JOHN MARISCOTTI
EXECUTIVE VICE PRESIDENT

NATIONAL RAILWAY UTILIZATION CORP.
860 Suburban Station / 1617 John F. Kennedy Blvd., Phila., Pa. 19103 / (215) 569-2220

9140-A
RECORDATION NO. ..... Filed & Recorded
DEC 28 1977 -3 15 AM
INTERSTATE COMMERCE COMMISSION

9140
RECORDATION NO. ..... Filed & Recorded
DEC 28 1977 - 3 15 AM
INTERSTATE COMMERCE COMMISSION

9140-B
RECORDATION NO. ..... Filed & Recorded
DEC 28 1977 - 3 15 AM
INTERSTATE COMMERCE COMMISSION

9140-C
RECORDATION NO. ..... Filed & Recorded
DEC 28 1977 - 3 15 AM
INTERSTATE COMMERCE COMMISSION

December 28, 1977

Interstate Commerce Commission
Washington, DC 20423

Attention: Secreatry

Dear Sir:

It is hereby respectfully requested that the following documents be recorded pursuant to the provisions of Section 20c of the Interstate Commerce Act:

1. Conditional Sale Agreement, dated as of December 1, 1977:

   Vendor - Whittaker Corporation(Berwick Forge & Fabricating Division)
   West 9th Street
   Berwick, PA 18603

   Vendee (Purchaser) - St, Lawrence Partners
   c/o FDI Management
   300 Delaware Avenue (Suite 1100)
   Wilmington, Delaware 19801

7-362A074
Amt. DEC 28 1977
Date
Fee $ 10
ICC Washington, D. C.

2. Agreement and Assignment (of Conditional Sale Agreement), dated as of December 1, 1977:

   Assignor (Vendor-Builder) - Whittaker Corporation (Berwick Forge & Fabricating Division)
   (address as stated above)

   Assignee - Mercantile - Safe Deposit and Trust Company
   2 Hopkins Plaza
   Baltimore, MD 21203

3. Lease of Railroad Equipment, dated as of December 1, 1977:

   Lessor - St, Lawrence Partners
   (address as stated above)

   Lessee - Pickens Railroad Company
   402 Cedar Rock Street
   Pickens, South Carolina 29671

   Co-Lessee - National Railway Utilization Corporation
   (address as stated above)

Counterpart
Original

4. Assignment of Lease and Agreement, dated as of December 1, 1977:

Assignor -St. Lawrence Partners
(address as stated above)

Assignee - Mercantile - Safe Deposit and Trust Company
(address as stated above)

General Description of the Equipment:

30 Box Cars, Type XM (50' - 6" 70-ton), bearing Pickens Railroad Company Road Numbers M&NJ 120805 - 834 (both inclusive), and each being marked: "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c".

Very truly yours,

John Mariscotti, Executive Vice President

JAM:tws

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

John Mariscottin Executive Vice President
National Railway Utilization Corp.,
860 Suburban Station
1617 John F. Kennedy Blvd.
Phila. Pa 19103

Dear John Mariscotti

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on December 28, 1977 at 3:15pm , and assigned recordation number(s) 9140,9140-A, 9140-B and 9140-C

Sincerely yours,

H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

SIGNED COPY

RECORDATION NO. 9140 Filed & Recorded

DEC 28 1977 -3 15 AM

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of December 1, 1977

between

ST. LAWRENCE PARTNERS,

and

WHITTAKER CORPORATION (BERWICK FORGE
& FABRICATING DIVISION)

CONDITIONAL SALE AGREEMENT dated as of December 1, 1977, between WHITTAKER CORPORATION (BERWICK FORGE & FABRICATING DIVISION) (hereinafter called the Vendor or Builder as more particularly set forth in Article 1 hereof), and ST. LAWRENCE PARTNERS (hereinafter called the Vendee).

WHEREAS, the Builder agrees to assemble and construct, and to sell and deliver to the Vendee, and the Vendee agrees to purchase, that number of the railroad equipment described in Annex B hereto (hereinafter called the Equipment) which is accepted hereunder by the Vendee on or prior to December 31, 1977, (and which, if less than the number specified in Annex B, is to be specifically described by supplement hereto subject to the provisions hereof); and

WHEREAS, the Vendee is entering into a lease dated as of the date hereof with PICKENS RAILROAD COMPANY (hereinafter called the Lessee) in substantially the form annexed hereto as Annex C, and the obligations of the Lessee under such lease are the joint and several obligations of NATIONAL RAILWAY UTILIZATION CORPORATION (hereinafter called the Co-Lessee) to the extent therein set forth (such lease being hereinafter called the Lease); and

WHEREAS, MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (hereinafter sometimes called the Assignee or the Vendor) is acting as agent for certain investors pursuant to the Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement), among the Assignee, the Lessee, the Co-Lessee, the Vendee, and the parties named in Schedule B thereto, in the form annexed hereto as Annex E;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof between the Builder and the Assignee, as agent (such Agreement and Assignment being hereinafter called the Assignment).

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, the party hereto which has assembled and manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the party hereto which has assembled and manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, all right, title and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (hereinafter called the Lease Assignment) and the Lessee shall consent thereto pursuant to a Consent and Agreement in the form attached to Annex D (hereinafter called the Consent).

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct the Equipment at its plant set forth in Annex B hereto, and will sell and deliver to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for (as hereinafter provided), the number of units of the Equipment described in the first WHEREAS clause of this Agreement, it being understood that the Equipment shown on Annex B hereto not accepted pursuant to this Article 2 on or before December 31, 1977, shall be excluded from this Conditional Sale Agreement and not included in the term Equipment, and the Vendor and the Vendee shall execute an agreement supplemental hereto limiting this Agreement to the Equipment theretofore accepted and settled for hereunder. Each unit of the Equipment shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing among the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the Specifications). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of assembly and manufacture thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit, and each such unit will be new railroad equipment. As and when any Equipment shall from time to time

be accepted by the Vendee hereunder within the limitations described in the first WHEREAS clause of this Agreement as evidenced by the Vendee's Certificate of Acceptance, the same shall be deemed accepted hereunder and shall ipso facto and without further instrument pass under and become subject to all the terms and provisions hereof.

ARTICLE 3. Inspection and Delivery. The Builder will deliver the units of the Equipment to the Vendee at the place or places specified in Annex B hereto (or if Annex B does not specify a place or places, at the place or places designated from time to time by the Vendee), freight charges, if any, prepaid, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that delivery of any unit of the Equipment shall not be made until this Agreement and the Lease have been filed pursuant to Section 20c of the Interstate Commerce Act; and provided, further, that the Builder shall have no obligation to deliver any unit of Equipment hereunder (i) subsequent to the commencement of any proceedings specified in clauses (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default, or (ii) unless the conditions contained in Paragraph 6 of the Participation Agreement have been met and the Assignee is in receipt of funds in an amount not less than 75% of the Purchase Price (as defined in Article 4 hereof) of the units to be delivered and the Builder shall have been notified by the Vendee that the conditions contained in Paragraph 7 of the Participation Agreement have been met or waived. The Builder agrees not to deliver any unit of Equipment hereunder following receipt of written notice from the Vendee or the Assignee (a) of the commencement of any such proceedings or the occurrence of any such event, as aforesaid, or (b) that any of the conditions contained in Paragraphs 6 or 7 of the Participation Agreement have not been met or waived.

Any Equipment not delivered at the time of receipt by the Builder of the notice specified in the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to December 29, 1977, shall be excluded from this Agreement and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Pursuant to the Participation Agreement the Lessee has agreed to purchase from the Builder, as provided in Paragraph 1 thereof, such excluded Equipment, and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof.

The Builder's obligation as to the time of delivery set forth in Schedule B is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors. Any such delay shall not, however, operate to extend the Cut-Off Date (as hereinafter defined).

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee) and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder a certificate of acceptance (hereinafter called the Certificate of Acceptance) stating that such unit or units have been inspected and accepted on behalf of the Vendee and are marked in accordance with Article 9 hereof; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

On delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof or the second paragraph of this Article 3 shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in or transferred to or purported to be created in or transferred to, the Vendee shall be held by the Vendee solely as trustee for the benefit of the Lessee.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as is agreed to by the Builder, the Vendee and the Lessee. The term "Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the Builder's invoice or invoices delivered to the Vendee plus any applicable sales tax set forth in the same or separate invoices also delivered to the Vendee; and, if the Purchase Price is other than the base price or prices set forth in Annex B, the invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee (such invoice or invoices being hereinafter called the Invoices). If on any Closing Date (as hereinafter defined in this Article) the aggregate Purchase Price of Equipment for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee may at its option agree to prior to delivery of any unit or units of Equipment that, but for such agreement, would be excluded from this Agreement), the Builder (and any assignee of the Builder) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price under this Agreement to not more than the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as aforesaid) and the Vendee shall take such other steps, including the execution of instruments of transfer, as it may be reasonably requested by the Lessee for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date or dates (not later than December 31, 1977, such date being herein called the Cut-Off Date), occurring not more than ten days following presentation by the Builder to the Vendee of the Invoices and of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Lessee by written notice delivered to the Vendee and the Assignee at least six days prior to the Closing Date designated therein.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) On the Closing Date with respect to each Group (i) an amount equal to 25% of the aggregate Purchase Price of such Group plus (ii) the amount, if any, by which (x) 75% of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor (said invoiced prices being herein called the Invoiced Purchase Prices), exceeds (y) the Maximum Conditional Sale Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Invoiced Purchase Prices pursuant to this clause (ii); and

(b) in 60 quarter-annual installments, as hereinafter provided, an amount equal to the aggregate Purchase Price of the units of Equipment for which settlement is then being made, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the Conditional Sale Indebtedness) shall be payable on each March 31, June 30, September 30 and December 31, commencing March 31, 1978, to and including December 31, 1992 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the Conditional Sale Indebtedness from time to time outstanding shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 9.75% per annum. Such interest shall be payable, to the extent accrued, on each Payment Date. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, except that the installment due on March 31, 1978 shall also include the amount of interest due and owing on the unpaid balance of the Conditional Sale Indebtedness from time to time outstanding from the Closing Date to December 31, 1977. The Vendee will furnish to the Vendor and the Lessee promptly after each Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Baltimore, Maryland, are authorized or obligated to remain closed.

Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 10.75% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the Conditional Sale Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor the amount required to be paid pursuant to subparagraph (a) of the third paragraph of this Article 4 with respect to any Group shall be subject to the receipt by the Vendee of the documents required to be furnished by the Builder pursuant to Section 4 of the Assignment in respect of such Group.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof), it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement, including any liability arising out of or in connection with the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under §10 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion

of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under the Lease. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the

same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment, and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes (other than gross receipts taxes [except gross receipts taxes in the nature of or in lieu of sales or use or rental taxes], taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions), all of which such impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this

Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance; Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Vendee or the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (such occurrences being herein called Casualty Occurrences), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the next succeeding date for the payment of interest on the Conditional Sale Indebtedness (hereinafter called a Casualty Payment Date), the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) to prepay without penalty or premium, ratably in accordance with the unpaid balance of each installment, the Conditional Sale Indebtedness and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Assignee may request. In the event of the requisition for use by the United States Government of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Purchase Price thereof remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article 7 with respect to any other unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of the Purchase Price in respect of Equipment made pursuant to Article 4 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of the Equipment.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before March 31 in each year, commencing with the year 1979, the Vendee shall cause to be furnished to the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all units of the Equipment then subject to this Agreement, the amount, description and numbers of all units of the Equipment that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and (b) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 9 hereof have been preserved or replaced. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number of the Lessee as set forth in Annex B hereto, or, in the case of Equipment not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly,

permanently and conspicuously marked on each side of each unit, in letters not less than one-half inch in height, the words "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, defaced, obliterated or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or 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 Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement; provided, however, that as long as the Lessee shall not be in default under the Lease, the Lessee shall be entitled to the possession and use of the Equipment during the term of the Lease. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), equal or superior to the Vendor's security

interest therein, which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless 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, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except however, in the case of the Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by the Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Articles 4 and 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

The agreement of the parties relating to the Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement without the prior written consent of the Vendor unless such sale, assignment, transfer or disposition is made expressly subject in all respects to the rights and remedies of the Vendor hereunder (including, without limitation, rights and remedies against the Vendee and the Lessee) to a bank or trust company, with a capital and surplus of not less than $50,000,000 that is a member of the Federal Deposit Insurance Corporation, and such bank or trust company expressly assumes, in writing, in form satisfactory to the Vendor, all of the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder from, any of the obligations of the Builder to construct and deliver the Equipment in accordance herewith or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its respective obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builder.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for ten business days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, the Lease or of any other agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by

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

(d) any other proceeding shall be commenced by or against the Vendee, the Lessee, or the Co-Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee or Co-Lessee under the Lease and the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), 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 Vendee under this Agreement or of the Lessee or the Co-Lessee, as the case may be, under the Lease and the Consent 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 Vendee, the Lessee or the Co-Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(f) an Event of Default shall have occurred under the Lease;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the rights of the Lessee set forth in Article 11 hereof, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination and/or (ii) declare (hereinafter called a Declaration of Default) the entire unpaid Conditional Sale Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 21 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event which has come to its attention which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents,

immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee as the Vendor reasonably may designate; or, in the absence of such designation, as the Lessee may select; provided, however, that such storage on the tracks of the Lessee will not be required if such storage will interfere with the operations of the railroad of the Lessee;

(b) permit the Vendor to store the Equipment on such tracks or other premises at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at Baltimore, Maryland, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than ten days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee and the Vendee to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay to the Vendor an amount equal to the interest rate on the unpaid Conditional Sale Indebtedness with respect to such unit which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

Anything in Articles 15 and 16 hereof to the contrary notwithstanding, an Event of Default under the Lease resulting from the occurrence of one or more of the events described in clauses A, C and D of §10 of the Lease, shall not result in an event of default under clause (f) of Article 15 hereof, or under clause (a) of said Article if occasioned by the occurrence of such first mentioned event (and the Vendor shall not take action to cause the Lease to terminate or to cause a Declaration of Default hereunder or to exercise any of the remedies reserved to it under Article 16 hereof) if the Vendee shall have, to the satisfaction of the Vendor, cured such Event of Default within five business days following the receipt of written notice by the Vendor of the happening thereof, by itself making the payment or taking the action, required of the Lessee (including any related payment required of itself hereunder), the omission of which shall have occasioned such Event of Default; provided, however, that the Vendee shall have the right to make any such payment, upon the occurrence of an event described in clause A of §10 of the Lease, only thrice, and, even then, never upon the consecutive occurrence of any such an event. If the Vendee shall fail so to cure such Event of Default, its occurrence shall then constitute an event of default hereunder, and the Vendor shall have all of the rights consequent thereon.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction (which is not overridden by applicable federal law) shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection in the United States, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses:

(a) to the Vendee, c/o FDI Management Corporation, Suite 1100, 300 Delaware Avenue, Wilmington, Delaware 19801; with copy to Messrs. Blank, Rome, Klaus & Comisky, Four Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention: Elliott K. Braverman, Esq.

(b) to the Lessee, at 402 Cedar Rock Street, Pickens, South Carolina 29671, Attention: Vice President-Finance;

(c) to the Builder, at the address specified in Item 1 of Annex A hereto;

(d) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee;

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 21. Satisfaction of Undertakings. The obligations of the Vendee under the second, fifth and the penultimate paragraphs of Article 16, to the extent the enforcement by the Vendor of its remedies results from a default by the Lessee of its obligations under the Lease, and under Articles 3, 6 (other than tax liens which, pursuant to the proviso contained in the last paragraph of Article 12 hereof, are required to be discharged by the Vendee), 7 (other than the second and third sentences of the second paragraph thereof), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease, even if such undertakings are not coextensive with said obligations of the Vendee. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof, provided that an Event of Default shall have been declared under the Lease. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

As stated in the last paragraph of Article 4 hereof, and to the extent there stated, the obligations of the Vendee under this Agreement are without recourse against it.

ARTICLE 22. Law Governing. This Agreement having been executed in the Commonwealth of Pennsylvania by one of the parties hereto, and having been delivered in said Commonwealth, all of the terms hereof, and all rights and obligations hereunder shall be governed by the laws of said Commonwealth; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to the Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Agreement is dated as of the date first above written, 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.

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

[CORPORATE SEAL]

Attest:

Howard E McKinnon
Authorized Signatory

WHITTAKER CORPORATION (BERWICK FORGE & FABRICATING DIVISION)

By _____
Authorized Signatory

And _____
Authorized Signatory

ST. LAWRENCE PARTNERS

By BRANDYWINE CORPORATION,
its General Partner

By _____
Vice President

[CORPORATE SEAL]

Attest:

_____
Secretary

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF COLUMBIA :

On this 23RD day of December, 1977, before me, personally appeared George T. Forese and James J. Malatras, each to me personally known, who, being by me duly sworn, each says that he is an officer of Whittaker Corporation (Berwick Forge & Fabricating Division), 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 each acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]

Lloyd H. Adams
Notary Public

LLOYD H. ADAMS, NOTARY PUBLIC
BERWICK BOROUGH, COLUMBIA COUNTY
MY COMMISSION EXPIRES SEPT. 19, 1978
Member, Pennsylvania Association of Notaries

My Commission expires:

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA :

On this 24th day of December, 1977, before me personally appeared P.E. Moore, to me personally known, who, being by me duly sworn, says that he is Vice President of Brandywine Corporation, 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 on behalf of St. Lawrence Partners (a partnership of which said corporation is the General Partner) by authority duly vested in said corporation as such General Partner, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation and of said partnership.

[Notarial Seal]

Lynn Ann McDowell
Notary Public

My Commission expires:

LYNN ANN McDOWELL
Notary Public, Phila., Phila. Co.
My Commission Expires April 13, 1981

SCHEDULE I

Allocation Schedule of Each
$1,000,000 of Conditional
Sale Indebtedness

Payment Number	Date	Principal Balance (Before Payment)	Interest Payment	Principal Recovery	Total Payment
1	3/31/78	$1,000,000.00	$24,375.00	$ 7,519.25	$31,894.25
2	6/30/78	992,480.75	24,191.72	7,702.53	31,894.25
3	9/30/78	984,778.22	24,003.97	7,890.28	31,894.25
4	12/31/78	976,887.94	23,811.65	8,082.60	31,894.25
5	3/31/79	968,805.34	23,614.64	8,279.61	31,894.25
6	6/30/79	960,525.73	23,412.82	8,481.43	31,894.25
7	9/30/79	952,044.30	23,206.08	8,688.17	31,894.25
8	12/31/79	943,356.13	22,994.31	8,899.94	31,894.25
9	3/31/80	934,456.19	22,777.37	9,116.88	31,894.25
10	6/30/80	925,339.31	22,555.15	9,339.10	31,894.25
11	9/30/80	916,000.21	22,327.51	9,566.74	31,894.25
12	12/31/80	906,433.47	22,094.32	9,799.93	31,894.25
13	3/31/81	896,633.54	21,855.45	10,038.80	31,894.25
14	6/30/81	886,594.74	21,610.75	10,283.50	31,894.25
15	9/30/81	876,311.24	21,360.09	10,534.16	31,894.25
16	12/31/81	865,777.08	21,103.32	10,790.93	31,894.25
17	3/31/82	854,986.15	20,840.29	11,053.96	31,894.25
18	6/30/82	843,932.19	20,570.85	11,323.40	31,894.25
19	9/30/82	832,608.79	20,294.84	11,599.41	31,894.25
20	12/31/82	821,009.38	20,012.11	11,882.14	31,894.25
21	3/31/83	809,127.24	19,722.48	12,171.77	31,894.25
22	6/30/83	796,955.47	19,425.79	12,468.46	31,894.25
23	9/30/83	784,487.01	19,121.88	12,772.37	31,894.25
24	12/31/83	771,714.64	18,810.55	13,083.70	31,894.25
25	3/31/84	758,630.94	18,491.63	13,402.62	31,894.25
26	6/30/84	745,228.32	18,164.95	13,729.30	31,894.25
27	9/30/84	731,499.02	17,830.29	14,063.96	31,894.25
28	12/31/84	717,435.06	17,487.48	14,406.77	31,894.25
29	3/31/85	703,028.29	17,136.32	14,757.93	31,894.25
30	6/30/85	688,270.36	16,776.60	15,117.65	31,894.25
31	9/30/85	673,152.71	16,408.10	15,486.15	31,894.25
32	12/31/85	657,666.56	16,030.63	15,863.62	31,894.25
33	3/31/86	641,802.94	15,643.95	16,250.30	31,894.25
34	6/30/86	625,552.64	15,247.85	16,646.40	31,894.25
35	9/30/86	608,906.24	14,842.09	17,052.16	31,894.25
36	12/31/86	591,854.08	14,426.45	17,467.80	31,894.25
37	3/31/87	574,386.28	14,000.67	17,893.52	31,894.25
38	6/30/87	556,492.70	13,564.51	18,329.74	31,894.25
39	9/30/87	538,162.96	13,117.73	18,776.52	31,894.25

