SSI RAIL CORP.

January 19, 1977

Hon. Robert L. Oswald
Secretary
Interstate Commerce Commission
Washington, D. C. 20036

RECORDATION NO. ..... Filed & Recorded
JAN 21 1977 2 30 PM
INTERSTATE COMMERCE COMMISSION

Date JAN 21 1977
Fee $ 50
ICC Washington, D. C.

RE: Lease Agreement made as of January 14, 1977, between SSI Rail Corp. and Providence and Worcester Company.

Dear Sir:

Enclosed for filing with and recording by the Interstate Commerce Commission are an original and eight (8) counterparts of a Lease Agreement dated as of January 14, 1977, between SSI Rail Corp., Two Embarcadero Center, San Francisco, California, 94111, Lessor, and Providence and Worcester Company, One Depot Square, Woonsocket, Rhode Island, 02895, Lessee, covering the following railroad equipment:

> 300 70-ton, 50'6", single sheath Boxcars (AAR Mechanical Designation XM), bearing identifying numbers PW 101 to 400, both inclusive.
>
> Identifying marks on the equipment numbered PW 101 to PW 300: The words, "Owned by Union Tidewater Financial Company, Inc., Baltimore, Maryland, under a Security Agreement filed under the Interstate Commerce Act, Section 20c," printed on each side of each unit and on the equipment numbered PW 301 to PW 400: The words, "Owned subject to a Security Interest filed under the Interstate Commerce Act, Section 20c," printed on each side of each unit.

Also enclosed is this Company's check in the sum of $50.00, payable to the Interstate Commerce Commission, being the prescribed fee for filing and recording the foregoing document.

Robert L Calhoun

Continued

.../2

TWO EMBARCADERO CENTER SAN FRANCISCO, CALIFORNIA 94111 (415) 983-0123
TELEX 34-0867 CABLE SSI
SUBSIDIARY OF THE ITEL CORPORATION

Please return all additional copies of the enclosed counterparts not required by the Interstate Commerce Commission to David Schwartz, Esq., of Sullivan and Worcester, who will be delivering this letter on our behalf.

Very truly yours,

Martin D. Goodman
Secretary

MDG:md
Enc.

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LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 14th day of January, 1977, between SSI RAIL CORP., a Delaware corporation, Two Embarcadero Center, San Francisco, California 94111 ("SSI"), as Lessor, and, Providence And Worcester Company, 1 Depot Square, Woonsocket, Rhode Island 02895, a Delaware corporation ("Lessee"), as Lessee.

1. Scope of Agreement

A. SSI agrees to lease to Lessee, and Lessee agrees to lease from SSI, boxcars and/or other railroad equipment of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto whether for boxcars or other railroad equipment, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars".

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

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Boxcars as provided herein. The term of lease with respect to all of the Boxcars described on each Schedule shall be for fifteen (15) years (the "initial term") commencing upon the date when all Boxcars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for consecutive periods of twelve months each (the "extended lease term") with respect to all of the Boxcars described on each Schedule, provided, however, that SSI may, at the end of the initial term and any

extended terms and at its sole option, elect to substitute for any such Boxcars, boxcars substantially equivalent to such Boxcars and, provided further, that Lessee may terminate this Agreement as to all, but not fewer than all, of the Boxcars on any such Schedule by written notice delivered to SSI not less than twelve months prior to the end of the initial term or any extended lease term. The total period of the combined initial term and all extended terms shall not exceed the then current life allowed by governmental regulations for a boxcar in interchange service at the time of expiration of the initial term of the Agreement and its extensions.

3. Supply Provisions

A. SSI will inspect each of the Boxcars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to SSI that the sample Boxcar which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and SSI's determination that the Boxcar conforms to the specifications ordered by SSI and to all applicable governmental regulatory specifications, and this Agreement has not been terminated, SSI will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Boxcars shall be deemed delivered to Lessee upon acceptance by SSI. The Boxcars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by SSI as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, SSI can neither control nor determine when the Boxcars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Boxcars leased hereunder, Lessee agrees to pay to SSI the rent set forth in this Agreement. To move the Boxcars to Lessee's railroad line and insure optimal use of the Boxcars after the first loading of freight for each Boxcar on the railroad line of Lessee (the "initial loading"), SSI agrees to assist Lessee in monitoring Boxcar movements and, when deemed necessary by both Lessee and SSI, to issue movement orders with respect to such Boxcars to other railroad lines in accordance with ICC and AAR interchange agreeements and rules.

