifty (50) 50'6" 70-ton, single sheaved box-cars without side posts, with 10' sliding doors and rigid underframe, AAR Mechanical Designation XM, bearing reporting marks and numbers NSL 156015 through NSL 156021, inclusive, PT 201036 through PT 201071, inclusive, and MNJ 120510 through MNJ 120516, inclusive.

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I.C.C.
FEE OPERATION BR.

The names and addresses of the parties to the enclosed documents are:

A. Limited Recourse Note - Security Agreement

Debtor: Sherwin I. Pogrund
221 North LaSalle Street
Chicago, Illinois 60604

Counterpart
T. Kannler

Secured Party: Funding Systems Railcars, Inc.
1000 RIDC Plaza
Pittsburgh, Pennsylvania 15238

B. Management Agreement:

Owner: Sherwin I. Pogrund
221 North LaSalle Street
Chicago, Illinois 60604

Manager: Funding Systems Railcars, Inc.
1000 RIDC Plaza
Pittsburgh, Pennsylvania 15238

The undersigned is agent of the Secured Party and Manager mentioned in the enclosed documents for the purpose of submitting the enclosed documents for recordation and has knowledge of the matters set forth therein.

Please return the original and counterpart of the enclosed Limited Recourse Note - Security Agreement and Management Agreement to the undersigned or to the bearer hereof.

Also enclosed is a remittance in the amount of $100 in payment of recordation fees.

Very truly yours,

SPENGLER CARLSON GUBAR
CHURCHILL & BRODSKY,
As Agent for FUNDING SYSTEMS
RAILCARS, INC.

By Charles E. Matthews, Jr.
Charles E. Matthews, Jr.

Interstate Commerce Commission
Washington, D.C. 20423

9/29/78

OFFICE OF THE SECRETARY

Charles E. Matthews, Jr.
Spengler Carlson Gubar Churchill & Brodsky
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 9/29/78 at 2:50pm, and assigned recordation number(s) 9725 & 9725-A

Sincerely yours,

H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 9725-A Filed 1425

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INTERSTATE COMMERCE COMMISSION

-A

MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT dated as of September 28, 1978 between FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation having its principal place of business at 1000 RIDC Plaza, Pittsburgh, Pennsylvania 15238 (the "Manager") and SHERWIN I. POGRUND, having an office at 221 North La Salle Street, Chicago, Illinois 60604 (the "Owner").

W I T N E S S E T H :

WHEREAS, the Owner is the owner of certain railroad boxcars (the "Equipment") purchased by Owner from Manager pursuant to a Purchase Agreement of even date herewith (the "Purchase Agreement"); and

WHEREAS, the Manager is engaged in the business, among other things, of managing railroad boxcars and the Owner and Manager desire that the Manager manage the Equipment, all upon the terms and conditions herein contained;

NOW, THEREFORE, in consideration of these premises and the covenants hereinafter mentioned the parties hereby agree as follows:

Section 1. DELIVERY AND MANAGEMENT OF EQUIPMENT.

1.1 Intent to Manage. Upon delivery of each item of Equipment, the Manager shall manage for the Owner such item of Equipment for the management fees and subject to the terms and conditions hereinafter set forth.

1.2 Commencement of Management. Upon delivery of each item of the Equipment to Manager for management hereunder, Manager shall accept each such item of Equipment in "AS IS" condition, "WHERE IS" and subject to the liens, claims, security interests and encumbrances that exist at the time that such item becomes subject to this Agreement.

Section 2. REVENUES, MANAGEMENT FEES, OPERATING EXPENSES AND PAYMENT DATES.

2.1 Revenues From Equipment. The Owner shall be entitled to receive all Net Revenues (as hereinafter defined) from the Equipment up to the amounts specified on Schedule A hereto. "Net Revenues" shall mean (i) all of the mileage charges and revenue from the hire of the Equipment (including both basic and incentive per diem charges obtained for each item of Equipment) received by the Manager (said charges and revenue hereinafter collectively called, the "Revenues"), less (ii) the Operating Expenses (as defined hereinafter in the next succeeding paragraph). Any and all Net Revenues in excess of the amounts specified on Schedule A hereto shall be retained by the Manager as its fees (the "Management Fees") for managing the Equipment hereunder. If the Revenues available after payment of the Maintenance Fee (as defined in Section 8.3 hereof) are insufficient to pay the remaining Operating Expenses, the Manager may accrue such sums and deduct them from future Revenues so long as the Maintenance Fee then due is first paid. Any such accrued Operating Expenses not paid at the expiration or termination of this Agreement, or any extension thereof, shall be cancelled.

2.2 Operating Expenses. Operating Expenses shall mean the following expenses incurred in respect of the Equipment during the term of this Agreement or any extension thereof pursuant to the proper operation of the Equipment and the proper performance by the Manager of its obligations hereunder:

(a) Any and all Maintenance Fees as defined in Section 8.3 hereof;

(b) Reasonable movement and storage expenses payable to third parties not required hereinafter to be paid by the Manager pursuant to Section 16.1 hereof;

(c) Taxes to be paid by the Manager pursuant to the first paragraph of Section 10.2 hereof other than any Federal, state and/or local franchise or income tax payable by the Manager in consequence of the receipt of payments to the Manager with respect to the Equipment and other than

any taxes, fines, penalties, interests or other impositions caused by the Manager's failure to perform in a proper and timely manner its obligations under Section 10.2 or arising from transactions unrelated to the transactions contemplated by this Agreement;

(d) Expenses required to be paid by the Manager pursuant to Section 7 hereof;

(e) The cost of the insurance required pursuant to Section 12 hereof;

(f) Expenses for any car hire reclaim relief on any item of Equipment properly and reasonably allowed any railroad by the Manager;

(g) Expenses for any losses from liabilities incurred by the Manager under this Agreement except such expenses incurred by the Manager as a result of its failure to perform its obligations hereunder; and

(h) Management Fees with respect to the Equipment required to be paid by the Manager to National Railway Utilization Corporation, a South Carolina corporation ("NRUC"), pursuant to that certain Lease and Management Agreement dated as of September 1, 1978, as amended (the "NRUC Agreement").