Schedule I (cont'd)

Payment Number	Date	Principal Balance (Before Payment)	Interest Payment	Principal Recovery	Total Payment
40	12/31/87	519,386.44	12,660.05	19,234.20	31,894.25
41	3/31/88	500,152.24	12,191.22	19,703.03	31,894.25
42	6/30/88	480,449.21	11,710.95	20,183.30	31,894.25
43	9/30/88	460,265.91	11,218.99	20,675.26	31,894.25
44	12/31/88	439,590.65	10,715.03	21,179.22	31,894.25
45	3/31/89	418,411.43	10,198.78	21,695.47	31,894.25
46	6/30/89	396,715.96	9,669.96	22,224.29	31,894.25
47	9/30/89	374,491.67	9,128.24	22,766.01	31,894.25
48	12/31/89	351,725.66	8,573.32	23,320.93	31,894.25
49	3/31/90	328,404.73	8,004.87	23,889.38	31,894.25
50	6/30/90	304,515.35	7,422.57	24,471.68	31,894.25
51	9/30/90	280,043.67	6,826.07	25,068.18	31,894.25
52	12/31/90	254,975.49	6,215.03	25,679.22	31,894.25
53	3/31/91	229,296.27	5,589.10	26,305.15	31,894.25
54	6/30/91	202,991.12	4,947.91	26,946.34	31,894.25
55	9/30/91	176,044.78	4,291.10	27,603.15	31,894.25
56	12/31/91	148,441.63	3,618.27	28,275.98	31,894.25
57	3/31/92	120,165.65	2,929.04	28,965.21	31,894.25
58	6/30/92	91,200.44	2,223.02	29,671.23	31,894.25
59	9/30/92	61,529.21	1,499.78	30,394.47	31,894.25
60	12/31/92	31,134.74	758.91	31,134.74	31,893.65

Annex A

to

Conditional Sale Agreement

Item 1: Whittaker Corporation (Berwick Forge & Fabricating Division), a California corporation, having an address at West 9th Street, Berwick, Pennsylvania 18603.

Item 2: The Equipment shall be settled for in not more than one Group delivered to and accepted by the Vendee.

Item 3: The Builder warrants that the Equipment is of the kind and quality described in, or will be built in accordance with, the Specifications and the standards and requirements referred to in Article 2 of the Conditional Sale Agreement (hereinafter called the Agreement) and warrants the Equipment will be free from defects in material (except as to materials incorporated therein specified by the Lessee and not manufactured by the Builder) and workmanship and design under normal use and service, the Builder's obligation under this Item 3 being limited to making good at its plant any part or parts of any unit of Equipment which shall, within one year after the delivery of such unit of Equipment to the Vendee, be returned to the Builder with transportation charges prepaid and which examination by the Builder shall disclose to its satisfaction to have been thus defective. In no event shall the Builder be liable to anyone for any incidental, special or consequential damages of any kind.

With respect to specialties not of its own specification, design and manufacture, the Builder herewith assigns to the Vendee and the Lessee all of Builder's rights under warranties of the manufacturer thereof.

THERE ARE NO WARRANTIES WITH RESPECT TO MATERIAL AND WORKMANSHIP, EXPRESSED OR IMPLIED, MADE BY THE BUILDER EXCEPT THE WARRANTIES SET OUT ABOVE AND IN ITEM 4 HEREOF.

The Builder further agrees with the Vendee that neither the inspection as provided in Article 3 of the Agreement, nor any examination, nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or modification by the Vendee of any of its rights under this Item 3.

Item 4: Except in cases of articles or materials specified by the Lessee and not manufactured by the Builder and in cases of designs, systems, processes, formulae or combinations specified by the Lessee and not developed or purported to be developed by the Builder, the Builder agrees to indemnify, protect and hold harmless the Vendee and the Lessee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee, their assigns or the users of the Equipment, because of the use in or about the construction or operation of any of the Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right. The Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Vendee and the Lessee every claim, right and cause of action which the Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Lessee and purchased or otherwise acquired by the Builder for use in or about the construction or operation of any of the Equipment on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right. The Builder further agrees to execute and deliver to the Vendee and the Lessee or the users of the Equipment all and every such further assurance as may be reasonably requested more fully to effectuate the assignment and delivery of every such claim, right and cause of action. The Vendee and the Lessee will give notice to the Builder of any claim known to them, respectively, from which liability may be charged against the Builder hereunder. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, or the satisfaction, discharge or termination of this Agreement in any manner whatsoever.

Item 5: The Maximum Purchase Price referred to in Article 4 of the Agreement is $2,415,000.

Item 6: The Maximum Conditional Sale Indebtedness referred to in Article 4 of the Conditional Sale Agreement to which this Annex A is attached is $1,811,250 plus an amount equal to not more than 10% thereof, but only as a result of an increase in the Maximum Purchase Price in accordance with the provisions of said Article 4.

Annex B

to

Conditional Sale Agreement

Type	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
50'-6" 70-ton Box Cars, Type XM	Steel, single sheath, outside stake box car, with rigid underframe	Berwick, Pa.	30	M&NJ 120805-834	$ 34,500	$1,035,000	12/29/77 at Berwick, Pennsylvania

ANNEX C

LEASE OF RAILROAD EQUIPMENT

Dated as of December 1, 1977

between

ST. LAWRENCE PARTNERS,

PICKENS RAILROAD COMPANY

and

NATIONAL RAILWAY UTILIZATION CORPORATION

LEASE OF RAILROAD EQUIPMENT, dated as of December 1, 1977, between ST. LAWRENCE PARTNERS, a Delaware limited partnership (hereinafter called the Lessor), PICKENS RAILROAD COMPANY, a South Carolina corporation (hereinafter called the Lessee), and NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation (hereinafter called the Co-Lessee).

WHEREAS, the Lessor is entering into a conditional sale agreement dated as of the date hereof with Whittaker Corporation (Berwick Forge & Fabricating Division) (hereinafter called the Builder), (such agreement being hereinafter called the Security Documentation), wherein the Builder has agreed to assemble, manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Equipment);

WHEREAS, the Builder is assigning its interests in the Security Documentation to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, acting as agent (said corporation, as so acting, together with its successors and assigns being hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessee, the Co-Lessee, the Lessor, and the parties named in Schedule B thereto, in the form annexed as Annex E to the Security Documentation; and

WHEREAS, the Lessee desires to lease such number of units of the Equipment as are delivered and accepted and settled for under the Security Documentation (hereinafter called the Units) at the rentals and for the terms and upon the conditions hereinafter provided, and for that purpose the Co-Lessee is willing to become jointly and severally liable, to the extent herein set forth, for all of the obligations of the Lessee hereunder;

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:

§ 1. Net Lease. 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 under the Security Documentation, or against the Builder, the Vendor, or any financial institution providing funds to the Lessor for the purpose of financing or refinancing the Units, or otherwise;

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

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Documentation, such appointment, however, to be subject to revocation and substitution by the Lessor by written notice delivered to the Builder and the Lessee at least two days prior to the effectiveness of such revocation and substitution. 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 Security Documentation. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit and the Lessee shall execute and deliver to the Lessor and to the Builder a certificate of acceptance (which shall also be signed by the Lessor, if the Lessor shall have revoked the authority of the Lessee as aforesaid) (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Documentation, stating that such Unit has been 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 § 5 hereof, whereupon, except as provided in the next sentence hereof, 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. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the Security Documentation pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, (i) 60 consecutive quarter-annual payments payable in arrears on March 31, June 30, September 30 and December 31 of each year commencing March 31, 1978, and (ii) in addition thereto on March 31, 1978, a first rental payment in an amount determined as hereinafter set forth. The first rental payment, payable pursuant to clause (ii) hereof, shall be in an amount equal to 0.038022% of the Purchase Price (as defined in the Security Documentation) of each Unit subject to this Lease for each day elapsed from and including the Closing Date (as defined in the Security Documentation) for such Unit to and including December 31, 1977 (each month being deemed to have 30 days). The 60 quarter-rental payments shall each be in an amount equal to 3.422% of the sum of the Purchase Price of all Units subject to this Lease. The Purchase Price of the Units subject to this Lease is hereinafter sometimes also referred to as "Final Equipment Cost".

The rental payments hereinbefore set forth are subject to adjustment pursuant to §§ 9 and 16 hereof. If the Lessor shall make any payment to the Vendor or incur any expense pursuant to the provisions of the sixth paragraph of Article 16 of the Security Documentation, occasioned by the occurrence of an Event of Default hereunder, then the amount thereof shall constitute additional rent due hereunder and shall be payable by the Lessee upon demand by the Lessor, including interest thereon at the rate of 10.75% per annum.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable to such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first to apply such payments to satisfy the obligations of the Lessor then due under the Security Documentation, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default under the Security Documentation shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., local time, on the date such payment is due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

All rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Documentation, provided, however, that the Lessee shall be entitled to possession and use of the Units in accordance with the second paragraph of § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there 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-half inch in height, the words "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c", or other appropriate words designated by the Vendor, 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 interest in such Unit and the rights of the Lessor under this Lease and of the rights of the Vendor under the Security Documentation. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated 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 duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Documentation shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect and to the effect that such filing and recordation will protect the interest of the Vendor and the Lessor in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state and local government or agency thereof is necessary in order to protect the interest of the Vendor or the Lessor in and to the Units in the United States of America or any state thereof. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or assignees or sublessees.

