RECORDATION NO. 9745-B

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INTERSTATE COMMERCE COMMISSION

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OCT 6 1978

Date

Fee $ 50

ICC Washington, D. C.

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This goes under the No. given the Conditional Sale Agreement

October 5, 1978

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I.C.C.
FEE OPERATION BR.

Richmond, Fredericksburg and Potomac Railroad Company
Financing Dated as of July 15, 1978
9-1/4% Conditional Sale Indebtedness
Due April 1, 1996

[CS&M Ref.: 2043-850]

Dear Sirs:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Richmond, Fredericksburg and Potomac Railroad Company, for filing and recordation, counterparts of the following:

-B

(a) Lease of Railroad Equipment dated as of July 15, 1978, between Rex Railways, Inc. and Richmond, Fredericksburg and Potomac Railroad Company.

The addresses of the parties to the aforementioned Lease are:

Lessor:

Richmond, Fredericksburg and
Potomac Railroad Company,
2134 West Laburnum Avenue,
Richmond, Virginia 23230.

Lessee:

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

The equipment covered by the aforementioned Lease consists of 186 4,750 cubic feet standard 100-ton covered hopper cars bearing the road numbers of the lessee RREX 4101-4286 and also bearing the legend "Ownership Subject to a Security Agreement Filed under the Interstate Commerce Act, Section 20c".

Enclosed is our check for $50 for the required recordation fee. Please accept for recordation one copy of the enclosed Lease, stamp the remaining copies with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,

Steven M. Berzin,
as Agent for Richmond,
Fredericksburg and Potomac
Railroad Company

Interstate Commerce Commission,
Washington, D. C. 20423

Attention of Mr. H. G. Homme, Jr.,
Acting Secretary.

Encls.

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BY HAND

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RECORDATION NO. ..... Filed 1425
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INTERSTATE COMMERCE COMMISSION

[CS&M Ref: 2043-850]

LEASE OF RAILROAD EQUIPMENT

between

RICHMOND, FREDERICKSBURG AND
POTOMAC RAILROAD COMPANY

and

REX RAILWAYS, INC.

Dated as of July 15, 1978

[Covering 186 Standard 100-Ton

Covered Hopper Cars]

LEASE OF RAILROAD EQUIPMENT

TABLE OF CONTENTS

		Page
§ 1.	Assignment of Purchase Order; Delivery and Acceptance of Units	L-1
§ 2.	Rentals	L-3
§ 3.	Term of Lease	L-5
§ 4.	Identification Marks	L-5
§ 5.	Taxes	L-6
§ 6.	Payment for Casualty Occurrences; Insurance	L-8
§ 7.	Reports	L-9
§ 8.	Disclaimer of Warranties; Compliance With Laws and Rules; Maintenance; Indemnification	L-10
§ 9.	Default	L-12
§ 10.	Return of Units Upon Default	L-15
§ 11.	Assignment; Possession and Use; Indemnification Agreement	L-16
§ 12.	Extension Options; Right of First Refusal	L-19
§ 13.	Return of Units Upon Expiration of Term	L-21
§ 14.	Opinion of Counsel	L-22
§ 15.	Income Taxes	L-23
§ 16.	Recording; Expenses; Recalculation	L-30
§ 17.	Interest on Overdue Rentals	L-31
§ 18.	Notices	L-31
§ 19.	Severability; Effect and Modification of Laws	L-32

Page

§ 20. Execution L-32

§ 21. Law Governing L-32

LEASE OF RAILROAD EQUIPMENT dated as of July 15, 1978, between RICHMOND, FREDERICKSBURG AND POTOMAC RAILROAD COMPANY, a Virginia corporation (the "Lessor"), and REX RAILWAYS, INC., a New Jersey corporation (the "Lessee").

WHEREAS the Lessor has entered into a Conditional Sales Agreement dated as of the date hereof (the "CSA"), with PULLMAN INCORPORATED (Pullman Standard Division) (the "Builder"), wherein the Builder has agreed to manufacture, sell and deliver to the Lessor the railroad equipment described in Annex A hereto;

WHEREAS the Builder has assigned certain of its interests in the CSA to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (hereinafter, together with its successors and assigns, called the "Vendor");

WHEREAS the Lessor has entered into a Finance Agreement dated as of the date hereof (the "Finance Agreement") with the Vendor and several investors (the "Investors") as named in Schedule A thereto;

WHEREAS the Lessee desires to lease all the units of such equipment, or such lesser number as are delivered and accepted and to be settled for under the CSA on or prior to June 30, 1979 (hereinafter called the "Units"), at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS REX-NORECO, INC. (the "Guarantor") has agreed to guarantee the obligations of the Lessee hereunder pursuant to a Guaranty Agreement dated as of the date hereof (the "Guaranty") between the Guarantor and the Lessor;

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, but subject to all the rights and remedies of the Vendor under the CSA:

§ 1. Assignment of Purchase Order; Delivery and Acceptance of Units. The Lessee hereby assigns, transfers

and sets over unto the Lessor, its successors and assigns all the right, title and interest of the Lessee in and to any contractual arrangements with the Builder (such arrangements being hereinafter called the Purchase Order), insofar as the Purchase Order relates to the Units; provided, however, that it is understood and agreed that all obligations of the Lessor to the Builder under the Purchase Order shall be superseded by the CSA, and the obligations of the Lessor to purchase and pay for the Units shall be exclusively and completely governed by, and subject to, the conditions provided herein and in the CSA.