2.3 Revenue Payment Dates. Net Revenue for each item of Equipment shall be due and payable on the last day of each January, April, July and October of each year during the term hereof commencing April 30, 1979. If any of such payment dates is not a business day, the Net Revenues payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Agreement, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Pennsylvania are authorized or required to remain closed.

2.4 Restrictions to Revenues Payment. Except as specifically provided in Section 2.1, the Manager shall not be entitled to any abatement, reduction or setoff against Net Revenues due or owing hereunder, 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 Manager against the Owner under this Agreement or against any other person or entity, provided that nothing herein shall be deemed to impair the Manager's right to assert and sue upon such claims in separate actions [nor, except as otherwise expressly provided herein, shall this Agreement terminate or the obligations of the Owner or the Manager be otherwise affected by reason of any defect or damage to or loss of possession or loss of use or destruction of all or any of the items of Equipment from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the items of Equipment, the prohibition of or other restriction against the Manager's use of all or any of the items of Equipment, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Agreement, any insolvency, bankruptcy, reorganization or similar proceeding against the Manager, 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 Net Revenues payable by the Manager 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 Agreement. To the extent permitted by applicable law, the Manager hereby waives any and all rights which it may have or which at any time hereafter may be conferred upon it by statute or otherwise to terminate, cancel, quit or surrender this Agreement or any of the items of Equipment except in accordance with the express terms hereof. Each Net Revenues payment made by the Manager hereunder shall be final and the Manager shall not seek to recover all or any part of such payment from the Owner for any reason whatsoever.]

Section 3. TERM OF THE AGREEMENT.

The term of this Agreement as to each item of Equipment shall begin on the date of the delivery to and acceptance by the Manager of such item of Equipment as provided in Section 1.2 hereof and, subject to the provisions of Section 15, hereof, shall terminate on April 30, 1994.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Manager under this Agreement and in and to the items of Equipment are subject to the rights of the holder of the Lien (as defined in the Purchase Agreement).

Section 4. OWNERSHIP AND MARKING OF EQUIPMENT.

4.1 Retention of Title. The Owner shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to, and management, possession and use thereof by, the Manager.

4.2 Duty to Number and Mark Equipment. The Manager will cause each item of Equipment to be kept numbered with the identifying number set forth in the Schedule to the Purchase Agreement and will keep and maintain, plainly, distinctly, permanently and conspicuously marked upon each side of each item of Equipment, such labelling as from time to time may be required by law in order to protect the title of the Owner to such item of Equipment and his rights under this Agreement. The Manager will not place any such item of Equipment in operation or exercise any control or dominion over the same until any required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Manager will not change the identifying number of any item of Equipment except with the consent of Owner and in accordance with a statement of new identifying numbers to be substituted therefor, which statement shall have been filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited.

4.3 Prohibition Against Certain Designations. Except as provided in this Section 4, the Manager will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Manager may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Manager or by NRUC (during the term of the NRUC Agreement) for convenience of identification of the right of the Manager or NRUC to manage the Equipment under this Agreement.

Section 5. DISCLAIMER OF WARRANTIES.

THE OWNER DELIVERS THE EQUIPMENT HEREUNDER AS-IS, WITHOUT WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OR AS TO THE VALUE, CONDITION, DESIGN OR OPERATION OF, OR THE WORKMANSHIP IN, ANY ITEM OF EQUIPMENT DELIVERED HEREUNDER OR TITLE TO THE EQUIPMENT OR ANY COMPONENT THEREOF, OR ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE OWNER AND THE MANAGER, ARE TO BE BORNE BY THE MANAGER. In addition to Owner's rights to proceed directly against any builders or contractors (which rights are not being relinquished hereby), so long as no Event of Default has occurred and is continuing hereunder and no event of default has occurred and is continuing under the Security Agreement relating to the Lien, the Owner hereby appoints and constitutes the Manager its agent and attorney-in-fact during the term of this Agreement to assert and enforce, from time to time, in the name and for the account of the Owner and the Manager, as their interests may appear, at the sole cost and expense of the Manager, whatever claims and rights the Owner may have as owner of the Equipment against any builders or contractors in respect thereof.

Section 6. MANAGER'S INDEMNITY.

6.1 Scope of Indemnity. The Manager shall defend, indemify and save harmless the Owner and its successors and assigns from and against all losses, damages, injuries, liabilities, claims, demands, costs, charges and expenses whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, royalty payments and expenses, patent liabilities, penalties and interest arising out of or as the result of the entering into or the performance of this Agreement, the ownership of any item of Equipment, the ordering, acquisition, use, operation, condition, purchase, lease, delivery, rejection, construction, storage or return of any item of Equipment or any design, system, process, formula, combination, articles or material used or contained therein

or in the construction thereof or any accident in connection with the operation, use, condition, possession, storage or return of any item of Equipment resulting in damage to property or injury or death to any person, whether as a result of negligence, the application of the laws of strict liability, or otherwise, except as otherwise provided in Section 14 of this Agreement; provided, however, that nothing herein shall be construed to be a guaranty by the Manager that the Equipment will have any residual value at the end of the term of this Agreement or any extension thereof.