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

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of net expense (after giving effect to federal, state and local income tax benefits accruing to the Lessor) to the Lessor for collection or other charges and will be free of net expense (after giving effect to federal, state and local income tax benefits accruing to the Lessor) to the Lessor with respect to the amount of any local, state, federal, or foreign taxes (other than any United States federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes measured by net income based on such receipts, up to the amount of any such taxes based on such receipts which would be payable to the state and locality 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 sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Documentation, 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 (except as provided above) or upon the gross receipts, income and 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 the interest of the Vendor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the Security Documentation. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. 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; provided, however, that the Lessor shall have given the Lessee written notice of such imposition prior to such payment.

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 Conditional Sale Agreement not covered by the foregoing paragraph of this §6, 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 returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Vendor in such Units; provided, however, that the Lessor shall, with respect to any state or political subdivision thereof of the United States of America, file required returns, statements, and reports relating to sales or use taxes, and taxes, fees, and charges on or measured by Lessor's earnings or gross receipts arising from the Units, or the value added by the Lessor thereto, and remit the amount thereof and the Lessee shall reimburse the Lessor promptly upon demand for the amount of such taxes, fees and charges except as provided above.

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

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in its own name and on its behalf; provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will be responsible for all maintenance and repairs required to maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition and in compliance with the standards from time to time in effect under the Interchange Rules of the Association of American Railroads for use in interchange.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with the schedule referred to below. 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, complete destruction or return to the Builder 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 Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the Security Documentation in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the Security Documentation.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Final Equipment Cost of such Unit as is set forth in the schedule in item 1 of Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Final Equipment Cost of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (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.

In the event of the requisition for use by the United States Government (hereinafter called the Government) of any Unit during the term of this Lease, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained all risk, physical loss and damage insurance in respect of the Units in an amount at least equal to the Casualty Value of such Units at the time subject hereto, and public liability insurance in amounts and against risks customarily insured against by others in the Lessee's industry in respect of similar equipment. All policies evidencing such insurance shall contain an agreement by the insurers that such policies shall not be cancelled or the amount of coverage thereof or persons covered thereunder adversely changed without at least 30 days' prior written notice to the Lessor and the Vendor by the insurers or the insurers' authorized representative, as the case may be. The benefits of such insurance 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 Security Documentation shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or 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 proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports. On or before March 31 in each year, commencing with the calendar year 1979, 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 all Units then leased hereunder and covered by the Security Documentation, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Documentation have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being

agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; 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 the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A of the Security Documentation; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the 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 applicable 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, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor under this Lease or under the Security Documentation.

The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee.

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 or the occurrence of a default, an event of default or an Event of Default under the Security Documentation, the Participation Agreement 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 § 14 of this Lease, or the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Documentation. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than 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.

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

A. default shall be made in payment of any amount provided for in §§ 3, 7 or 13 hereof, and such default shall continue for five business days;

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

C. the insurance to be maintained by the Lessee under §7 hereof shall for any reason not remain in full force and effect as therein provided, unless comparable substitute insurance satisfactory to the Lessor and the Agent shall be in force;

D. 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 or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

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

F. any other proceedings shall be commenced by or against the Lessee or Co-Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee or Co-Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such 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 and Co-Lessee, as the case may be, under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or the Co-Lessee, as the case may be, or for the property of the Lessee or the Co-Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

G. an event of default set forth in Article 15 of the Security Documentation shall have occurred arising out of any default by the Lessee in performing any of its obligations hereunder;

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

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

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units

may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; 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 as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental 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 the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9.75% per annum discount, compounded quarter-annually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, provided, however, that in the event that the Lessor shall have rented any Unit, then the reasonably estimated rental with respect to any such rental period shall be equal to that rental actually obtained by Lessor during such rental period, plus (B) such sum as shall cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the ADR Deduction and the Interest Deduction (as such deductions are defined in § 16 hereof) which was lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the

termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default, plus (C) such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this clause (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and 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 may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

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

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

(a) forthwith and in the usual manner (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 of the Lessee or any of its affiliates as the Lessor reasonably may designate or, in the absence of such designation, as the Lessee may select; provided, however, that such storage on the tracks of the Lessee will not be required if such storage will interfere with the operation of the railroad of the Lessee;

(b) permit the Lessor to store such Units on such tracks or other premises at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

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

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units.

During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which 0.038022% of the Final Equipment Cost of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, 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 whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10 and 16, and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the Vendor); and if this Lease is assigned to the Vendor the fact that the Vendor is specifically named herein in certain provisions shall not be construed as limiting the rights assigned to the Vendor pursuant to such assignment.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. 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 Vendor not related to the ownership of the Units) upon or with respect to any Unit 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 and Vendor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph hereof.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation, the Lessee shall be entitled to the possession of the Units and shall also be entitled (i) to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, (ii) to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, and (iii) to sublease any Unit or Units to other companies incorporated under the laws of any state of the United States or the District of Columbia, for use in connection with their operations, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not 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 (subject to the provisions of § 3 hereof) for such use from other railroads and companies so using any of the Units.

Nothing in this § 12 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 and under the Participation Agreement and the Consent (as defined in the Security Documentation)) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Option to Renew or Purchase.

(a) Renewal.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation (and so long as no other event which with the lapse of time or the giving of notice would become an event of default has occurred and is continuing) Lessee shall have the right, exercisable by at least six months prior written notice to the Lessor, to renew and extend the term of this Lease with respect to all and not less than all of the Equipment from the stated expiration date hereof for a reasonable term to be agreed upon by the parties, at a rental payable quarterly, in arrears, which shall equal the fair market rental then applicable to Equipment of same kind and age as the Equipment leased hereunder as of a date six months prior to the stated expiration date hereof, as agreed in good faith between the Lessor and the Lessee, or failing such agreement, as determined by at least two of three independent appraisers qualified to determine boxcar values (one each to be selected by the Lessor and Lessee and the third to be selected by the two theretofore selected), whose costs and expenses shall be borne by the Lessee.

(b) Purchase.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Documentation (and so long as no other event which with the lapse of time or the giving of notice would become an event of default has occurred and is continuing) Lessee shall have the right, exercisable by at least six months prior written notice to the Lessor, to purchase all and not less than all of the Equipment on the expiration date of this Lease at a purchase price equal to the fair market value of the Equipment as of a date six months prior to the expiration date of this Lease, such fair market value to be determined in accordance with the procedure set forth in subsection (a) of this §13.

§ 14. Return of Units upon Expiration of Term. The Lessor intends to retain the Units for re-lease or sale at the expiration of the term of this Lease, subject, however, to the rights of the Lessee as set forth in § 13 hereof. As soon as practicable on or after the expiration of the term of this Lease (which for all purposes hereof shall be deemed to include any renewal term) with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or other premises as the Lessor reasonably may designate, provided that such storage on the Lessee's storage tracks does not interfere with the operation of the railroad of the Lessee. The Lessee will permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, such movement and storage of any such Unit on the storage tracks of the Lessee to be at the expense

and risk of the Lessee. During said three-month storage period and at the expiration thereof, the Lessee agrees to transport the Units to any other reasonable place designated by the Lessor, the movement of such Units to such places (other than to the places set forth in the immediately preceding sentence) to be at the expense and risk of the Lessor except that the Lessee shall pay any such expenses of the Lessor to the extent of any revenues earned by such Units during such movement, and the Lessee shall use its best efforts to realize such revenues on such Units during such movement. 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 or lessee of 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 such prospective purchaser or lessee, 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 §14 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 for use in interchange service and/or the applicable rules of any governmental agency or other organization with jurisdiction.

During the period of time during which the Units are being returned after the term of this Lease, the Lessee will pay to the Lessor "holdover rent" for each such Unit being returned in an amount equal to 0.024714% of the Final Equipment Cost of such Unit, or the fair market rental of such Unit (determined in the same manner as provided in §13 hereof), whichever is greater, for each day elapsed from the date of expiration of the term of this Lease, to the date such Unit is returned to the Lessor pursuant to this §14.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Security Documentation and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documentation and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, 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 Security Documentation and the assignment thereof to the Vendor; and the

Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Security Documentation shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Federal Income Taxes.

(a) Tax Indemnification. It is the intent of the parties to the Lease that it will be recognized as a lease for all Federal, state, city and local income taxes or franchise taxes imposed on or measured by net income, and that this Lease does not convey to the Lessee any right, title or interest in the Units except as lessee (it being acknowledged, however, that it is also the intent of the parties to have the Lessee treated as the purchaser of the Units for purposes of investment tax credit), and that for United States income tax purposes (and to the extent applicable for state and local tax purposes), the Lessor, a limited partnership, as the owner of the Units, and its limited partners (referred to herein as an "Owner" or the "Owners", as the case may be), shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (herein called the Code), to an owner of property, including, without limitation, (A) the maximum depreciation deduction for any year (hereinafter called the Depreciation Deduction) with respect to the Units authorized under section 167 of the Code based on the aggregate Final Equipment Cost of the Units utilizing no more than the 12-year depreciable life prescribed for the Units in the Asset Guideline Class 00.25 in accordance with section 167(m) of the Code employing the double declining balance method of depreciation, or any other method permitted under section 167 of the Code and Regulations thereunder (including switching to the sum-of-the-years-digits method or another permitted method when most beneficial to the Owners) [utilizing the half-year convention as provided in Reg. Sec. 1.167(a)-11(c)(2)(iii) and taking into account an estimated gross salvage value of 10% of the basis of the Units which will be reduced by 10% of the basis of the Units as provided in section 167(f) of the Code], and (B) deductions with respect to the interest payable under the Security Documentation pursuant to section 163 of the Code (such deduction being herein called the Interest Deduction).