The Lessee covenants with the Lessor and the Builder as a third party beneficiary hereof that, in the event of the exclusion of any Unit from the CSA as provided in the second paragraph of Article 2 and in Article 3 thereof, or in the event the Lessor is relieved of its obligations under the CSA to accept or pay for any and all Units in accordance with the terms of the CSA for any reason whatsoever, the Lessee will be obligated to accept all such Units completed and delivered by the Builder and to pay the full purchase price therefor when due, all in accordance with the terms of the Purchase Order therefor, and the Lessor will reassign, transfer and set over to the Builder or the Lessee, as their respective rights shall appear, all the rights, title and interest of the Lessor in and to the Units so excluded and the Purchase Order to the extent relating thereto.

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee, at its own expense, will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and to execute and deliver to the Lessor and to the Builder a certificate of acceptance (the "Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been delivered, inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 4 hereof and Article 9 of the CSA; 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.

§ 2. Rentals. The Lessee agrees to pay to the Lessor as rental (a) in respect of each Unit delivered and accepted prior to July 1, 1979, an amount equal to 0.02599067% of the Purchase Price (as such term is defined in the CSA and including any taxes, delivery costs or miscellaneous expenses assumed and paid by the Lessor) of each such Unit subject to this Lease for each day elapsed from and including the date of acceptance of delivery of such Unit to and including June 30, 1979, such rental to be payable in arrears to the extent accrued on the first day of the calendar month following the date of acceptance of delivery of such Unit and in advance on the first day of each calendar month prior to July 1, 1979, following the date of acceptance of delivery of such Unit, and (b) 216 consecutive monthly rental payments payable in advance on the first day of each month, commencing July 1, 1979, each in an amount equal to 0.779720% of the Purchase Price (as hereinabove computed) of each Unit subject to this Lease on the first day of such month (the "Advance Monthly Rentals").

In addition to the foregoing rentals, the Lessee agrees to pay to the Lessor as additional rentals amounts which, after deduction of any taxes payable in respect of such additional rental amounts, will be equal to the amounts required by the Lessor to make the payments provided for (a) in the penultimate sentence of the first paragraph of Paragraph 4 of the Finance Agreement and (b) in the penultimate paragraph of Paragraph 4 of the Finance Agreement on the dates the Lessor is required to make such payments and the Lessor agrees to apply such rentals for such purposes.

The rental payments hereinbefore set forth are subject to adjustments pursuant to §§ 15 and 16 hereof. If any of the monthly rental payment dates referred to above is not a business day (as defined in the CSA), the monthly rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New Jersey or Virginia are authorized or obligated to remain closed.

All rental and other payments provided for in this

Lease shall be made to the Lessor in funds available to the Lessor in Richmond, Virginia, on the date such payments are due, by depositing such funds to the account of the Lessor at First & Merchants National Bank, Richmond, Virginia, or at such other place as the Lessor shall specify in writing.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff 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 the Builder or the Vendor 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 the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future laws 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.

§ 3. <u>Term of Lease.</u> The term of this Lease as

to each Unit shall begin on the date of the acceptance of delivery by the Lessee of such Unit and, subject to the provisions of §§ 6, 9 and 12 hereof, shall terminate on June 30, 1997.

Notwithstanding anything to the contrary contained herein, all rights and obligations under this Lease and in and to the Units are subject to the rights and remedies of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 4. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Annex A hereto, or in the case of any Unit not therein listed, such identifying 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 following words:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT
FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20C
RICHMOND, FREDERICKSBURG AND POTOMAC RAILROAD
COMPANY, CONDITIONAL SALE VENDEE, 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 and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and words which may be removed, defaced or destroyed. The Lessee will not change the identifying 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 Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect set forth in subparagraph C of § 14 hereof in respect of such statement.

Except as above provided, 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; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee, any permitted sublessee or their respective affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

§ 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, including, without limitation, any ad valorem and property taxes (other than (except as otherwise provided in this Lease) any United States Federal income tax [and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of the rentals or other payments provided for herein and other than the aggregate of all state, county or city income taxes or franchise taxes measured by net income based on such receipts, or gross receipts taxes [other than gross receipts taxes in the nature of sales or use taxes], up to the amount of any such taxes which would be payable to the state, county and city in which the Lessor has its principal place of business without apportionment to any other state, 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), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions) hereafter levied or imposed upon or in connection with or measured by this Lease or any manufacture, acceptance, rejection, sale, rental, use, payment, operation, maintenance, shipment, delivery, storage or transfer of title under the terms hereof or the CSA (except to the extent included in the term "Purchase Price" as used in § 2 hereof), or any manufacturer's warranty or indemnity, 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. The Lessee will also pay promptly all impositions which 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 solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and

clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions 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, property or rights of the Lessor hereunder or the Vendor under the CSA. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor. The determination of whether the Lessor receives credit for any foreign tax shall be based on the assumption that the Lessor receives credit for all other items available to it before it receives credit for taxes indemnified by the Lessee hereunder.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to Article 6 of the CSA not covered by the foregoing paragraph of this § 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to such Article.