6.2 Exceptions to Indemnity. The indemnity contained in Section 6.1 hereof shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge or expense incurred by Owner (a) caused by the fault or negligence of Owner, (b) resulting from acts or events with respect to any item of Equipment which commence after possession of such item of Equipment has been redelivered to the Owner in accordance with Section 14 hereof (unless resulting from acts or omissions of the Manager while such item of Equipment is being stored by the Manager in accordance with Section 14 hereof or from any breach by Manager of Sections 8.1 or 8.2 hereof), (c) caused by the violation by Owner of any banking, investment, insurance or securities law, rule or regulation applicable to him (unless such violation shall be the result of any written misrepresentation, violation or act of the Manager), (d) arising from the breach of an express duty, obligation, representation or warranty of Owner made herein or in any of the documents related to the transactions contemplated hereby, (e) which is related to any lien, charge, security interest or other encumbrance which the Manager is not required by the Purchase Agreement to pay or discharge or (f) otherwise expressly stated herein or in any of the other documents related to the transactions contemplated hereby to be borne by Owner.

6.3 Continuation of Indemnities and Assumptions. The indemnities arising under this Section 6 shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of this Agreement. The indemnities required to be paid by the Manager under this Section shall be of an amount sufficient to restore the indemnified party to the same position, after considering the actual net effect of the receipt of such

indemnities and matters giving rise to such indemnities on his Federal, state and local income taxes based on net income, that he would have been if the matters giving rise to such indemnities had not existed or occurred.

6.4 Notice and Participation of Manager. In the event any claim for indemnification hereunder arises on account of a claim or action made or instituted by a third person against Owner, Owner shall notify Manager promptly after the receipt of notice by Owner that such claim was made or that such action was commenced. Manager shall be entitled to participate in or, at its option assume the defense of any such claim or action by counsel of its own choosing, and if it assumes such defense, to control and settle the same. If Manager shall only participate in the defense of any such claim or action, the same shall not be settled without its prior written consent (which consent shall not be unreasonably withheld) unless Manager shall deny Owner's right to indemnification.

Section 7. RULES, LAWS AND REGULATIONS.

The Manager shall use its best efforts to cause and require every user of an item of Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of each item), with all laws of the jurisdictions in which such user's operations involving an item of Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over an item of Equipment, to the extent that such laws and rules affect the title, operation or use of an item of Equipment, and in the event that such laws or rules require any alteration of an item of Equipment, or in the event that any equipment or appliance on an item of Equipment shall be required to be changed or replaced, or in the event that any additional or other equipment or appliance is required to be installed on an item of Equipment in order to comply with such laws or rules, the Manager will make such alterations, changes, replacements and additions; provided, however, that the Manager may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not adversely affect the property or rights of the Owner under this Agreement.

Section 8. MAINTENANCE OF EQUIPMENT.

8.1 Standards of Maintenance. The Manager shall permit the Equipment to be used only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Manager shall maintain and keep the Equipment in good order, condition and repair so that each item of Equipment will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations and (c) desirable to and suitable for immediate purchase or use by a Class I railroad (not then or prospectively a debtor in any insolvency or reorganization proceeding).

8.2 Improvements. Except as required by the provisions of Section 7 hereof, the Manager shall not make any permanent or other material modification to any item of Equipment without the prior written authority and approval of the Owner, which shall not be unreasonably withheld. Any parts installed or replacements made by the Manager upon any item of Equipment pursuant to Section 7 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such item of Equipment and title thereto shall be immediately vested in the Owner. The Manager shall make no other additions or improvements to any item of Equipment unless the same are readily removable without causing material damage to such item of Equipment. If the Manager shall at its cost cause such readily removable additions or improvements to be made to any item of Equipment, the Manager agrees that it will, prior to the return of such item of Equipment to the Owner hereunder, remove the same at its own expense without causing material damage to such item of Equipment. Title to any such readily removable additions or improvements shall remain with the Manager.

8.3 Maintenance Fee. In order to maintain the Equipment in accordance with this Section, a maintenance fee (the "Maintenance Fee") shall be deducted and retained by the Manager from the Revenues. The Maintenance Fee shall be a fee of $1.96 per day for each item of Equipment. The aggregate amount of any such fees held from time to time shall be maintained in a segregated, and separately maintained and identified, bank account or accounts as to which there shall be no right of offset by any bank holding

such amount and such fees in such account shall be used solely to maintain the Equipment in accordance with the requirements of this Section 8; provided, however, that any expenses for the maintenance required by this Section 8 which are in excess of, or in any way not covered by, such fees in such account shall be paid for by the Manager. Upon the expiration of this Agreement and the return of the Equipment pursuant to Section 14 hereof in the condition required by this Section 8, the Manager may retain any excess amounts in such account or accounts.

If the labor rate established by the Association of American Railroads and in effect on December 31 of each year commencing December 31, 1978 (the "Prevailing Labor Rate") shall differ from the labor rate so established and in effect on the date hereof (the "Current Labor Rate"), the Maintenance Fee shall be adjusted to equal the product of the Maintenance Fee and the quotient obtained by dividing the Prevailing Labor Rate by the Current Labor Rate. Any such adjustment shall be instituted by notice from the Manager to the Owner and shall take effect on and after the date of such notice. Anything herein to the contrary notwithstanding, the Maintenance Fee shall not be adjusted below the minimum fee of $1.96 per day for each item of Equipment.

Section 9. LIENS ON THE EQUIPMENT.