B. Lessee agrees that so long as it shall have on lease any Boxcars, it shall not lease boxcars from any other party until it shall have received all of the Boxcars on the Schedule or Schedules. Once Boxcars have been delivered to Lessee, it shall then not lease boxcars from any other party until it shall have given SSI at lease three (3) months' prior written notice of its desire to lease boxcars similar to the type on lease. SSI shall then have the opportunity to procure and lease such boxcars to Lessee subject to the terms and conditions of this Agreement and manufacturers' delivery schedules and at terms not less favorable to Lessee than those offered by such other parties. Lessee shall throughout the term of the Agreement provide such opportunity to SSI, unless SSI shall have previously been notified in writing of Lessee's intention to lease boxcars similar to the type on lease from SSI and SSI shall have failed to offer to Lessee, within three (3) months, terms not less favorable to Lessee than those under which Lessee shall have subsequently leased fifty (50) or more boxcars from another party. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if SSI does not offer lease terms equal to or better than those offered by such other parties. To the extent permitted by law, Lessee shall give preference to SSI and shall load the Boxcars leased from SSI prior to loading boxcars leased from other parties or purchased by

Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Boxcars may be leased from SSI by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by SSI and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Boxcars, the delivery of Boxcars to Lessee shall be subject to manufacturers' delivery schedules, financing satisfactory to SSI and the mutual acknowledgment of the parties that the addition of such Boxcars is not likely to reduce Utilization of all Boxcars on lease to Lessee to less than the applicable Minimum Per Cent as defined in Section 6A (vi) in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Boxcars listed on a Schedule shall be delivered to Lessee, the term of the Agreement as applied to any group of Boxcars shall be deemed to have commenced on the date the final Boxcar of such group was delivered to Lessee.

4. Railroad Markings and Record Keeping

A. SSI and Lessee agree that on or before delivery of any Boxcars to Lessee, said Boxcars will be lettered with the railroad markings of Lessee and will also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, SSI shall at Lessee's request during the term of this Agreement assist Lessee in filing all documents relating to the registration, maintenance and record keeping functions involving the Boxcars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; and (ii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Boxcar leased hereunder shall be registered in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. SSI shall, if notified by Lessee pursuant to Section 13, perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as the party maintaining the records shall select.

D. All record keeping and car accounting hereunder shall be performed by Lessee unless Lessee elects, pursuant to Section 13, to have SSI perform such record keeping and car accounting and all record of payments, charges and correspondence related to the Boxcars shall be separately recorded and maintained by Lessee or SSI, as the case may be, in a form suitable for reasonable inspection by the other from time to time during regular business hours of the party maintaining such records. Lessee shall supply SSI with such

information regarding the use of the Boxcars by Lessee on its railroad line as SSI may reasonably request including, if requested by SSI, daily information as to the number of Boxcars on Lessee's tracks.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, SSI will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Boxcars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee while such Boxcar is in the physical possession of Lessee. Lessee shall inspect all Boxcars interchanged to it to insure that such Boxcars are in good working order and condition and shall be liable to SSI for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to SSI for and during the lease term of each Boxcar all of its right, title and interest in any warranty in respect to the Boxcars. All claims or actions on any warranty so assigned shall be made and prosecuted by SSI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to SSI.

B. Except as provided above, SSI shall make or cause to be made such inspections of, and maintenance and repairs to, the Boxcars as may be required. To the extent of its capability, Lessee shall perform maintenance and repairs to Boxcars on Lessee's railroad tracks. SSI shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the lease of such Boxcars. Lessee shall not make any alterations, improvements or additions to the Boxcars without SSI's prior written consent. If Lessee makes an alteration, improvement or addition to any Boxcar without SSI's prior written consent, Lessee shall be liable to SSI for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with SSI.