Notwithstanding anything to the contrary contained herein, Lessee represents, warrants and covenants to the Lessor and Owners that (i) 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 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 Lessor; (ii) at all times during the term of this Lease, the Units will constitute "Section 38 property" within the meaning of Section 48(a) of the Code; (iii) Lessee will maintain sufficient records to verify such use; (iv) upon request of Lessor, Lessee will provide written reports establishing such use; (v) Lessee and the consolidated federal taxpayer group of which it is a member will file their tax returns and maintain their books and financial statements consistent with the provisions of the first paragraph of this subsection 16(a); (vi) neither Lessee 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 to jeopardize the tax benefits anticipated by the Lessor and its Owners pursuant to the first paragraph of this subsection 16(a); (vii) the fair market value of the Units at the end of the term of this Lease will be at least 20% of Final Equipment Cost and the remaining useful life of the Units at the end of the term of this Lease will be at least 20% of the total useful life of the Units; and (viii) Lessee shall take all actions and execute such documents as may be reasonable or necessary to facilitate the accomplishment of the intent hereof.

If, for any Unit or any part thereof there shall be a disallowance, elimination, reduction or disqualification in whole or in part of any Depreciation Deduction, whether or not Lessor or any Owner made use of the Deduction (hereinafter called the Loss of Depreciation), Lessee shall pay to Lessor additional rent to compensate the Owners for the consequent lost cumulative deferral of income tax liability existing thereafter from time to time. Said additional rent, payable as a result of any such Loss, shall be equal to: (i) for the period prior to the payment by any Owner of additional Federal, state and local taxes as a result of such Loss of Depreciation, a sum equal to (A) an amount which, after deduction of all taxes required to be paid by the Lessor and the Owners in respect of the receipt of such amount under the laws of any Federal, state, or local government or taxing authority in the United States, shall be equal to the amount of any interest, penalties, or additions to tax payable by the Lessor and the Owners as a result of such Loss of Depreciation which are not deductible by the Lessor for Federal income tax purposes, plus (B) the amount of any interest, penalties, or additions to tax payable by the Lessor and the Owners as a result of such Loss of Depreciation which are deductible by the Lessor for Federal income tax purposes;

and (ii) for the period after such payment by the Lessor or any Owner, the quarter-annual rental rate shall be increased by such amount for such Unit which, in the reasonable opinion of the Lessor, will cause the Lessor's and the Owners' after-tax rate of return over the term of the Lease in respect of such Unit to equal the after-tax rate of return that would have been available if the Lessor and the Owners had been entitled to utilization of all of the Depreciation Deduction and the Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any state against the Lessor and its Owners attributable to the Loss of Depreciation.

If, regarding Interest Deduction, there shall be a disallowance, elimination, reduction or disqualification of all or part of same, whether or not Lessor and its Owners made use of the Deduction (hereinafter called Loss of Deduction), Lessee shall pay to Lessor additional rent to compensate the Owners for the additional income tax liability thereby incurred. Said additional rent, payable as a result of any such Loss of Deduction, shall be equal to (i) for the period prior to the payment by the Lessor or any Owner of additional Federal, state and local income taxes as a result of such Loss of Deduction, a sum equal to (A) an amount which, after deduction of all taxes required to be paid by the Lessor or the Owners in respect of the receipt of such amount under the laws of any Federal, state or local government or taxing authority in the United States, shall be equal to the amount of aggregate additional tax liability plus any interest and penalties payable by the Lessor and the Owners as a result of such Loss of Deduction which are not deductible for Federal income tax purposes, plus (B) any interest and penalties payable by the Lessor and the Owners as a result of such Loss of Deduction which are deductible for Federal income tax purposes; and (ii) for the period after such payment by the Lessor or any Owner, an amount computed separately for each taxable year of the Lessor or the Owners equal to an amount which, after deduction of all taxes required to be paid by the Owners in respect of the receipt of such amount under the laws of any Federal, state and local government taxing authority in the United States, shall be equal to the amount of additional taxes payable by the Owners for the taxable year for which this computation is made.

The amounts payable pursuant to the preceding paragraphs of this subsection 16(a) shall be payable upon demand by Lessor, accompanied by a statement describing in reasonable detail the Loss of Depreciation, and/or Loss of Deduction, as the case may be, and setting forth the computation of the amount so payable.

It is the intent of the parties that the Owners' after-tax rate of return shall not be affected by Loss of Depreciation or Loss of Deduction. It is the further intent of the parties that such return is computed based upon the assumption that the Owners shall derive full tax benefit of Depreciation Deduction and Interest Deduction computed using the maximum corporate or individual income tax rates, as the case may be (Federal, state and local), in effect at the date hereof. Computation of the amounts due to the Owners as a result of these indemnification provisions shall be made in accordance with the above intention and assumptions.

For purposes of this subsection 16(a), a Loss of Depreciation or Loss of Deduction shall occur upon the earliest of (1) the happening of any event (such as disposition or change in use of any Unit) which may cause such Loss of Depreciation or Loss of Deduction; (2) the payment by any Owner to the Internal Revenue Service of the tax increase resulting from such Loss of Depreciation or Loss of Deduction; (3) the adjustment of the tax return of any Owner to reflect such Loss of Depreciation or Loss of Deduction; or (4) the determination by Internal Revenue Service that Depreciation Deduction or Interest Deduction are not available with respect to all or any part of the Units. Lessee shall also pay any interest and penalties paid or which would be payable to the taxing authority or jurisdiction if there were no other adjustments to said tax return; provided, however, that interest shall not run after the payment by Lessee to Lessor of the full amount of any indemnification then requested by Lessor.

Notwithstanding anything to the contrary set forth in this subsection 16(a), no amount shall be payable as an indemnity hereunder to Lessor or an Owner thereof, as the case may be, in respect of (A) tax imposed by reason of Section 56 of the Code attributable to an item of tax preference arising under this Lease which is described in Section 57(a)(3) of the Code, or (B) any Loss of Depreciation or Loss of Deduction to the extent such Loss is solely the result of the occurrence of any one or more of the following events: (1) an Owner shall fail to have sufficient taxable income against which to apply the Depreciation Deduction or Interest Deduction; (2) an amendment to the Code or the promulgation of or amendment to Treasury Regulations which became effective after the last Delivery Date of the Units; (3) an Owner is prohibited from obtaining the benefit of such Deductions by reason of Section 465 of the Code, the so-called at-risk limitation; (4) an Owner is prevented from obtaining the benefit of such Deductions by reason of a disallowance of such Deductions by Internal Revenue Service, as a result of its determination that Lessor is for federal income tax purposes an association (taxable as a corporation) rather than a partnership; (5) the inability of an Owner to utilize the Interest Deduction as a result of the limitation on the deduction of so-called investment interest as provided in Section 163(d) of the Code; (6) a determination by Internal Revenue Service with respect to the taxable year of Lessor in which the Units have been placed in service that an Owner is not entitled to deduct his distributive share of the Depreciation Deduction computed under the half-year convention described in Treas. Reg. §1.167(a) - 11(c)(2)(iii) attributable to the period occurring before such Owner acquired an interest in Lessor;

(7) a disqualifying disposition due to the sale of any unit(s) or the lease thereof by Lessor prior to any default by Lessee; (8) a failure of the Lessor to timely claim Interest Deduction or Depreciation Deduction for the Units in the tax return of the Lessor, provided that such failure shall not result from consequences or from actions for which the Lessor would have been eligible or allowed to take had the Loss of Depreciation or Loss of Deduction not occurred; (9) a disqualifying change in the nature of the Lessor's business or liquidation thereof; (10) a foreclosure by any person holding through Lessor of a lien on any Unit, which foreclosure results solely from an act of Lessor; or (11) any event which by the terms of this Lease requires payment by Lessee of the Casualty Value, if such Casualty Value is thereafter actually paid by Lessee, to the extent that such payment reimburses the Lessor for amount(s) otherwise payable by Lessee pursuant to this subsection 16(a).

Upon receipt of formal notification by Federal or state taxing authorities of a proposed disallowance or adjustment of any credit or deduction arising from this Lease for which additional rent may be payable by Lessee in accordance with this subsection 16(a) (hereinafter called Disallowance), the Lessor shall promptly notify Lessee of such Disallowance. Upon receipt of a written request from Lessee to contest such Disallowance, and at Lessee's expense, the Lessor shall in good faith use its best effort (determined in the sole discretion of tax counsel of the Lessor to be reasonable, proper and consistent with the overall tax interests of the Owners) to contest such proposed Disallowance, provided, however, that such Disallowance need not be contested beyond the level of an Internal Revenue Service examining agent unless and until the Lessor shall have received from independent tax counsel selected by the Lessor and approved by Lessee an opinion to the effect that there is a meritorious defense to such Disallowance. In such event, the Disallowance shall be contested by such appropriate administrative or judicial proceedings as may be determined by the Lessor in its sole discretion.

The Lessor shall not be required to take any action to contest such Disallowance unless and until Lessee shall have agreed to indemnify the Lessor in a manner satisfactory to the Lessor for any liability or loss in connection with this Lease or the transaction contemplated herein which the Lessor or any Owner may incur as a result of taking such action, and Lessee shall pay the Lessor and the Owners on demand all out-of-pocket costs and expenses incurred by the Lessor and the Owners in connection with contesting such Disallowance. Lessee further agrees to abide by the final determination arrived at in any such contest.

All of Lessor's and Owners' rights and privileges arising from the indemnities contained in this subsection 16(a) shall survive the expiration or other termination of this Lease, and said indemnities are expressly made for the benefit of, and shall be enforceable by Lessor, its successors and assigns.