The Manager will promptly pay or discharge, at its sole cost and expense regardless of whether there are Revenues available therefor, any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than the Lien which the Manager shall pay when and as due in accordance with its terms, the security interest of the Manager under the Limited Recourse Note (as defined in the Purchase Agreement) and any other liens or encumbrances created by, through or under the Owner) upon or with respect to any item of Equipment, including any accession thereto, or any part thereof or the interest of the Owner or the Manager therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises; provided, however, that the Manager shall be under no obligation to pay or discharge such claim so long as it is contesting the validity thereof in good faith in a reasonable manner and by appropriate legal proceedings and the nonpayment thereof does not adversely affect the title, property or rights of the Owner. If any such claim

shall have been charged or levied by anyone and in any manner against the Owner directly and paid by the Owner, the Manager shall reimburse the Owner on presentation of an invoice therefor, provided that the Owner shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Owner) or the Manager shall have approved the payment thereof.

Section 10. FILING, PAYMENT OF EXPENSES AND TAXES.

10.1 Filing Expenses. The Manager will cause this Agreement to be duly filed, registered or recorded (if and to the extent that it may be so filed, registered or recorded) with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as the Owner may reasonably request for the protection of the Owner's title. The Manager will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Owner for the purpose of protecting the Owner's title to the Equipment to the satisfaction of the Owner's counsel or for the purpose of carrying out the intention of this Agreement. The Manager will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2 Payment of Taxes. All amounts to be paid by the Manager to the Owner hereunder will be free of expense to the Owner for collection or other similar charges and will be free of expense to the Owner with respect to the amount of any local, state, federal or foreign taxes (other than any Federal, state and local income taxes required to be paid by Owner as a consequence of the receipt of payments provided for herein) or license fees, assessments, charges, fines, interests and penalties (all such expenses, taxes, license fees, assessments, charges, fines, interests and penalties being hereinafter called "Impositions") hereinafter levied or imposed upon or in connection with or measured by this Agreement or any sale, possession, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or in connection with the transactions contemplated by the Lien or the Purchase Agreement, all of which Impositions the Manager

agrees to pay on demand in addition to the payments to be made by it provided for herein. The Manager will also pay promptly all Impositions which may be imposed upon any item of Equipment or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Owner solely by reason of his ownership thereof and will keep at all times all and every part of such item of Equipment free and clear of all Impositions which might in any way affect the title of the Owner or result in a lien upon any such item; provided, however, that the Manager shall be under no obligation to pay any Imposition of any kind so long as it is contesting in good faith and by appropriate legal proceedings such Imposition and the nonpayment thereof does not adversely affect the title, property or rights of the Owner hereunder; and provided, further, that the Manager shall not be required to pay any Imposition or reimburse any person for any loss, cost or expense related to any Imposition which is the subject of any lien, charge, security interest or other encumbrance which the Manager is not required by Section 9 hereof to pay or discharge. If any Imposition shall have been charged or levied against the Owner directly and paid by the Owner, the Manager shall reimburse the Owner on presentation of an invoice therefor if the Owner shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Owner) or the Manager shall have approved the payment thereof.

In the event any reports with respect to Impositions involving any item of Equipment are required to be made, the Manager will either make such reports in such manner as to show the interest of the Owner in such items of Equipment or notify the Owner of such requirements and make such reports in such manner as shall be satisfactory to the Owner.

In the event that, during the continuation of this Agreement, the Manager becomes liable for the payment or reimbursement of any Imposition pursuant to this Section 10, such liability shall continue, notwithstanding the expiration of this Agreement, until all such Impositions are paid or reimbursed by the Manager.

Section 11. MANAGEMENT DUTIES.

In addition to the other duties and obligations of the Manager hereunder, the Manager shall also perform the following:

(a) Manage and arrange for the utilization of the Equipment and perform all necessary acts to ensure such utilization of the Equipment. The Manager shall have the authority to enter into arrangements with railroads to grant car hire reclaim relief in the Manager's discretion when deemed prudent to maximize revenues in respect to the Equipment;

(b) Prepare or cause to be prepared for filing all documents relating to the registration, maintenance and record keeping functions for the Equipment in accordance with the rules and regulations of the Association of American Railroads, Interstate Commerce Commission, the Department of Transportation and any other governmental or industry authority. Such matters shall include (without limitation) the preparation of the following documents: (i) appropriate Association of American Railroad interchange agreements with respect to the Equipment; (ii) registration of each item of Equipment in the Official Railway Equipment Register and the Universal Machine Language Equipment Register (such registration directing that correspondence from railroads using such items of Equipment be addressed to the Manager or its designee); and (iii) such reports as may be required from time to time by the Interstate Commerce Commission and other regulatory agencies with respect to the Equipment; and

(c) Perform or cause to be performed all accounting services for the Equipment.

Section 12. INSURANCE.

12.1 Insurance. The Manager will maintain, or cause to be maintained, at all times during the term of this Agreement and any renewals thereof (and thereafter during the period in which the Equipment is being returned pursuant to Section 14 hereof), with insurance carriers having one of the three highest ratings as reported by A.M. Best Company, Inc. (or other insurance rating agency of

comparable standing) or other reputable insurance carriers reasonably acceptable to the Owner, insurance in an amount equal to the Casualty Value (determined as provided on Exhibit A hereto) of each item of Equipment being managed hereunder, insuring against loss and destruction of, and damage to, such item arising out of fire, windstorm, explosion, and all other hazards and risks ordinarily subject to extended coverage insurance, and against such other hazards and risks as are customarily insured against by companies owning or operating property of a similar character and engaged in a business similar to that engaged in by the Manager hereunder with a deductible amount not in excess of $500 per item of Equipment. All such insurance policies shall (i) name the Owner as an additional insured, (ii) provide that the policies will not be invalidated as against the Owner because of any violation of a condition or warranty of the policy or the application therefor by the Manager, (iii) provide that the policies may be materially altered or cancelled by the insurer only after thirty (30) days prior written notice to the Owner, (iv) provide that the policies shall be prepaid a minimum of ninety (90) days and (v) provide that all of the provisions thereof except the limits of liability (which shall be aplicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Manager) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Owner. Such insurance policies shall also not have any co-insurance clauses.