C. Lessee will at all times while this Agreement is in effect be responsible for the Boxcars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules--Freight for cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Boxcars while on Lessee's railroad tracks by either obtaining insurance or employing other means of protection reasonably acceptable to SSI, including self insurance. If Lessee elects to carry insurance, it shall furnish SSI concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with a certificate of insurance with respect to the insurance carried on the Boxcars signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and SSI (or its assignee) as their interest may appear.

D. Except as provided in Section 5E Lessee shall, unless it shall have given notice to SSI pursuant to Section 13, pay all taxes, assessments and other governmental charges of whatsoever kind or character relating to each Boxcar and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Boxcar to Lessee or which may be accrued, levied, assessed or imposed during the term of this Agreement and sales or use taxes imposed on the mileage charges and/or car hire

revenues. SSI shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. SSI and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Boxcars. SSI shall review all applicable tax returns prior to filing.

E. In the event that assessments by the United States government or agencies thereof are levied upon the Boxcars based upon their usage in order to provide funds for facilities or services for the railroad industry at large (such as government sponsored improvements to rights of way), the burden represented by such levying upon the Boxcars shall be borne by SSI and Lessee in proportions as follows: SSI shall pay a portion equal to the Minimum Per Cent as defined in Section 6A (vi) and Lessee shall pay the remainder.

F. Lessee shall, during the initial term, reimburse SSI for all net costs, expenses, fees and charges incurred by SSI subsequent to the initial loading in the performance of its obligations set forth in Section 5 and for any other reasonable insurance expenses relating to the Boxcars. During any extended lease term, Lessee shall reimburse SSI for 50 percent of such net costs. Reimbursement of such expenses shall be made to SSI within 30 days after Lessee's receipt of supporting documentation. (Pursuant to the terms of Section 5 SSI may pay Lessee for maintenance that Lessee performs upon Boxcars and other freight cars owned by SSI in which case Lessee will subsequently return to SSI those monies associated with the maintenance of the Boxcars. This procedure will enable SSI to maintain complete and accurate records of the charges and payments associated with maintenance of the Boxcars).

G. All records of payments, charges and correspondence related to maintenance of the Boxcars shall be separately recorded and maintained by SSI in a form suitable for reasonable inspection by Lessee from time to time during regular SSI business hours to assure that maintenance charges paid by SSI for the Boxcars are reasonable. Further, to the extent that Lessee performs maintenance to the Boxcars, and other freight cars owned by SSI, it shall be treated equivalently with other parties providing such maintenance, for purposes of determining amounts and timing of payments and fixing of responsibility for quality and timeliness of repairs.

6. Lease Rental

A. Lessee agrees to pay the following rent to SSI for the use of the Boxcars:

(i) SSI shall receive all payments made to Lessee by other railroad companies for their use or handling of the Boxcars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments") if the Utilization of all of the Boxcars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than the Minimum Per Cent as defined in Section 6A (vi). For the purpose of this Agreement, Utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that payments are earned by Lessee on the Boxcars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each calendar year that the Boxcars are on lease to Lessee, less the aggregate days that the Boxcars are not on Lessee's tracks and not

earning payments for any reason, except repair not related to damage beyond repair or destruction, commencing from the initial loading (such term referred to as "Utilization"). In addition, SSI will receive, as additional rental, all monies earned by the Boxcars prior to the initial loading.

(ii) In the event Utilization exceeds the Minimum Per Cent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is the Base Per Cent as defined in Section 6A (vii) and the denominator of which is the Utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if Utilization is greater than the Minimum Per Cent as defined in Section 6A (vi) in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Boxcars in excess of the SSI Base Rental.)

(iii) If during the initial term SSI pays other railroads to move Boxcars in accordance with Section 3A, except for any payments incurred to deliver such Boxcars to Lessee's railroad line, Lessee shall reimburse SSI for such payments only from and out of the monies received by Lessee pursuant to subsection 6A (ii). During any extended lease term such costs shall be borne equally by SSI and Lessee.