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

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 5 shall be an amount sufficient to restore the Lessor to the same net after tax rate of return and after tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that the Lessor would have been in had such imposition not been imposed.

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 § 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

§ 6. Payment for Casualty Occurrences; Insurance. In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (such occurrences being hereinafter called "Casualty Occurrences"), during the term of this Lease, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor with respect thereto and the Lessee shall, on the first day of the earlier of the month of April and the month of October next succeeding notice of such Casualty Occurrence, pay to the Lessor a sum equal to the Casualty Value of such Unit as of the date of such payment (the "Casualty Payment Date"). Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the Casualty Payment Date on which payment is to be made as aforesaid shall be

(a) for each Casualty Payment Date on or before October 1, 1997, that percentage of the Purchase Price of such Unit as is set forth in Annex B hereto opposite such date,

(b) for each Casualty Payment Date, if any, after October 1, 1997, and on or prior to October 1, 2000, the "Fair Market Value" (as defined in § 12 hereof) of such Unit on the date following the termination of the original term of this Lease, and

(c) for each Casualty Payment Date, if any, after October 1, 2000, the Fair Market Value of such Unit on the date following the termination of the first extension of the term of this Lease pursuant to § 12 hereof,

plus, on any Casualty Payment Date with respect to a Casualty Occurrence occurring on or before the third, fifth or seventh anniversary of the date of the Certificate of Acceptance for such Unit an amount equal to the percentage of the Purchase Price of such Unit suffering a Casualty Occurrence set forth below:

Anniversary of the date of the Certificate of Acceptance		Percentage of Purchase Price to be added
Third	20.969722	~~6.989907~~
Fifth		13.979815
Seventh	6.989907	~~20.969722~~

Except as hereinabove in this § 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 after delivery to and acceptance thereof by the Lessee hereunder.

Any condemnation payments received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee in respect of Casualty Occurrences pursuant to this § 6. If the Lessor shall receive any such condemnation payments after the Lessee shall have made payments pursuant to this § 6 without deduction of such condemnation payments, the Lessor shall pay such condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such condemnation payments shall remain the property of the Lessor.

The Lessee will, at all times prior to the return of the Units to the Lessor, at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto; provided, however, that the property insurance policies in respect of such Units may contain such deductibility provisions as are reasonable in the opinion of the Lessor; and (ii) public liability insurance with respect to third party personal and property damage; and the Lessee will continue to carry such property insurance and public liability insurance in such amounts and for such risks and with such insurance companies as is, in each case, satisfactory to the Lessor and as is consistent with prudent industry practice but in any event at least comparable in amounts and against risks customarily insured

against by the Lessee in respect of equipment owned or leased by it similar in nature to the Units. The proceeds thereof shall be payable to the Vendor, the Lessor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the CSA shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor and the Vendor and (ii) name the Lessor and the Vendor as additional named insureds as their respective interests may appear and in the event such policies shall contain breach of warranty provisions such policies shall provide that in respect of the interests of the Lessor and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor) and shall insure the Lessor and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor). If the Lessee shall fail to provide for the foregoing insurance, the Lessor may procure such insurance and the Lessee shall, upon demand, reimburse the Lessor for all outlays for such insurance with interest thereon computed at the rate of 10% per annum.

§ 7. Reports. On or before March 31 in each year, commencing with the year 1980, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of the Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year (or since the date of this Lease, in the case of the first such statement) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the numbers and markings required by § 4 hereof and Article 9 of the CSA have been preserved or replaced. The Lessor and the Vendor shall have the right, by their respective agents, to inspect the Units and the Lessee's records with respect thereto, at such reasonable times as the Lessor or the Vendor may request during the continuance of this Lease.

So long as this Lease or any extension thereof shall remain in effect, the Lessee will cause to be delivered to the Lessor (i) as soon as practicable after the end of each quarterly fiscal period in each fiscal year of the Guarantor and in any event within 90 days thereafter, copies of the consolidated balance sheet of the Guarantor as of the end of each such quarter and consolidated statements of income and surplus of the Guarantor for each such quarter, setting forth in each case in comparative form the figures for the previous quarterly fiscal period, as furnished to the stockholders of the Guarantor; (ii) as soon as practicable after the end of each fiscal year of the Guarantor, and in any event within 120 days thereafter, copies of the consolidated balance sheet of the Guarantor at the end of such year and consolidated statements of income and of surplus of the Guarantor for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an opinion thereon of independent certified public accountants of recognized national standing selected by the Guarantor; (iii) as soon as available, any prospectus issued in connection with a public offering of the Guarantor's securities; (iv) upon request, with reasonable promptness, copies of any reports of the Guarantor filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934; and (v) with reasonable promptness, such other data as from time to time may reasonably be requested.