The Manager will procure and maintain, or cause to be procured and maintained, during the term of this Agreement, and any renewals thereof, with insurance carriers having one of the three highest ratings as reported by A.M. Best Company, Inc. (or other insurance rating agency of comparable standing) or other reputable insurance carriers reasonably acceptable to the Owner insurance against bodily injury and third party property damage insurance for each item of Equipment with liability limits not less than $3,000,000 and with no deductible. The policies for such insurance shall (i) name the Owner as an additional insured, (ii) provide that if the insurers cancel such insurance for any reason whatsoever, or the same is allowed to lapse for non-payment of premium, such cancellation or lapse shall not be effective as to the Owner for

thirty (30) days after written notice to the Owner by the insurers of such cancellation or lapse, (iii) provide for at least thirty (30) days prior written notice to the Owner of any alteration in the terms of such policy adverse to the interests of the Owner, (iv) provide that in respect of the interests of Owner in such policies, the insurance shall not be invalidated by any action or inaction of the Manager or any other person (other than of the Owner), and shall insure the Owner's interests as they appear regardless of any breach or violation by the Manager of any warranties, declarations or conditions contained in such policies and (v) provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Manager) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Owner. Such insurance policies shall also not have any co-insurance clauses.

Each policy shall provide in respect to any losses, such losses shall be payable (subject to the rights of the holder of the Lien) to the Owner and Manager as their interests may appear.

The Manager shall deliver to the Owner, prior to the commencement of the term hereof for an item of Equipment (or at such other time or times as the Owner may request) and from time to time, but within at least 15 days prior to the expiration date of each policy of such insurance in respect to insurance to be renewed by the Manager, a certificate signed by a firm of independent insurance brokers appointed by the Manager and not objected to by the Owner, showing the insurance then maintained, or to be maintained in the case of renewals, by the Manager pursuant to this Section 12 with respect to the item of Equipment and the expiration date of each policy of such insurance, and stating the opinion of said firm that the insurance then carried and maintained, or to be carried and maintained, on or with respect to the items of Equipment, complies, or will comply, as the case may be, with the terms hereof; provided, however, that the Owner shall be under no duty to examine such certificate, opinion or other evidence of insurance, or to advise the Manager in the event that its insurance is not in compliance with this Agreement.

In the event of failure on the part of the Manager to provide and furnish any of the aforesaid insurance, the

Owner, upon notice to the Manager, may procure such insurance and the Manager shall, upon demand, reimburse the Owner for all expenditures made by the Owner for such insurance.

12.2 Application of Insurance Proceeds. If any item of Equipment is rendered unusable as a result of any physical damage to, or destruction of, the Equipment, Manager shall give to Owner immediate notice thereof. Manager shall determine within fifteen (15) days after the date of occurrence of such damage or destruction, whether such item of Equipment can be repaired. In the event Manager determines that the item of Equipment cannot be repaired, Manager at its expense shall promptly replace such item of Equipment in a manner that meets the requirements of Section 19 hereof (and convey title to such replacement equipment to Owner free and clear of all liens and encumbrances other than the Lien and Manager's security interest under the Limited Recourse Note), and this Agreement shall continue in full force and effect as though such damage or destruction had not occurred. In the event Manager determines that such item of Equipment can be repaired, Manager shall cause such item of Equipment to be promptly repaired. Provided Manager complies with its obligations under this Section, all proceeds of insurance received by Owner or Manager under the policies referred to above shall be paid to or retained by Manager, provided, however, that in the event that insurance proceeds retained by Manager exceed the cost of replacement equipment such difference shall promptly be paid to Owner; provided further, that any such excess so paid to Owner shall be credited as full or partial payment (as the case may be) of any amounts which Manager may be required to pay under subdivision (d)(ii) of the first paragraph of Section 19 hereof. Owner hereby agrees to execute and deliver any instruments or documents requested in order to accomplish the foregoing.

Section 13. FINANCIAL AND OTHER REPORTS.

13.1 Status Reports. On or before April 30 in each year, commencing with the year 1979, the Manager will furnish to the Owner an accurate statement as of the end of the preceding calendar year (a) showing the number of the items of Equipment then being managed hereunder, the amount, description and numbers of all items of Equipment that have suffered any damage or loss during such calendar year (or since the date of this Agreement in the case of the first

such statement), and such other information regarding the condition or repair of the Equipment as the Owner may reasonably request, (b) stating that in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4 hereof shall have been preserved or replaced, and (c) describing the insurance coverage maintained by the Owner pursuant to Section 12 hereof. In addition, at the time of each payment to Owner of Net Revenues as provided in Section 2.3 hereof, Manager shall deliver to Owner, to the extent that the information has been provided to Manager by NRUC, a report setting forth the manner in which such Net Revenues were computed including a description of the Revenues, Operating Costs, Management Fees and any other items forming the basis for such computation.

13.2 Owner's Equipment Inspection Rights. The Owner shall have the right, at his sole cost and expense, by his authorized representative, to inspect the Equipment and the Manager's records with respect thereto, at such time during normal business hours as shall be reasonable to confirm the existence and proper maintenance thereof during the continuance of this Agreement.