(b) Rental Adjustment for Lessee's Capital Expenditures. In the event and to the extent that the cost of any improvement and/or addition (hereinafter called Capital Expenditures) to a Unit made by the Lessee, under and pursuant to the terms of this Lease or otherwise, is required to be included in the gross income of the Lessor or any Owner for Federal income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, then the

rentals for the Units set forth in §3 hereof shall, on the next succeeding rental payment date after the date on which the Lessee is required to furnish written notice thereof to the Lessor pursuant to the last paragraph of this subsection 16(b) after said inclusion in the Lessor's or any Owner's gross income is required, be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor, after taking into account any present or future tax benefits that the Lessor and the Owners reasonably anticipate they will derive from Lessee's additional investment in the Units by reason of said inclusion (including without limitation any current deductions and current and future depreciation deductions), cause the Lessor's and Owners' net return (calculated on the same basis as used by the Lessor and the Owners in originally evaluating this transaction) to equal the net return that would have been realized by the Lessor and the Owners if the cost of such Capital Expenditures had not been includible in the Lessor's and Owners' gross income.

In determining the present or future tax benefits to be taken into account in establishing the rental increase required hereby, the Lessor shall attempt to maximize such benefits and hence minimize the increase in rents by making such elections (including where advantageous the applicable asset guideline repair allowance and accelerated depreciation, if then permitted) and utilizing such conventions and accounting methods as will further such objectives; provided, however, that the Lessor and the Owners shall not be required to make any election or utilize a particular convention or accounting method if the Lessor determines, in its sole discretion but in good faith, that in so doing it will adversely affect its Federal income tax liability determined without regard to this transaction.

For purposes of this subsection 16(b) the cost of Capital Expenditures made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor and the Owners for Federal income tax purposes" if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of said Capital Expenditures is incurred; (ii) any provision of the Code or the applicable regulations enacted or adopted after the date of this Lease; (iii) any published revenue ruling of the Internal Revenue Service issued after the date of this Lease which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal income tax liability of the Lessor and of the Owners; or (iv) the adjustment by the Internal Revenue Service of the tax return of the Lessor or any Owner to reflect such additional income.

The Lessor and Owners agree that they will, upon the written request and at the sole expense of the Lessee (A) seek a modification of any private ruling letter described in (i) of the preceding paragraph to eliminate the requirement that the cost of Capital Expenditures be included in gross income, and (B) contest the inclusion of the cost of Capital Expenditures in their gross incomes if such inclusion is required pursuant to (ii), (iii) or (iv) of the preceding paragraph in such forum as they, in their sole judgment but with due regard to the Lessee's advice, shall select; provided,

however, that the Lessor or any Owner shall not be required to contest such inclusion unless it has received an opinion from independent counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such inclusion and the Lessee has advanced to the Lessor such sums as the Lessor may reasonably deem necessary to pay the costs of such contest on behalf of itself or any Owner.

It is further agreed that the Lessee may claim a deduction for Federal income tax purposes of any cost of Capital Expenditures which are required to be included in the gross income of the Lessor for Federal income tax purposes.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Capital Expenditures which are required to be included in the gross income of the Lessor or any Owner for Federal income tax purposes prior to the time such Unit is disposed of in a taxable transaction, the Lessee will give written notice thereof to the Lessor describing such Capital Expenditures in reasonable detail and specifying the cost thereof with respect to each Unit.

§ 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, to the extent legally enforceable, an amount equal to 10.75% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

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

(a) if to the Lessor, at the address set forth in item 2 of Schedule B hereto;

(b) if to the Lessee, at 402 Cedar Rock Street, Pickens, South Carolina 29671, Attention: Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at 2 Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department, or as the Vendor may otherwise specify.

§ 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.

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

§ 20. Obligations of Co-Lessee. By its execution and delivery of this Lease, the Co-Lessee recognizes and agrees that it is jointly and severally liable hereunder, to the same extent and purpose as the Lessee, subject only to requirement that before being called on hereunder to perform any of the obligations of a lessee as aforesaid, the Lessee shall first have failed to perform such obligation when and as due, and the Lessor shall have given to the Co-Lessee two days' prior notice in writing of such failure.

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

§ 22. Law Governing. This Lease having been executed and delivered in the Commonwealth of Pennsylvania, the terms hereof, and all rights and obligations hereunder, shall be governed by the laws of such Commonwealth; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

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

ST. LAWRENCE PARTNERS

[Corporate Seal]

By BRANDYWINE CORPORATION,
its General Partner

Attest:

By _____
President

_____
Secretary

PICKENS RAILROAD COMPANY

By _____
Vice President

[Corporate Seal]

Attest:

_____
Secretary

NATIONAL RAILWAY UTILIZATION CORPORATION

[Corporate Seal]

By _____
Vice President

Attest:

_____
Secretary

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA

On this _____ day of December, 1977, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is President of Brandywine Corporation, 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 on behalf of St. Lawrence Partners (a partnership of which said corporation is the General Partner) by authority duly vested in said corporation as such General Partner, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation and of said partnership.

[Notarial Seal]

_____
Notary Public

My Commission expires:

COMMONWEALTH OF PENNSYLVANIA :
ss:
COUNTY OF PHILADELPHIA :

On this day of December, 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of Pickens 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.

Notary Public

My Commission expires:

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA :

On this day of December, 1977, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of National Railway Utilization Corporation, 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.

Notary Public

My Commission expires:

SCHEDULE A TO LEASE

Type	Quantity	Lessee's Identifying Numbers (Both Inclusive)
50'-6" 70-ton general purpose box cars, Type XM	30	M&NJ 120805-834

SCHEDULE B TO LEASE

Casualty Values

Item 1:

Date	Percentage	Date	Percentage
3/31/1978	110.179049	9/30/1985	96.330144
6/30/1978	111.171333	12/31/1985	94.280014
9/30/1978	111.737416	3/31/1986	92.142216
12/31/1978	112.561356	6/30/1986	89.940538
3/31/1979	113.286829	9/30/1986	87.701194
6/30/1979	113.909200	12/31/1986	85.423400
9/30/1979	114.423595	3/31/1987	83.110307
12/31/1979	114.824925	6/30/1987	80.761138
3/31/1980	115.132501	9/30/1987	78.375092
6/30/1980	115.341941	12/31/1987	75.951349
9/30/1980	115.448666	3/31/1988	73.493146
12/31/1980	115.447868	6/30/1988	70.999659
3/31/1981	115.353079	9/30/1988	68.470040
6/30/1981	115.159943	12/31/1988	65.903426
9/30/1981	114.863899	3/31/1989	63.303144
12/31/1981	114.460161	6/30/1989	60.668320
3/31/1982	113.962666	9/30/1989	57.998056
6/30/1982	113.367112	12/31/1989	55.291435
9/30/1982	112.668978	3/31/1990	52.551480
12/31/1982	111.863539	6/30/1990	49.777257
3/31/1983	110.965209	9/30/1990	46.967808
6/30/1983	109.969765	12/31/1990	44.122149
9/30/1983	108.872776	3/31/1991	41.242028
12/31/1983	107.669610	6/30/1991	38.326431
3/31/1984	106.375241	9/30/1991	35.374318
6/30/1984	104.985577	12/31/1991	32.384621
9/30/1984	103.496322	3/31/1992	29.358211
12/31/1984	101.869649	6/30/1992	26.293980
3/31/1985	100.120607	9/30/1992	25.668320
6/30/1985	98.275524	12/31/1992	25.000000

Item 2: St. Lawrence Partners
c/o FDI Management Corporation
Suite 1100
300 Delaware Avenue
Wilmington, Delaware 19801

With copy to:

Messrs. Blank, Rome, Klaus & Comisky
Four Penn Center Plaza
Philadelphia, Pa. 19103
Attn: Elliott K. Braverman, Esq.

ANNEX D

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of December 1, 1977

between

ST. LAWRENCE PARTNERS,

and

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT dated as of December 1, 1977 (hereinafter called this Assignment), by and between ST. LAWRENCE PARTNERS (hereinafter called the Lessor or the Vendee), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (hereinafter called the Vendor) under a Participation Agreement dated as of the date hereof.

WHEREAS, the Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Documentation) with Whittaker Corporation (Berwick Forge & Fabricating Division) (hereinafter called the Builder), providing for the sale to the Vendee of such units of railroad equipment (hereinafter called the Units) described in the Annexes thereto as are delivered to and accepted by the Vendee thereunder;

WHEREAS, the Lessor, Pickens Railroad Company (hereinafter called the Lessee) and National Railway Utilization Corporation (hereinafter called the Co-Lessee) have entered into a Lease of Railroad Equipment, dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units, the obligations of Lessee under the Lease being the point and several obligations of the Co-Lessee to the extent therein set forth; and

WHEREAS, in order to provide security for the obligations of the Lessor under the Security Documentation and as an inducement to the Vendor to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Documentation), the Lessor agrees to assign for security purposes its rights in, to and under the Lease to the Vendor;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the Security Documentation, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the Payments), and the right to make all waivers and agreements, to give all notices,

consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the Security Documentation, and, so long as no event of Default or event which with the lapse of time and/or demand provided for in the Security Documentation could constitute an event of default thereunder, shall have occurred and be continuing, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor, by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease when due, the Vendor shall notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the Security Documentation.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the Security Documentation, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than created by the Security Documentation) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the Security Documentation or the Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments equal or superior to the Vendor's interest therein, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Vendor in order to confirm or further assure, the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of the Commonwealth of Pennsylvania, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the Security Documentation, or at such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no event of default under the Security Documentation has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment and which are for the sole benefit of the Lessor, without the prior consent of the Lessor.

12. Anything herein to the contrary notwithstanding, this Assignment shall not be deemed:

(a) to limit or impair the provisions of Article 21 of the Security Documentation respecting limitations on liability;

(b) to limit or impair the right of the Vendee set forth in the sixth paragraph of Article 16 of the Security Documentation;

(c) to limit or impair the rights of the Vendee to receive notices in accordance with the provisions of the Security Documentation, or of the Lessee to receive notices in accordance with the provisions of the Lease; or

(d) to grant to the Vendor any right to amend or modify the Lease in any respect which would materially affect the rights of the Lessor without the prior written consent of the Lessor.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

ST. LAWRENCE PARTNERS

By BRANDYWINE CORPORATION,
its General Partner

[Corporate Seal]

Attest:

By _____
President

_____
Secretary

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY

[Corporate Seal]

Attest:

By _____
Assistant Vice President

_____
Corporate Trust Officer

COMMONWEALTH OF PENNSYLVANIA :

ss:

COUNTY OF PHILADELPHIA

On this _____ day of December, 1977, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is President of Brandywine Corporation, 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 on behalf of St. Lawrence Partners (a partnership of which said corporation is the General Partner) by authority duly vested in said corporation as such General Partner, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation and of said partnership.