§ 8. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; and 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, NOR ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for account of the Lessor and/or the Lessee, as their interests may appear, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the CSA. The Lessee's delivery of a Certificate of Acceptance shall be

conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, 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 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 the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any 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, 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 or the Vendor, adversely affect the property or rights of the Lessor or the Vendor hereunder or under the CSA.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair and faithfully meet its obligations in respect of the condition of the Units upon expiration of the term of this Lease as set out in § 13 hereof.

Any and all additions to any Unit 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 of any lien, charge, security interest or other encumbrance (except for those created by the CSA) shall immediately be vested in the Lessor and the Vendor as their respective interests appear in the Unit itself.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor 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 the CSA or 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 § 13 of this Lease; provided, however, that the foregoing indemnification shall not apply to any failure of payment of the principal of or interest on the CSA Indebtedness (as defined in the CSA) and shall not be deemed to operate as a guarantee of the residual value of any Unit. 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 termination 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, file 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 or the Vendor of the Units or the leasing thereof to the Lessee.

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

A. default shall be made in the payment of any part of the rental provided in § 2 hereof, and such default shall continue for ten days after written notice thereof;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of 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 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

D. any proceedings shall be commenced by or against the Lessee or the Guarantor under any bankruptcy or insolvency laws, or laws 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 Lessee under this Lease or of the Guarantor under the Guaranty, as the case may be, 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 the Guarantor, as the case may be, or for the property of the Lessee or the Guarantor, as the case may be, 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 proceeding 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 determine as though this Lease had never been made, but the Lessee shall remain liable as hereinafter 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 thenceforth 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 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 rentals for such Unit 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, if any, of the rentals which the Lessor reasonably estimates to be obtainable by the Lessor for the use of the Unit during such period, such present value to be computed in each case on a basis of a 9-1/4% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses 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 any amount payable to the Lessor by the Lessee pursuant to § 5 or § 15 hereof.

In addition, the Lessee shall be liable for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, 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 rental 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 right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 10. Return of Units Upon Default. If this Lease shall terminate pursuant § 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. 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 (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks in the continental United States of America as the Lessor reasonably may designate, or, in the absence of such designation, as the Lessee may select;

B. permit the Lessor to store such Units on such tracks at the risk of the Lessee until such Units have been sold, leased or otherwise disposed of by the Lessor; and

C. cause any or all of the Units to be moved to such interchange point or points in the continental United States of America as shall be designated by the Lessor upon any sale, lease or other disposal of such Units.

The assembling, delivery, storage 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 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; 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.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 11. Assignment; Possession and Use; Indemnification Agreement. 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.

So long as there shall be no default under this Lease or under the CSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and the CSA, 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 by operation of law or otherwise, except as hereinafter provided in this § 11.

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 the Vendor or resulting from claims against the Lessor or the Vendor 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, the Vendor 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 this § 11 hereinafter. The Lessee represents and warrants to the Lessor that the Units are to be used in connection with interstate commerce.

So long as there shall be no default under this Lease or the CSA, the Lessee shall be entitled to the

possession of the Units and 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, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease and the CSA; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to 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 § 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 any default under any provision of this Lease.

The Lessee shall have the right to sublease any or all of the Units from time to time to one or more sublessees (but not for use in handling corrosive commodities without the consent of the Lessor), for terms not to extend beyond June 30, 1997, but only upon and subject to all the terms and conditions of this Lease and of the CSA; provided, however, that every such sublease shall be subject to the rights and remedies of the Vendor under the CSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default thereunder or an Event of Default hereunder and that no such sublease shall relieve the Lessee of its obligations to the Lessor under this Lease.

As a condition precedent to any sublease being permissible under the preceding paragraph, the Lessee shall

assign to the Lessor the Lessee's interest in such sublease and the Lessee's rights to the rentals and other payments due thereunder, such assignment to be effective upon the occurrence of an Event of Default under this Lease. In addition, any such subleases shall be subject to the right (but not the obligation) of the Lessor, upon the occurrence of an Event of Default under this Lease, to assume any or all of the Lessee's obligations as sublessor and/or to replace the Lessee as sublessor under such sublease.

All the rights of the Lessor hereunder (including but not limited to the rights under §§ 5, 6, 9 and 15 hereof) shall inure to the benefit of the Lessor's assigns, and whenever the term Lessor is used in this Lease, it shall apply and refer to each assignee of the Lessor.

§ 12. Extension Options; Right of First Refusal. Provided that this Lease has not earlier been terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than 180 nor more than 360 days prior to the end of the original term or any extended term of this Lease, as the case may be, elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for an additional two-year period commencing on the scheduled expiration of the original term or any extended term of this Lease, as the case may be, provided that no such extended term may extend beyond June 30, 2003, at a rental payable in monthly payments in advance on the first day of each month of such extended term equal to the "Fair Market Rental" at the start of each extended term.