Section 14. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Agreement or any extension thereof, the Manager will, at the cost and expense of the Owner, deliver possession of the Equipment to the Owner upon such storage tracks within the continental United States and store the Equipment on such tracks for a period not exceeding 90 days and transport the same at any time within such 90 day period to any connecting carrier for shipment, all as directed by the Owner upon not less than thirty-five (35) days written notice to the Manager. During any such storage period the Manager will permit the Owner or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any item of Equipment, to inspect the same. All movement and storage of each item of Equipment is to be at the risk and expense of the Owner except in the case of negligence or wilful misconduct of the Manager, or of its employees or agents, resulting in the death of any person, any injury

to any person or property or any damage to the Equipment while delivering possession of it to the Owner or storing it in accordance with this Section. All per diem and incentive per diem charges (and charges similar thereto) earned or paid to the Manager in respect of the Equipment after the date of termination of this Agreement, or any extension thereof, shall belong to the Owner and, if received by the Manager, shall be promptly turned over to the Owner.

Section 15. DEFAULT.

15.1 Events of Default. "Events of Default" means any of the following events:

(a) If Manager shall default in the payment of any Net Revenues payable by Manager to Owner hereunder as and when such Net Revenues are required to be paid, and such default shall continue for a period of ten (10) days after notice; or

(b) If Manager shall (i) default in the payment, or, in a material way, in the performance or observance, when due, of its obligations under the Lien or of any other covenant, agreement or obligation of Manager to Owner hereunder or otherwise relating in any manner to the purchase or managing of the Equipment including, without limitation, obligations of Manager (as Seller) under the Purchase Agreement, or (ii) have made any material misrepresentation or materially breached any warranty, covenant or agreement material to Owner hereunder or under the Purchase Agreement and such default, misrepresentation or breach of warranty shall continue for a period of thirty (30) days after written notice specifying the default and demanding that the same be remedied; and

(c) If any proceedings shall be commenced by or against the Manager for any relief which includes, or might result in, any modification of the obligations of the Manager hereunder, under any bankruptcy or insolvency law or law relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Manager under

this Agreement shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Manager or for the property of the Manager in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and 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 proceeding shall have been commenced, whichever shall be earlier.

15.2 Remedies. If an Event of Default occurs and is continuing, Owner, at his option, may terminate this Agreement and the term hereof by giving Manager notice of his election and intention to do so. Upon Owner's election to terminate this Agreement as set forth above, then upon the expiration of the time fixed in such notice (i) this Agreement and the term hereof shall wholly cease and expire in the same manner and with the same force and effect as if the date fixed by such notice were the expiration of the entire term herein granted, (ii) subject to the Lien, the NRUC Agreement and any Underlying Agreements (as defined in the Purchase Agreement), Owner may take possession of any or all of the Equipment wherever situated, and, for such purposes, enter upon any premises without any liability for so doing and (iii) subject to the NRUC Agreement, any Underlying Agreements and the Lien, Owner may sell, dispose of, hold, use or lease any or all of the Equipment as Owner in his sole discretion shall determine, without any duty to account to Manager, except as expressly provided herein or in the Limited Recourse Note. Manager shall in all events, whether or not this Agreement is terminated as foresaid, be and remain liable (a) for damages as provided by law, (b) for Manager's obligations which extend beyond the term hereof or such termination and (c) for costs and expenses incurred by Owner arising from such Event of Default or termination, including without limitation, reasonable attorneys' fees, payments to the holder of the Lien and costs and expenses of operating and maintaining the Equipment in excess of the proceeds derived from the NRUC Agreement and/or any Underlying Agreements.

15.3 Cumulative Remedies. The remedies in this Agreement provided in favor of the Owner shall not be deemed exclusive, but shall be cumulative, and shall be in addition

to all other remedies in his favor existing at law or in equity. The failure or delay of the Owner to exercise the rights granted him hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies. The singular or partial exercise of any such right shall also not preclude any other or further exercise thereof, or the exercise of any other right of the Owner hereunder.

Section 16. RETURN OF EQUIPMENT UPON DEFAULT.

16.1 Manager's Duty to Return. If the Owner shall terminate this Agreement pursuant to Section 15 hereof the Manager shall forthwith deliver possession of the Equipment to the Owner. For the purpose of delivering possession of any item of Equipment to the Owner as above required, the Manager shall at its own cost, expense and risk:

(a) Forthwith, but in any event within 35 days, assemble and place each such item of Equipment upon such storage tracks as the Owner may reasonably designate within the continental United States or, in the absence of such designation, as the Manager may select;

(b) Provide storage at the risk of the Manager for each item of Equipment on such tracks without charge for insurance, rent or storage until such Equipment has been sold or otherwise disposed of by the Owner; and

(c) Transport the Equipment to any place of interchange on the lines of a railroad within a 25-mile radius of such storage tracks, all as the Owner may reasonably direct upon not less than thirty-five (35) days' written notice to the Manager.

16.2 Specific Performance. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Agreement, and upon application to any court of equity having jurisdiction in the premises, the Owner shall be entitled to a decree against the Manager requiring specific performance of the covenants of the Manager to assemble, deliver, store and transport the Equipment.

16.3 Manager Waiver. The Manager hereby expressly waives any and all claims against the Owner and its assigns or agents for damages of whatever nature in connection with the retaking of any item of the Equipment in any reasonable manner.

Section 17. NRUC AGREEMENT.