(iv) The rental charges payable to SSI by Lessee shall be paid from the payments received by Lessee in the following order until SSI receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges; and (4) other.

(v) In the event damage beyond repair or destruction of a Boxcar has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by SSI, said damaged or destroyed Boxcar will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

(vi) The "Minimum Per Cent" with respect to the years set forth below shall be:

a) During the initial term, the Minimum Per Cent shall be 87.5 percent.

b) During any extended lease term, the Minimum Per Cent shall be 49.9 percent.

(vii) The "Base Per Cent" with respect to the years set forth below shall be:

a) During the first ten (10) years of the initial term, the Base Per Cent shall be 87.5 per cent.

b) During the suceeding five (5) years of the initial term, the Base Per Cent shall be 80.0 per cent.

c) During any extended lease term, the Base Per Cent shall be zero per cent.

B. The calculations required above shall be made within five (5) months after the end of each calendar year. However, since the parties desire that rental payments shall be made currently so that SSI may meet its financial commitments, Lessee shall prepare and deposit drafts or other payment forms covering car rentals in Lessee's bank by the 25th of each month. Lessee shall then pay to SSI by the 30th of each month 85 per cent of the total payments earned by the Boxcars for the usage reported in the current month by other railroads including actual car mileage earnings when available or estimated earnings based on 85 miles per day. At the time the month's first remittance is made, Lessee shall report for the same month, the dollar figure for 100 per cent of the revenue earned. Ten per cent of the total car hire revenue shall be remitted to SSI thirty (30) days or one month after the initial monthly payment and the remaining five per cent shall be remitted to SSI sixty (60) days or two months after the initial payment. Since the parties desire to adjust the amounts paid pursuant to the above more frequently than at the end of each calendar year, SSI shall within three (3) months after the end of each calendar quarter, calculate on a cumulative quarterly basis, the appropriate amount of rental payment due it. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculations, provided, however, that following each cumulative quarterly calculation, any amount paid to either party in excess of the amounts required by such quarterly calculations shall be promptly refunded to the appropriate party.

C. If at any time during any calendar quarter during the term of this Agreement, it becomes mathematically certain that the Utilization (for purposes of this section the denominator of the Utilization calculation shall exclude the aggregate car days during which the Boxcars are not on Lessee's railroad tracks and not earning payments for any reason whatsoever) cannot be equal to or greater than the appropriate Minimum Per Cent, SSI may, at its option and upon not less than 10 days prior written notice to Lessee, terminate this Agreement as to such Boxcars as SSI shall determine unless Lessee shall, (i) within 5 days of SSI's written notice, notify SSI of its intent to pay SSI an amount equal to the difference between the rent SSI received for such calendar quarter and the rent SSI would have received had the utilization been the appropriate Minimum Per Cent (including mileage computed at 85 miles per day) and (ii) make such payment within 15 days of receipt of such notice.

D. SSI may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire for Boxcars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both SSI and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Boxcars in order for Lessee to continue to meet its obligations set forth in this section. Lessee may elect to continue to pay the rental specified in this Agreement notwithstanding the ICC actions described in parts (2) and (3) of this section and will by so doing void SSI's right to terminate as described in this section. However, having once made such rental payments following written notification from SSI of the referenced ICC action, Lessee will assume the obligation to continue such rental payments throughout the remaining term of this Agreement and any extended lease term unless this Agreement is otherwise terminated.