The Lessor intends to hold the Units for re-lease at the end of the term of this Lease. However, provided that this Lease has not been earlier terminated pursuant to § 9 hereof, in the event the Lessor elects to sell any of the Units at or within 180 days after the expiration of the term of this Lease as extended pursuant to the first paragraph of this § 12, the Lessee, at its written request, shall be given at least 20 days' prior written notice of such intention. The Lessee shall have the sole right and option for a period of 20 days from the date of receipt of such notice to purchase such Units for cash at the price at which the Units are proposed to be sold but not less than a price equal to the Fair Market Value thereof. The Lessee shall exercise such purchase right by delivery to the Lessor of a written notice within said 20 day period specifying a date of

purchase, which date shall not be later than 15 days after the date of delivery of such notice by the Lessee to the Lessor. In the event that the Lessee shall have delivered a notice of its election to purchase such Units and the Lessee continues in possession of any such Units, the provisions of this Lease (including the obligation to pay rent) shall continue to apply with respect to such Units upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase.

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

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 on or before four months prior to the expiration of the term of this Lease or any extension thereof, as the case may be, 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 a qualified Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor may select with the approval of the Lessee, or failing such approved selection, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 20 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so

made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If on or prior to the valuation date the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such value shall be determined in accordance with the foregoing definition by an Appraiser. The Appraiser shall be instructed to make such determination within a period of 20 days following appointment and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

§ 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 with respect to any Units, the Lessee will (unless such Units are sold to the Lessee) permit the Lessor to store such Units on such tracks as the Lessee may select for a period not exceeding 90 days from the date at which at least 90% of such Units are first placed in storage pursuant to this § 13 and will deliver such Units, on a one-time basis, to any interchange point in the continental United States of America, as directed by the Lessor, the movement and storage of such 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 such Units, 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. 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. Each Unit returned to the Lessor pursuant to this § 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. All gross amounts earned in respect of any Unit shall, from and after the termination of this Lease as to such Unit, belong to and be the property of the Lessor. In the event that by the 90th day after the termination of the original or any extended term of this Lease the Lessee has not, at the request of the Lessor, caused at least 90% of the Units to be transported to such point or points as shall have been designated by the Lessor pursuant to this § 13, the Lessee shall pay to the Lessor the per diem interchange multiplied by the number of Units equal to the difference between 90% of such Units and the number of Units previously delivered pursuant to this § 13 (such number to be determined on each day) for each day from such 90th day to the date on which at least 90% of the Units have been so transported. If, after the termination of the storage period provided in this § 13, any Units have not been so transported, the Lessee shall pay to the Lessor the per diem interchange for each Unit not so transported for each day after the end of such storage period until such Unit or Units have been so transported.

§ 14. Opinion of Counsel. Prior to the First Delivery Date (as defined in the CSA) the Lessee will deliver to the Lessor the written opinion of counsel for the Lessee and the Guarantor, addressed to the Lessor, in scope and substance satisfactory to the Lessor, and its counsel, to the effect that:

A. the Lessee and the Guarantor are corporations legally incorporated, validly existing and in good standing under the laws of the State of New Jersey, with adequate corporate power to own their properties and to carry on their business as now conducted and to enter into this Lease and the Guaranty, respectively;

B. this Lease and the Guaranty have been duly authorized, executed and delivered by the Lessee and

the Guarantor, respectively, and constitute legal, valid and binding agreements of the Lessee and the Guarantor, respectively, enforceable in accordance with their terms;

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

D. no approval is required from any public regulatory body with respect to the entering into or performance of this Lease or the Guaranty by the Lessee and the Guarantor, respectively;

E. the entering into and performance of this Lease and the Guaranty will not result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee or the Guarantor is a party or by which it may be bound; and

F. 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 interests 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; provided, however, that such liens may attach to the rights of the Lessee hereunder in and to the Units.

§ 15. Income Taxes. The Lessor, as the owner of the Units, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended (the "Code"), and state and local taxing statutes, to an owner of property, including, without limitation, (i) the maximum depreciation deduction (calculated on the assumption that the Units will be placed in service in the half of the Lessor's taxable year during which the Units become subject to the Lease) authorized under section 167 of the Code and Virginia state and local taxing statutes with respect to the basis of the Units under section 167(g) of the

Code, which basis shall be at least equal to the full Purchase Price thereof and all other items properly includible in basis under section 1012 of the Code (the "Basis"), using the half-year convention for deliveries in 1978, and, at Lessor's election, either the half year convention or the modified half year convention for deliveries in 1979, and computed on the basis of the double-declining balance method of depreciation authorized by section 167(b)(2) of the Code, switching, without the consent of the Commissioner of Internal Revenue, to the sum-of-the-years-digits method of depreciation authorized by section 167(b)(3) of the Code when most beneficial to the Lessor, over an asset depreciation period of 11 years, to a net salvage value of zero (the "ADR Deduction"), (ii) deductions with respect to interest payable under the CSA pursuant to section 163 of the Code and Virginia state and local taxing statutes (the "Interest Deduction"), and (iii) the investment credit pursuant to section 38 and related sections of the Code for each Unit in the taxable year of the Lessor in which such Unit becomes subject to this Lease equal to at least 10% of the Basis of such Unit (the "Investment Credit").