[Notarial Seal]

_____

Notary Public

My Commission expires:

STATE OF MARYLAND :

ss:

CITY OF BALTIMORE :

On this _____ day of December, 1977, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and 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.

_____

Notary Public

[Notarial Seal]

My Commission expires:

ML&B

12/21/77

ANNEX E

PARTICIPATION AGREEMENT

AMONG

PICKENS RAILROAD COMPANY,

NATIONAL RAILWAY UTILIZATION CORPORATION,

ST. LAWRENCE PARTNERS,

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,

AND

THE PARTIES NAMED IN SCHEDULE B HERETO

Dated as of December 1, 1977

PARTICIPATION AGREEMENT dated as of December 1, 1977, among PICKENS RAILROAD COMPANY, a South Carolina corporation (hereinafter called the Lessee), NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation (hereinafter called the Co-Lessee), ST. LAWRENCE PARTNERS, a Delaware limited partnership (hereinafter called the Owner), MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland corporation (hereinafter called the Agent) and the parties named in Schedule B hereof (hereinafter called the Investors).

WHEREAS, the Owner agrees to purchase certain units of railroad equipment (hereinafter called the Equipment) from Whittaker Corporation (Berwick Forge & Fabricating Division) (hereinafter called the Builder), pursuant to a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Conditional Sale Agreement) substantially in the form of Exhibit A hereto and the Builder will retain a security interest in such units until the Owner fulfills its obligations under the Conditional Sale Agreement;

WHEREAS, the Lessee will lease from the Owner all units of such equipment so purchased, or such lesser number of units as are delivered and accepted under the Owner's Conditional Sale Agreement, pursuant to a Lease of Railroad Equipment in substantially the form attached to the Conditional Sale Agreement as Annex C thereto, and the obligations of the Lessee under such lease will be the joint and several liability of the Co-Lessee to the extent therein set forth (such lease being hereinafter called the Lease);

WHEREAS, the Investors will finance 75% of the cost of the Equipment by investing in the Conditional Sale Indebtedness (as defined in the Conditional Sale Agreement);

WHEREAS, the security interest of the Builder in the Equipment will be assigned to the Agent, acting on behalf of the Investors, pursuant to, in the case of the Conditional Sale Agreement, an Agreement and Assignment (hereinafter called the Assignment) in substantially the form of Exhibit B hereto, and the Lease will be assigned to the Agent pursuant to an Assignment of Lease and Agreement (hereinafter called the Lease Assignment) in substantially the form attached to the Conditional Sale Agreement as Annex D thereto until the Owner fulfills all its obligations under the Conditional Sale Agreement.

NOW, THEREFORE, in consideration of the agreements and the covenants hereinafter contained, the parties hereto hereby agree as follows:

1. The Owner will enter into the Conditional Sale Agreement and pursuant thereto purchase, as hereinafter provided, the units of Equipment of the type set forth in Schedule A hereto delivered and accepted under the Owner's Conditional Sale Agreement having an aggregate Purchase Price (as defined in the Conditional Sale Agreement) not exceeding the amount set forth for the Owner in said Schedule A.

On or before the First Delivery Date (as hereinafter defined) for the units of Equipment being purchased by the Owner, the Owner and the Lessee will enter into a Lease in respect of such Equipment, the Owner will enter into a Lease Assignment in respect of the Lease with the Agent, and the Lessee will consent to said Lease Assignment pursuant to the Lessee's Consent and Agreement (hereinafter called the Consent) in substantially the form attached to the Lease Assignment.

The Lessee hereby assigns, transfers and sets over unto the Owner, its successors and assigns, respectively:

(a) all the right, title and interest of the Lessee in and to the units of Equipment set forth in Schedule A hereto; and

(b) all the right, title and interest of the Lessee in and to any contractual arrangements with the Builder which relate to the Owner's units of Equipment (such arrangements being hereinafter called the Purchase Order);

provided, however, that it is understood and agreed that all obligations of the Owner to the Builder under the Purchase Order shall be superseded by the Conditional Sale Agreement executed by the Owner, and the obligations of the Owner to purchase and pay for the units of Equipment shall be exclusively and completely governed by, and subject to, the conditions provided herein and in the Conditional Sale Agreement.

The Lessee covenants with the Owner and the Builder as a third-party beneficiary hereof that, in the event of the exclusion of any unit of Equipment from the Conditional Sale Agreement pursuant to the second paragraph of Article 3 thereof or the first paragraph of Article 4 thereof, 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 and the Owner will reassign, transfer and set over to the Lessee all the right, title and interest of the Owner, if any, in and to the units so excluded and the Purchase Order to the extent relating thereto.

2. Subject to the terms and conditions hereof, each Investor will pay to the Agent, in Federal funds or immediately available Baltimore funds, not later than 11:00 a.m., Baltimore time, on dates and in amounts determined in the manner described below (each such date being hereinafter called a Date of Deposit), such amounts, however, not to exceed in the aggregate the investment set forth opposite such Investor's name in Schedule B hereto. The Agent will give to each Investor written notice of the payment to be made by such Investor at least three business days prior to its Date of Deposit, which dates shall coincide with the Closing Dates (as defined in the Conditional Sale Agreement) to occur under the Conditional Sale Agreement (the first of such dates being herein called the First Delivery Date), provided, however, that, without the consent of any Investor affected thereby, there shall be only one such Closing Date and Date of Deposit, each of which shall occur not later than December 29, 1977. The obligation of each Investor, as set forth above, is subject to the condition that, except as otherwise provided under the first paragraph of Article 4 of the Conditional Sale Agreement, not less than the full quantity of Equipment specified in Annex B to the Conditional Sale Agreement shall be tendered for purchase and payment on the aforesaid Closing Date and Date of Deposit.

Upon payment to the Agent of any amount required to be paid by an Investor pursuant to this Paragraph 2, the Agent will execute and deliver to such Investor (or, upon the written request of such Investor, to the nominee or nominees of such Investor), a certificate or certificates of interest with respect to such payment dated the Date of Deposit substantially in the form annexed hereto as Exhibit C.

The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed. All interest under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months.

As soon as practicable after the delivery of any certificate of interest, the Agent will deliver to the holder thereof a schedule of payments reflecting the dates and amounts of principal and interest payments to be made in respect of such certificate. Each Investor, simultaneously with the final payment to it of all amounts payable in respect of such certificate, will surrender such certificate to the Agent.

Pursuant to the Assignment, the Agent will acquire from the Builder all its right, security title and interest under the Conditional Sale Agreement, except as specifically excepted by the Assignment. Pursuant to the Lease Assignment, the Agent will acquire for security purposes the rights of the Owner in, to and under the Lease.

The forms of the Exhibits annexed to this Agreement are hereby approved by the Investors. The Agent will not enter into or consent to any modification or supplement to such forms without the prior written approval of all of the Investors, which approval will not unreasonably be withheld.

The Agent will hold the moneys deposited with it pursuant hereto and the rights under the Conditional Sale Agreement acquired under the Assignment, security title to the Equipment following its delivery and acceptance thereunder, as provided in the Assignment and the Conditional Sale Agreement, the security interest in the Lease and any payments received by it pursuant to the Lease, in trust for the benefit of the Investors and the Owner in accordance with their respective interests therein as such interests from time to time shall appear. The interests of the Investors in the aggregate Conditional Sale Indebtedness shall be in proportion to their respective investments as set forth in Schedule B hereto, plus accrued and unpaid interest from time to time outstanding. It is expressly understood and agreed that the obligations of the Agent hereunder as such title holder and with respect to the payments to the Investors to be made by the Agent are only those expressly set forth herein.

3. The Lessee and Co-Lessee each represents and warrants as follows:

(a) No authorization or approval is required from any governmental or public regulatory body or authority of the United States of America, or of any of the States thereof or the District of Columbia, in connection with the execution by the Lessee and the Co-Lessee of this Agreement, the Lease, or the Consent, or the fulfillment of or compliance with the terms, conditions and provisions hereof and thereof by Lessee and Co-Lessee or arising from Lessee's or Co-Lessee's possession or use of the Equipment in connection with the terms, conditions and provisions of the Conditional Sale Agreement, the Assignment, the Lease, and the Lease Assignment.

(b) Neither the Lessee nor the Co-Lessee has directly or indirectly offered or sold any of the Conditional Sale Indebtedness or other securities to, solicited offers to buy any of the Conditional Sale Indebtedness or other securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any of the Conditional Sale Indebtedness or other securities with, any person so as to require registration of the Conditional Sale Indebtedness under the provisions of Section 5 of the Securities Act of 1933, as amended. Neither the Lessee nor the Co-Lessee will offer any Conditional Sale Indebtedness or other securities to, or solicit any offer to buy any thereof from any other person or approach or negotiate with any other person in respect thereof, so as to require registration of the Conditional Sale Indebtedness under the provisions of Section 5 of said Securities Act.

(c) The Lessee has furnished to the Owner and each Investor balance sheets of the Lessee as of May 31, 1976 and 1977, and related statements of earnings and retained earnings and of changes in the financial position for the years then ended, in each case accompanied by the report of S. D. Leidesdorf & Co., certified public accountants. Such financial statements are in accordance with the books and records of the Lessee and have been prepared in accordance with generally accepted accounting principles. The financial statements have been prepared on a consistent basis throughout the periods covered thereby, except as set forth therein. The financial statements present fairly the financial condition of the Lessee at such dates and the results of its operations for such periods. Since May 31, 1977, there has been no change except in the ordinary course of business, and there have been no changes with individually or in the aggregate have been materially adverse to the condition, financial or otherwise, of the Lessee as shown on the balance sheet as of such date.

(d) The Equipment will be used in interstate commerce and ownership thereof does not subject the Owner to the provisions of the Interstate Commerce Act nor to the authority of the Interstate Commerce Commission.