E. Subsequent to the initial loading, if any Boxcar remains on Lessee's railroad tracks for more than seven consecutive days, SSI may, at its option and upon not less than 24 hours' prior written notice, terminate this Agreement as to such Boxcar and withdraw such Boxcar from Lessee's railroad tracks, unless Lessee exercises the option provided to

it by Section 6C. If any such Boxcar remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not given preference to the Boxcars as specified in Section 3B, Lessee shall be liable for and remit to SSI an amount equal to the car hire revenues Lessee would have earned if such Boxcars were in the physical possession and use of another railroad for the entire period.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business, provided that Lessee retain on its railroad tracks no more Boxcars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

B. Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreements entered into by SSI in connection with the acquisition of Boxcars ("Financing Agreements") i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such Financing Agreements, such party may require that all rent be made to such party and/or that the Boxcars be returned to such party. SSI acknowledges that any interruption in Lessee's possession, use and quiet enjoyment of the Boxcars during the term of this Agreement and any extension thereof can adversely affect Lessee's ability to provide transportation and facilities to shippers on its railroad tracks and accordingly SSI will:

(i) Notify any and all owners or secured parties involved in Financing Agreements of Lessee's interest in and desire for uninterrupted possession, use and quiet enjoyment of the Boxcars,

(ii) Provide Lessee with a copy of all Financing Agreements and any changes and additions thereto,

(iii) Notify Lessee promptly upon its awareness of the existence of any condition which can with the passage of time, become an event of default by SSI under any Financing Agreements, and

(iv) Assist Lessee and any owner or secured party involved in Financing Agreements in any manner that may be reasonably requested by these parties to make such formal or informal arrangements as may be desired to minimize interruptions in Lessee's business that could reasonably be expected to result from a default by SSI under the Financing Agreements.

C. Lessee agrees that to the extent that it has physical possession and can control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either SSI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

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

8. Default

A. The occurrence of any of the following events shall be an Event of Default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant or condition of this Agreement, which is not cured within ten days thereafter.

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

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

(v) The subjection of any of Lessee's property to any seizure, assignment, application or sale for or by any creditor, or governmental agency, that will in any way effect Lessee's ability to perform its obligations under this Agreement.

(vi) Any action by Lessee to discontinue rail service on all or a substantial portion of its tracks or abandon all or a substantial portion of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, SSI may, at its option, terminate this Agreement and may

(i) proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof, or

(ii) by notice in writing to Lessee, terminate Lessee's right of possession and use of the Boxcars, whereupon all right and interest of Lessee in the Boxcars shall terminate; and thereupon SSI may enter upon any premises where the Boxcars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. SSI shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

At the expiration or termination of this Agreement as to any Boxcars, Lessee will surrender possession of such Boxcars to SSI by delivering the same to SSI. A Boxcar shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Boxcar and the placing thereon of such markings as may be designated by SSI, either, at the option of SSI, (1) by Lessee upon return of such Boxcars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Boxcar at the time of or subsequent to termination of the lease term as to such Boxcar. If such Boxcars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing and transporting such Boxcars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by SSI. If such Boxcars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Boxcars and place thereon such markings as may be designated by SSI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days' free storage on its railroad tracks for SSI or the subsequent lessee of any terminated Boxcar to the extent that such can be provided without significant disruption to Lessee's normal operations. If any Boxcar is terminated pursuant to subsections 6C or 6E or section 8 prior to the end of its initial term, Lessee shall be liable to SSI for all costs and expenses incurred by SSI to repaint the Boxcars and place thereon the markings and name or other insignia of SSI's subsequent lessee.

10. Indemnities

SSI will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Boxcars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Boxcars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Boxcars other than loss or physical damage (unless occurring as a result of the actual negligence of Lessee), including without limitation the construction, purchase and delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether or not defects exist and whether or not defects, if any, are latent or are discoverable by SSI or Lessee).

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

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

(iii) SSI has reviewed the latest available financial statements of Lessee and is familiar with the contents thereof. Except as disclosed within those statements, there is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee, that will in any way effect Lessee's ability to perform its obligations under this Agreement.

(iv) SSI has reviewed the latest available financial statements of lessee and is familiar with the contents thereof. Except as disclosed within those statements, there is no fact which Lessee has not disclosed to SSI in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee that will in any way effect Lessee's ability to perform its obligations under this Agreement.

(v) Lessee has during the years 1964-1968 neither leased nor purchased any boxcars.