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 and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

Notwithstanding anything contained in § 11 hereof, the Lessee represents and warrants that (i) all the Units constitute property the full Basis of which qualifies for the 10% Investment Credit under section 50 and related sections of the Code; (ii) at the time the Lessor becomes the owner of the Units, the Units will constitute "new section 38 property" within the meaning of section 48(b) of the Code and at the time the Lessor becomes the owner of the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iii) at all times during the term of this Lease, each Unit will constitute "section 38 property" within the meaning of section 48(a) of the Code and will not be used predominantly outside the United States within the meaning of said section 48(a); (iv) the Lessee will maintain sufficient records to verify such use; (v) upon request of the Lessor,

the Lessee will provide written reports establishing such use; (vi) at the time the Lessor becomes the owner of any Unit, no investment credit, depreciation or other tax benefits will have been claimed by any person with respect thereto; (vii) the Units are depreciable over an "asset depreciation range" of eleven years; (viii) the basis of each Unit under section 167(g) of the Code shall be equal to its Basis; (ix) the estimated useful life of the Units is at least 24 years, the estimated fair market value of each Unit at the end of the Lease term is at least 20% of the Basis thereof, and the Units are not "limited use property" within the meaning of Rev. Proc. 75-21 or 76-30; (x) each Unit will be placed in service on the date such Unit becomes subject to this Lease; and (xi) the Lessor shall be entitled to treat each item of income, deduction and credit with respect to this Lease as attributable to sources within the United States.

If for any reason (including the inaccuracy in law or in fact of the representations and warranties set forth in the preceding paragraph or any act or omission of the Lessee or the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee in connection with any application for ruling of the Internal Revenue Service or otherwise or, with respect to any Unit, any change in the Code or the regulations issued thereunder that is effective on or prior to the date of acceptance of delivery of such Unit hereunder) the Lessor shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture all or any portion of the Investment Credit, the ADR Deduction, or the Interest Deduction with respect to all or part of any Unit or shall not be entitled to treat any item of income, deduction or credit with respect to this Lease as attributable to sources within the United States or, without limiting the effect of any other provision of this Lease, if there is any amendment to, or change in, the Code, which, with respect to any Unit, is enacted or adopted on or prior to the date of acceptance of delivery of such Unit, and such amendment or change decreases the Federal rate of tax on taxable income of corporations below 48% (any such event being hereinafter called a "Loss"), then the rentals for the Units set forth in § 2 hereof shall, on the next succeeding rental payment date after written notice to the Lessee by the Lessor of such fact, be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, maintain the Lessor's after-tax economic and accounting return on and rate of recovery of investment and the annual net cash flow (computed on the same assumptions as utilized by the Lessor in originally entering into this transaction) (hereinafter called the "Net Return") that would have been realized by the Lessor if such Loss had not occurred, and the Lessee shall forthwith pay to

the Lessor as additional rental an amount which, when reduced by all taxes payable in respect of the receipt of such amount, shall be equal to the amount of any interest and/or penalties which may be assessed against the Lessor attributable to such Loss; provided, however, that such rental rate shall not be so increased and such additional rental shall not be paid if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of or shall have been required to recapture all or any portion of the Investment Credit, the ADR Deduction or the Interest Deduction with respect to all or part of a Unit solely as a direct result of the occurrence of any of the following events:

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid or shall pay to the Lessor the amounts stipulated under § 6 hereof;

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

(iii) the failure of the Lessor to claim in a timely manner the Investment Credit, the ADR Deduction or the Interest Deduction (unless the Lessor shall have received an opinion of its tax counsel to the effect that it is not entitled to claim such Investment Credit, ADR Deduction or Interest Deduction);

(iv) the failure of the Lessor to have sufficient liability for Federal income tax against which to credit such Investment Credit or sufficient income to benefit from the ADR Deduction or the Interest Deduction, as applicable; or

(v) any change in the Code or the regulations issued thereunder not provided for above.

The determination of any foreign tax credit of the Lessor shall be based on the assumption that the Lessor receives credit for all other items available to it before it receives credit for any item indemnified hereunder.