It is hereby acknowledged that Manager is concurrently herewith entering into an amendment to the NRUC Agreement with NRUC pursuant to which NRUC will manage the Equipment for and on behalf of the Manager. It is further acknowledged that, in the event of termination of the NRUC Agreement, Manager may (subject to Section 18 hereof) enter into other Underlying Agreements relating to the management and use of the Equipment. Manager's obligations under this Agreement (other than for payment of Net Revenues) shall be deemed satisfied by compliance with the requirements hereof by NRUC and/or any Underlying User (as defined in the Purchase Agreement) under the NRUC Agreement and/or an Underlying Agreement, as the case may be, presently or hereafter in force as permitted hereby.

Section 18. USE OF EQUIPMENT.

In addition to and other than the NRUC Agreement and uses of the Equipment thereunder, Manager shall have the right during the term hereof to permit the management, control and use of the Equipment by, any party; provided, however, that in each such case Manager shall obtain the prior written consent of Owner which consent shall not be unreasonably withheld.

Except as provided below, Manager shall fully and timely perform and discharge its obligations under the NRUC Agreement and all Underlying Agreements, and Owner shall not (i) have any obligations or liabilities under the NRUC Agreement or any Underlying Agreement or (ii) be required or obligated in any manner to pay, perform or fulfill any obligations of Manager under the NRUC Agreement or any Underlying Agreement.

Manager shall forward to Owner full, complete and correct copies of all documents received by it relating to or creating agreements or arrangements relating to the use

and/or control of the Equipment, within 15 days after the making thereof.

If, upon the expiration or termination of this Agreement (including termination pursuant to Section 15 hereof), the NRUC Agreement or any Underlying Agreement is then in effect, the same shall not be cancelled or terminated and all of the rights of Manager under such NRUC or Underlying Agreement, including, without limitation, the right to all payments due or to become due to Manager under such NRUC or Underlying Agreement (except for rights, duties and obligations accrued or incurred prior to the date of the expiration or termination of this Agreement, including, without limitation, the right to receive sums or the obligation to pay sums accrued prior thereto, and the duty to pay or defend any claim arising from such NRUC or Underlying Agreements prior thereto), and all guarantees of the obligations of NRUC or pertinent Underlying Users shall be, ipso facto, automatically assigned to Owner; provided, however, that (a) Owner shall not bear or assume any obligations other than the obligation to permit the management and use of the Equipment by NRUC or Underlying Users and (b) such assignment shall be subject and subordinate to the interest of the holder of the Lien (as defined in the Purchase Agreement). In addition, Manager shall pay to Owner, at the time of the expiration or termination of this Agreement, an amount equal to all advance payment, if any, paid by Underlying Users on account of all periods after the expiration or termination of this Agreement, and, in the event Manager thereafter receives any sums on account of the NRUC Agreement or Underlying Agreements for periods subsequent to the expiration or termination of this Agreement, Manager shall promptly pay such sums to Owner. Promptly upon the request of Manager, Owner shall execute any and all documents requested by Manager to perfect the interest of the holder of the Lien in such NRUC and Underlying Agreements and subordinate its interests therein.

Section 19. REPLACEMENT OF EQUIPMENT.

In the event Manager is required to replace any item of Equipment pursuant to Section 12 of this Agreement (as in the case of destruction of the Equipment), Manager shall replace such item with any item or items of like kind equipment (such as another similar railroad box car) reasonably satisfactory to Owner (the "Replacement Equipment");

provided, however, that (a) Manager transfers to Owner (by bill of sale or other documents necessary to affect such transfer) such Replacement Equipment, free and clear of all security interests, liens, leases, claims, charges and encumbrances, except as expressly permitted below, (b) such Replacement Equipment has a fair market value at the time of such replacement equal to, or greater than, the fair market value of the Equipment replaced (the "Replaced Equipment") immediately prior to the damage or destruction requiring its replacement, (c) such Replacement Equipment has a useful life for tax depreciation purposes equal to (or less than) the useful life for tax depreciation purposes of the Replaced Equipment, and (d) either (i) such Replacement Equipment is new equipment eligible for an investment tax credit under Section 38 (and related sections) of the Internal Revenue Code of 1954, as amended, in an amount at least equal to the amount of any investment tax credit that may be recaptured by Owner with respect to the Replaced Equipment, or (ii) simultaneously with such replacement, Manager pays to Owner an amount equal to two hundred percent (200%) of the difference between any investment tax credit that may be recaptured by Owner with respect to the Replaced Equipment and the investment tax credit for which the Replaced Equipment is eligible. Any item or items of Replacement Equipment may be subject to the security interests of Manager under the Limited Recourse Note and the holders of the Lien.

Manager shall give Owner at least (10) days prior notice of the replacement of Equipment hereunder, which notice shall include (x) a description and a statement of the fair market value of the item or items of Replaced Equipment and the proposed Replacement Equipment, (y) copies of any and all leases, security agreements and other documents relating to security interests, liens, leases or encumbrances imposed or to be imposed, as permitted hereunder, on the item or items of proposed Replacement Equipment and (z) a statement of the amounts secured by security interests, liens and encumbrances on the item or items to be replaced and on the proposed Replacement Equipment.

Effective upon such replacement, all incidents of Manager's interest as Manager hereunder in the Replaced Equipment ipso facto shall cease and terminate automatically and the Replacement Equipment shall become Equipment managed hereunder instead of the Replaced Equipment. In addition, effective upon such replacement, all of Owner's right, title and

interest in and to the Replaced Equipment shall be automatically assigned and shall pass to Manager and Owner shall have no further interest therein.

Section 20. NO TRANSFER BY MANAGER.