12. Inspection

A. SSI shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify SSI of any accident connected with the malfunctioning or operation of the Boxcars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify SSI in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Boxcar.

B. Lessee shall furnish to SSI promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statement required to be submitted to the ICC. Failure of Lessee to meet this obligation will not in and of itself constitue a default under this Agreement.

13. Lessee Election

Lessee may, at its sole option, elect to have SSI perform all car accounting and pay, without reimbursement from Lessee, for all taxes, and maintenance as specified in Section 5 and for any reasonable insurance expenses relating to the Boxcars. Such election, in whole or in part, shall be effective 90 days following notice by Lessee ("Effective Date"). Based upon the Effective Date the following shall spply:

A. If the Effective Date occurs before the fifth anniversary date of the initial term, the Base Per Cent will be set equal to 90 percent for the remainder of the initial term and any extended lease term and the Minimum Per Cent will be set equal to 87.5 percent for any extended lease term.

B. If the Effective Date occurs after the fifth anniversary date of the initial term and before the expiration of the initial term, the Base Per Cent will be set equal to 90 percent for the remainder of the initial term. The Base Per Cent applicable to any extended lease term shall be increased by four (4) percent for each year (including the current year) remaining in the initial term as of the Effective Date.

C. If the Effective Date occurs after expiration of the initial term, the Base Per Cent shall be set equal to 90 percent and the Minimum Per Cent shall be set equal to 87.5 percent for any remaining extended lease term.

14. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of SSI, which consent shall not be unreasonably withheld by SSI, assign this Agreement or any of its rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by SSI in connection with the acquisition of the Boxcars in order to confirm the financing party's interest in and to the Boxcars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the boxcars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Boxcars except as a lessee only.

D. No failure or delay by SSI shall constitute a waiver or otherwise affect or impair any right, power or remedy available to SSI nor shall any waiver or indulgence by SSI or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SSI RAIL CORP.,

By: _____

Title: _____

Date: _____

PROVIDENCE AND WORCESTER COMPANY

By: Richard H. Eder

Title: President

Date: Jan. 14, 1977

EQUIPMENT SCHEDULE

SSI Rail Corp. hereby leases the following Boxcars to Providence And Worcester Company pursuant to that certain Lease Agreement dated as of January 14, 1977.

A.A.R. Mech. Desig.	Description	Numbers	Dimensions Length	Inside Width	Height	Doors Width	No. of Cars
XM	50' general purpose boxcars with 10" end-of-car cushioning	PW 101-300	50' 6"	9' 6"	11'1-3/4"	10'	200
		PW 301-400	50' 6"	9' 6"	10' 7"	10'	100

PROVIDENCE AND WORCESTER COMPANY

By: [illegible]

Pres.

(TITLE)

DATE: 1/14/77

SSI RAIL CORP.

[illegible]

(TITLE)

DATE: [illegible]

District of Columbia
STATE OF .....
COUNTY OF ..... }

On this 14th day of January 1979, before me personally appeared [illegible], to me personally known, who being by me duly sworn says that such person is ..... of [illegible], that the foregoing Lease Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[illegible]
Notary Public

STATE OF California
COUNTY OF San Francisco }

On this 11th day of January 1979, before me personally appeared [illegible], to me personally known, who being by me duly sworn says that such person is President of SSI Rail Corp., that the foregoing Lease Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

OFFICIAL SEAL
TERRY L. RUSSELL
Notary Public - California
San Francisco County
My Commission Expires May 10, 1980

Terry L. Russell
Notary Public

STATE OF CALIFORNIA)
)
CITY AND COUNTY OF)
SAN FRANCISCO)

On this 19th day of January, 1977, I, Terry L. Russell, compared the foregoing Lease Agreement between SSI Rail Corp. and Providence and Worcester Company dated January 14, 1977, with the original Lease Agreement and hereby certify that such foregoing Lease Agreement is a true and correct copy of the original Lease Agreement in all respects.

OFFICIAL SEAL
TERRY L. RUSSELL
Notary Public - California
San Francisco County
My Commission Expires May 10, 1980

Terry L. Russell
Notary Public