The Lessor agrees that if, in the opinion of its or the Lessee's independent tax counsel (herein referred to as Counsel), a bona fide claim by the Lessor to all or a portion of the ADR Deduction, the Investment Credit or the Interest Deduction on any Unit exists in respect of which the Lessee would otherwise be required to pay to the Lessor pursuant to the immediately preceding paragraph increased rental and additional rental in respect of any interest and/or penalty, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by such Counsel in order to sustain such claim; 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 which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested; provided further, however, that the Lessor, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences in respect of such claims and may proceed with such claims in such forum or forums as the Lessor in its sole judgment shall select. The Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the ADR Deduction, the Investment Credit or the Interest Deduction on any Unit (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 and additional 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 all taxes payable in respect of the receipt of such amount, shall be equal to the amount of all interest and penalty paid by the Lessor in respect of such final determination, together with interest thereon from the date such payment is made by the Lessor to the date the Lessee reimburses the Lessor therefor at the prime rate of The Chase Manhattan Bank, National Association, for large commercial borrowers (the "Prime Rate") in effect on the date 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 all taxes payable in respect of the receipt of such amount, shall be equal to the amount of all interest and penalty paid by the Lessor included in such Tax Payment. In such case, if the final determination shall be in favor of the Lessor, the rental payable by the Lessee to the Lessor shall be reduced to the rental rate that would have been in effect if such increase had not been made (or such reduction shall be made proportionately if the final determination is partly in favor of and partly adverse to the Lessor) and such reduced rental shall be payable by the Lessee on the rental payment date next succeeding such final determination and thereafter. In addition, the Lessee and the Lessor shall adjust their accounts so that (a) the Lessor pays to the Lessee (x) an amount equal to the increase in rentals theretofore paid by the Lessee to the Lessor (or a proportionate part thereof if the final determination is partly in favor of and partly adverse to the Lessor) on or before such next succeeding rental payment date together with interest thereon at the Prime Rate for the period such increase in rentals was paid to the Lessor to the date the Lessor pays to the Lessee an amount equal to such increase and (y) the amount of any penalty or interest refunded to the Lessor as a result of such final determination and any interest paid to the Lessor by the government on such refund, promptly upon receipt thereof and (b) the Lessee pays to the Lessor an amount equal to interest at the Prime Rate on the amount of the tax refund made in respect of the Tax Payment (excluding any interest or penalty included therein) for the period from the date of the original payment of the Tax Payment by the Lessor to the date such tax refund is received by the Lessor, the Prime Rate to be calculated in either case as from time to time in effect during the respective periods. Notwithstanding anything set forth above, the Lessor may elect not to contest any claim which it would otherwise be required to contest pursuant to the foregoing provisions, or to discontinue any proceedings previously commenced as a consequence of such provisions, and thereupon the Lessee shall be relieved of all liability to indemnify the Lessor with respect to the amount of such claim.

In the event and to the extent that any amount in respect of any replacement, improvement and/or addition to any Unit or any expenditure relative thereto by the Lessee or any other person ("Additional Expenditures"), under and pursuant to the terms hereof or otherwise, is required to be included in the gross income of the Lessor for Federal, state or local income tax purposes at any time prior to the time

such Unit is disposed of in a taxable transaction, then the Lessee hereby agrees that the rental for such Unit set forth in § 2 hereof shall, on the next succeeding rental payment date following the date on which such inclusion is required, be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, maintain the Lessor's Net Return in respect of such Unit under this Lease at the same level that would have been available if such Additional Expenditures had not been treated as income to the Lessor.

In the event that any payment or adjustment is required to be made pursuant to the preceding paragraphs and such payment or adjustment is to be made on succeeding rental payment dates or on or before the next succeeding rental payment date, but at such time this Lease shall have been terminated or rent shall otherwise no longer be due and payable on the remaining rental payment dates, (a) the Lessee shall promptly pay the Lessor an amount, if any, otherwise payable and not theretofore paid by it, equal to the incremental increase in rent which would have been required if the earlier of the final determination and the Tax Payment had occurred immediately prior to the last rental payment date on or prior to the termination of this Lease and (b) each party required to make payment shall promptly pay all amounts otherwise payable and not theretofore paid by it in respect of interest and penalty (and interest thereon) and previously reimbursed increments of rent calculated by reference to the actual applicable dates of final determination, Tax Payment and reimbursements pursuant to the immediately preceding paragraph.

In the event that the Lessee shall pay all or any portion of any installment of rent under this Lease 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 attributable to the receipt of such amount, shall be equal to the excess of (a) the taxes payable by the Lessor in the year of the receipt of the advance payment of such portion of any installment of rent over (b) the taxes that would have been payable in that year by the Lessor had such installment of rent been paid by the lessee on the date upon which such payment is required to be made under this Lease.

In the event the rental rates shall be adjusted as hereinbefore provided, the Casualty Values set forth in Annex B hereto and the damages and amounts set forth in subparagraph (b) of § 9 hereof shall be adjusted accordingly.

For purposes of this § 15, the term "Lessor" shall include any member of an affiliated group of which the Lessor is, or may become, a member if consolidated, joint or combined returns are filed for such affiliated group for Federal, state or local income tax purposes.

The obligations and liabilities of the Lessee arising under this § 15 shall continue in full force and effect, notwithstanding the expiration or early termination of this Lease, until all such obligations have been met and such liabilities have been paid in full.

§ 16. Recording; Expenses; Recalculations. Prior to the delivery and acceptance hereunder of any Unit, the Lessee will cause this Lease and any subleases to be filed in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, recording and depositing and refiling, reregistering, rerecording and redepositing required of the Lessor under Article 18 of the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of the Lessor, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA or the first assignment thereof by the Builder; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording, depositing, refiling, reregistering, rerecording and/or redepositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

The Lessor will pay the expenses of financing (including commissions, legal fees and printing, etc.) and other related expenses normally associated with such transactions; provided, however, that should the fees and disbursements payable to Messrs. Cravath, Swaine & Moore as special counsel to the Vendor and the Investors and in connection with rendering tax advice to the Lessor, exceed

$30,000, the rental installments payable under the Lease on or after July 1, 1979, shall be increased to such extent as will, in the reasonable opinion of the Lessor, maintain the Lessor's Net Return (as defined in § 15 hereof) in respect of any or all Units under the Lease at the same level that would have been available had the above fees and disbursements payable to Messrs. Cravath, Swaine & Moore equaled $30,000. The Lessee will pay its own legal fees and other expenses; provided further, that the Lessee will pay any and all fees, costs and disbursements associated with an Event of Default under § 9 hereof.