Manager shall not, without first obtaining the written consent of Owner, which consent shall not be unreasonably withheld or delayed, sell, assign or transfer any or all of its rights or interests in, to or under this Agreement or the Equipment, except under the NRUC Agreement or an Underlying Agreement or a lease or other arrangement permitted by the provisions of Sections 17 and 18 hereof or in accordance with a refinancing permitted under Section 4 of the Purchase Agreement, but in any event Manager named herein shall remain liable for the full performance of all of the obligations of Manager under this Agreement.

Section 21. SUCCESSORS AND ASSIGNS.

Subject to the provisions of Section 20, all covenants and agreements contained in this Agreement shall bind the successors, assigns and transferees of Manager and Owner and shall inure to the benefit of the successors, assigns, and transferees of Manager, to the extent assignment is permitted hereunder, and Owner, in the same manner and to the same extent and with like effect as if such successors and assigns were named in such covenants and agreements and were made parties to this Agreement. Except as provided for in this Section 21, nothing contained in this Agreement is intended to create any rights in any third persons, including, without limitation, NRUC or any Underlying Users or any persons claiming through or under NRUC or any Underlying Users.

Section 22. NOTICES.

Any notice, request or other communication to either party hereunder shall be given in writing and shall be deemed given on the earlier of the date the same is (i) personally delivered with receipt acknowledged or (ii) mailed by certified or registered mail, return receipt requested, postage

prepaid, and addressed to the party for which intended at its address set forth at the head of this Agreement together with a copy thereof to such single additional addressee as a party may request by notice to the other. The person and the place to which notices or copies of notices are to be given to either party may be changed from time to time by written notice to the other party.

Section 23. GOVERNING LAW.

This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania applicable to contracts made and to be performed therein without giving effect to the principles of conflict of laws thereof; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof or of any financing statement or other document relating hereto, if any, as shall be conferred by the laws of the jurisdictions in which this Agreement or such financing statement or other document shall be filed, recorded or deposited.

Section 24. FURTHER ASSURANCES.

Each party hereto shall execute and deliver all such further instruments and documents as may reasonably be requested by the other party in order to fully carry out the intent and accomplish the purposes of this Agreement and the transactions referred to herein.

Section 25. CAPTIONS.

Captions used herein are inserted for reference purposes only and shall not affect the interpretation or construction of this Agreement.

Section 26. EXECUTION.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 27. SEVERABILITY.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision.

Section 28. AMENDMENTS.

This Agreement may be amended or varied only by a document, in writing, of even or subsequent date hereto, executed by Owner and Manager.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

OWNER: SHERWIN I. POGRUND

MANAGER: FUNDING SYSTEMS RAILCARS, INC.

By:

STATE OF ILLINOIS)
: ss.:
COUNTY OF COOK)

On this 27th day of September, 1978, before me personally appeared Thomas D. Poysund to me personally known, who being by me duly sworn, did depose and say that he is the individual described in and who executed the foregoing instrument; and he acknowledged that the execution of the foregoing instrument was his free act and deed.

Eileen C. Turner
Notary Public

(SEAL)

STATE OF New York)
: ss.:
COUNTY OF New York)

On this 28th day of September, 1978, before me personally appeared STANLEY B. SCHEINMAN to me personally known, who being by me duly sworn, did depose and say that he is the President of FUNDING SYSTEMS RAILCARS, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Robert D. Marafioti
Notary Public

(SEAL)

ROBERT D. MARAFIOTI
Notary Public, State of New York
New York County, N.Y.
Commission Expires March 30, 1980
No. 31-4602686

SCHEDULE A

Maximum Net Revenues payable to Owner under Section 2.1 hereof shall be as follows:

(a) $44,000 for the calendar year 1979, payable in three quarterly installments of up to $14,666.67 each on the last day of April, July and October of such year;

(b) $44,000 for the calendar year 1980, payable in four quarterly installments of up to $11,000 each;

(c) $84,500 for the calendar year 1981, payable in four quarterly installments of up to $21,125 each;

(d) $278,247 for the calendar year 1982, payable in four quarterly installments of up to $69,561.75 each;

(e) $282,247 for each of the calendar years 1983 through 1985, payable in four quarterly installments per year of up to $70,561.75 each;

(f) $304,747 for the calendar year 1986, payable in four quarterly installments of up to $76,186.75 each;

(g) $317,247 for the calendar year 1987, payable in four quarterly installments of up to $79,311.75 each;

(h) $347,247 for the calendar year 1988, payable in four quarterly installments of up to $86,811.75 each;

(i) $392,247 for each of the calendar years 1989 through 1993, payable in four quarterly installments per year of up to $98,061.75 each; and

(j) $130,749 for the four-month period ended April 30, 1994, payable in two installments of up to $98,061.75 and $32,687.25 each due on January 31, 1994 and April 30, 1994, respectively.

All quarterly installments shall be payable on the last day of January, April, July and October of each year. No payments shall be due in 1978 or on January 31, 1979. Notwithstanding anything herein to the contrary, if, at the time of payment of the October 31 installment in any year, Net Revenues for such year exceed the above applicable maximum for such year and the installments of Net Revenues (including such October 31 installment) paid to Owner in such year do not equal such applicable maximum, Manager shall pay to Owner, at the time of payment of such October 31 installment, an additional amount equal to such deficiency.

EXHIBIT I

CASUALTY VALUE

Casualty Value for each item of Equipment shall be an amount equal to a percentage of the Purchase Price of each item of Equipment determined as follows:

Net Revenues Payment Period	Percentage of Purchase Price
Date hereof - October 15, 1979	100%
October 16, 1979 - December 15, 1979	98.75%

Each similar three month period thereafter the Casualty Value shall be reduced 1.25% until 25% is reached at which time no further reduction will occur.