In all cases where a recalculation of rentals or other payments payable under this Lease by the Lessee is to be made in order to maintain the Lessor's Net Return in respect of all or any Units under this Lease or any extension thereof, the Lessor warrants that the assumption, reasonableness of method and accuracy of computation used in the original calculations will be used in such recalculation. If the Lessor and the Lessee are unable to agree upon a recalculation, the Lessee shall have the right to retain, at its expense, a qualified independent Appraiser, as defined in the fourth paragraph of § 12 hereof, to effect such recalculation in accordance with the warranty set out in this paragraph.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also, to the extent legally enforceable, an amount equal to 10-1/4% per annum of the overdue rentals and other obligations for the period of time during which they are overdue (irrespective of any grace period or failure of the Lessor to give any notice, as provided for in § 9, or otherwise) or such lesser amount as may be legally enforceable.

§ 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 deposited in the United States certified mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at P. O. Box 11281, Richmond, Virginia 23230;

if to the Lessee, at 616 Palisade Avenue, Englewood Cliffs, New Jersey 07632, attention of the President;

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

§ 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 officers of the Lessor and the Lessee.

§ 20. Execution. This Lease may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Although for convenience this Lease is dated as of the date first above set forth, 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.

§ 21. Law Governing. The terms of this Lease and all rights and obligations; hereunder shall be governed by the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, such additional rights arising out of the filing, registering, recording or depositing hereof and of any assignment hereof or out of the marking on the Units as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, registered, recorded or deposited and any rights arising out of the marking on the Units.

IN WITNESS WHEREOF, the parties hereto, each pur-

suant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

RICHMOND, FREDERICKSBURG AND
POTOMAC RAILROAD COMPANY,

by J. P. Newbauer
Vice President

[Corporate Seal]

Attest:

E. a. Wallace
~~Assistant~~ Secretary

REX RAILWAYS, INC.,

by Robert W. Gruber
President

[Corporate Seal]

Attest:

Dawn R. Radbock
Assistant Secretary

COMMONWEALTH OF VIRGINIA,)
) ss.:
CITY OF RICHMOND,)

On this 29th day of September 1978, before me personally appeared J. J. NEWBAUER, JR. , to me personally known, who, being by me duly sworn, says that he is the Vice President of RICHMOND, FREDERICKSBURG AND POTOMAC RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

George B. Harris Jr
Notary Public

[Notarial Seal]

My commission expires August 22, 1980.

STATE OF New Jersey)
) ss.:
COUNTY OF Bergen)

On this 3rd day of October 1978, before me personally appeared Robert W. Gruber , to me personally known, who, being by me duly sworn, says that he is the President of REX RAILWAYS, INC., that 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.

Rubin Schertz
Notary Public

[Notarial Seal]

My commission expires

RUBIN SCHERTZ
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires May 4, 1982

ANNEX A

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Road Numbers (Both Inclusive)	Unit Base Price	Total Base Price	Estimated Time and Place of Delivery
4750 cubic feet Standard 100-ton, covered hopper cars	LO	Builder's No. 3782 dated Feb. 10, 1978	Butler, Pennsylvania	130	RREX 4101-4230	$33,550.93	$4,361,620.90	Oct. 1978 Youngstown, Ohio
4750 cubic feet Standard 100-ton, covered hopper cars	LO	Builder's No. 3782 dated Feb. 10, 1978	Butler, Pennsylvania	56	RREX 4231-4286	$35,039.24	$1,962,197.40	March 1979 Youngstown, Ohio

ANNEX B

Casualty Values

Casualty Payment Date	Percentage of Purchase Price*	Casualty Payment Date	Percentage of Purchase Price*
April 1, 1979	88.283998	October 1, 1988	78.272073
October 1, 1979	91.964389	April 1, 1989	75.769781
April 1, 1980	95.151976	October 1, 1989	73.163767
October 1, 1980	97.459735	April 1, 1990	70.449234
April 1, 1981	99.296376	October 1, 1990	67.621163
October 1, 1981	100.367947	April 1, 1991	64.674302
April 1, 1982	100.931027	October 1, 1991	61.603158
October 1, 1982	100.714728	April 1, 1992	58.401983
April 1, 1983	99.916035	October 1, 1992	55.064762
October 1, 1983	98.487120	April 1, 1993	51.585204
April 1, 1984	96.818826	October 1, 1993	47.956726
October 1, 1984	95.066240	April 1, 1994	44.765205
April 1, 1985	93.244607	October 1, 1994	42.136493
October 1, 1985	91.350731	April 1, 1995	39.368442
April 1, 1986	89.381273	October 1, 1995	36.454185
October 1, 1986	87.332736	April 1, 1996	33.386524
April 1, 1987	85.201463	October 1, 1996	30.230019
October 1, 1987	82.983629	April 1, 1997	26.920844
April 1, 1988	80.675228	October 1, 1997	25.779722

* As defined in the Lease.