(e) Each of the Lessee and Co-Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of South Carolina and is duly qualified and authorized to do business and is in good standing in all other jurisdictions where the nature of the properties owned by it, or the nature of the business conducted by it may require such qualification; or if not so qualified, its failure so to qualify in any other jurisdiction will not have a materially adverse impact on this Agreement, the Lease or the Consent.

(f) Each of the Lessee and Co-Lessee has the full corporate power and authority and legal right and possesses all licenses and permits necessary to carry on its principal business as now conducted and to perform its obligations under this Agreement, the Lease and the Consent.

(g) The Specifications (as defined in the Conditional Sale Agreement have been determined by the Lessee, and in its opinion are sufficient to enable the Equipment to perform the functions for which it will be used by the Lessee.

(h) Neither the execution and delivery of this Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof by the Lessee and the Co-Lessee, as the case may be, will conflict with, or result in a breach of, any of the terms, conditions or provisions of the articles of incorporation (as amended) or the by-laws (as amended) of the Lessee or Co-Lessee or of any bond, debenture, note, mortgage, indenture, contract or other agreement or instrument to which the Lessee or Co-Lessee is now a party or by which it or its property may be bound as guarantor or otherwise, or constitute (with the giving of notice or the passage of time or both) a default thereunder.

(i) Neither the execution and delivery by the Lessee or Co-Lessee of this Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality.

(j) No mortgage, deed of trust or other lien of any nature whatsoever (other than liens, if any, for taxes not yet due and payable), which now covers or affects any property or interest therein of the Leasee or Co-Lessee, now attaches or hereafter will attach to the Equipment or in any manner affects or will affect adversely the right, title and interest of the Owner or the Agent therein.

(k) There are no actions, suits or proceedings pending or threatened against or affecting the Lessee or the Co-Lessee or any property rights of the Lessee or the Co-Lessee at law or in equity, or before any commission or other administrative agency, arbitration board or tribunal which could materially and adversely affect the condition, financial or otherwise, of the Lessee or the Co-Lessee or the ability of either thereof to perform its obligations under this Agreement, the Lease or the Consent, and neither the Lessee nor the Co-Lessee is in default with respect to any order or decree of any court or governmental commission, agency or instrumentality.

(l) This Agreement, the Lease and the Consent, assuming due authorization, execution and delivery thereof by the other parties thereto, are legal and valid instruments binding upon the Lessee and the Co-Lessee, and enforceable against each thereof in accordance with their terms.

4. The Owner represents and warrants that it has not directly or indirectly offered or sold any of the Conditional Sale Indebtedness or other securities to, solicited offers to buy any of the Conditional Sale Indebtedness or other securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any of the Conditional Sale Indebtedness or other securities with any person so as to require registration of the Conditional Sale Indebtedness or any such other securities under the provisions of Section 5 of the Securities Act of 1933, as amended. The Owner will not offer any Conditional Sale Indebtedness or other securities to, or solicit any offer to buy any thereof from any other person or approach or negotiate with any other person in respect thereof, so as to require registration of the Conditional Sale Indebtedness or any such other securities under the provisions of Section 5 of said Securities Act. The Owner has and will have no business interest or activity other than the transaction contemplated hereby.

For purposes of enabling the Lessee to claim the benefits of the investment tax credit (as described in sections 38, 46, 48 and 50 of the Internal Revenue Code of 1954, as amended), the Owner will, at the request of the Lessee, take such steps as shall reasonably be requested and directed by the Lessee (limited, however, to the execution, delivery and filing of such forms as shall be prepared, and presented to the Owner, by the Lessee for such purpose) to have the Lessee treated pursuant to section 48(d) of said Code as the purchaser of the Equipment, the possession of which shall be transferred to Lessee under a Lease; provided, however, the Owner makes no representation or warranty with respect to the effectiveness of such steps or the availability or benefit to Lessee of such credit.

5. Each Investor represents that it is acquiring its interest in the aggregate Conditional Sale Indebtedness for its own account, or for the account of one or more pension or trust funds or other institutional accounts, for investment and not with a view to, or for sale in connection with, the distribution of the same, nor with any present intention of distributing or selling the same, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control. Each Investor, if acquiring a participation in the aggregate Conditional Sale Indebtedness for the account of one or more pension or trust funds or other institutional accounts, represents that (except to the extent that it has otherwise advised its special counsel, Messrs. Morgan, Lewis & Bockius, in writing) it has sole investment discretion in respect of each such account for which it is acting.

Each Investor understands that its interest in the Conditional Sale Indebtedness has not been registered under the Securities Act of 1933 because the transaction is exempt from the registration requirements of such Act, and that each Investor's interest must be held indefinitely unless a subsequent disposition thereof is registered under said Act or is exempt from registration.

6. The obligation of any Investor to make any payment required of it under Paragraph 2 hereof on the first Date of Deposit to occur pursuant to the provisions hereof, and the obligation of the Agent to make payment on the First Delivery Date to the Builder pursuant to the Assignment shall be subject to the receipt by the Agent of the following documents dated the First Delivery Date:

(a) An opinion of Messrs. Morgan, Lewis & Bockius, special counsel for the Investors and the Agent, to the effect that:

(i) this Agreement, assuming due authorization, execution and delivery thereof by the Investors, has been duly authorized, executed and delivered and constitutes a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(ii) the Conditional Sale Agreement and the Lease have each been duly authorized, executed and delivered and each is a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(iii) the Assignment, the Lease Assignment and the Consent have each been duly authorized, executed and delivered and each is a legal and valid instrument, binding on the parties thereto and enforceable in accordance with its terms;

(iv) the Agent is vested with all the rights, titles, interests, powers and privileges of the Builder purported to be assigned to it by the Assignment and, upon settlement for units of Equipment pursuant to and in accordance with the Assignment, the Agent will have a valid security interest in such units;

(v) the Conditional Sale Agreement, the Lease, the Assignment and the Lease Assignment have each been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and no other filing or recordation is necessary for the protection of the rights of the Agent therein or in the Equipment in any state of the United States of America or the District of Columbia;

(vi) the certificates of interest being purchased, upon due execution and delivery thereof by the Agent, will constitute legal, valid and binding obligations entitling the Investors to the rights therein specified;

(vii) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Conditional Sale Agreement, the Lease, the Assignment, the Lease Assignment or the Consent;

(viii) under the circumstances contemplated by this Agreement it is not necessary to register the Conditional Sale Agreement, the Assignment, or the certificates of interest delivered pursuant hereto under the Securities Act of 1933, as in effect on the date of such opinion, or to qualify the Conditional Sale Agreement or any other instrument or agreement contemplated hereby or thereby under the Trust Indenture Act of 1939, as in effect on the date of such opinion; and

(ix) the legal opinions referred to in subparagraphs (b), (c) and (d) of this Paragraph 6 are satisfactory in form and scope to said special counsel and that in their opinion the Investors, the Agent and they are justified in relying thereon;

and as to such other matters incident to the transactions contemplated by this Agreement as any Investor may reasonably request.

(b) An opinion of counsel for the Owner to the effect set forth in clauses (i), (ii) and (iii) of subparagraph (a) of this Paragraph 6, insofar as such matters relate to the Owner, and to the further effect that:

(i) the Owner is a limited partnership duly formed and validly existing under the laws of the State of Delaware;

(ii) no mortgage, deed of trust or other lien of any nature whatsoever now in existence which now covers or affects or which may hereafter cover or affect, any property or interest therein of the Owner, now attaches or hereafter will attach to the Equipment or in any manner affects or will affect adversely the right, title and interest of the Agent therein;

(iii) it is not necessary to register the partnership interests, held by the limited partners of the Owner, under the Securities Act of 1933, as in effect on the date of such opinion; and

(iv) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance by the Owner of this Agreement, the Conditional Sale Agreement, the Lease, or the Lease Assignment.

(c) An opinion of counsel for the Leseee and the Co-Lessee to the effect set forth in clauses (i), (ii), (iii) and (v) of subparagraph (a) of this Paragraph 6, insofar as such matters relate to the Lessee or the Co-Lessee, and to the further effect that:

(i) the Lessee and Co-Lessee are each a corporation duly incorporated, validly existing and in good standing under the laws of the State of South Carolina and each is duly qualified to do business and in good standing in such other jurisdictions in which the business and activities of the Lessee or the Co-Lessee, as the case may be, require such qualification; or if not so qualified, its failure so to qualify in any other jurisdiction will not have a materially adverse impact on this Agreement, the Lease or the Consent;

(ii) the Lessee and Co-Lessee have each full corporate power, authority and legal right to carry on its principal business as now conducted and to perform its obligations under this Agreement, the Lease and the Consent;

(iii) neither the execution and delivery of this Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the articles of incorporation (as amended) or the by-laws (as amended) of the Lessee or of the Co-Lessee, as the case may be, or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Lessee or the Co-Lessee is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder;

(iv) neither the execution and delivery by the Lessee or the Co-Lessee (as the case may be) of this Agreement, the Lease or the Consent nor the consummation of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof and thereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality;

(v) no mortgage, deed of trust or other lien of any nature whatsoever which now covers or affects any property or interest therein of the Lessee or the Co-Lessee, now attaches or hereafter will attach to the Equipment or in any manner affects or will affect adversely the right, title and interest of the Owner or the Agent therein;

(vi) to the knowledge of counsel there are no actions, suits or proceedings pending or threatened against or affecting the Lessee or the Co-Lessee, or any property rights of either thereof at law or in equity, or before any commission or other administrative agency, which could materially and adversely affect the condition, financial or otherwise of the Lessee or the Co-Lessee, as the case may be, or the ability of either thereof to perform its obligations under this Agreement, the Lease or the Consent, and neither the Lessee nor the Co-Lessee is in default with respect to any order or decree of any court or governmental commission, agency or instrumentality of which such counsel has knowledge;

(vii) no authorization or approval from any governmental or public body or authority of the United States of America, or of any of the States thereof or the District of Columbia is, to the knowledge of said counsel, necessary for the execution, delivery and performance of this Agreement, the Conditional Sale Agreement, the Lease (including the guaranty forming a part thereof), the Assignment, the Lease Assignment or the Consent; and

(viii) the Equipment will be used in interstate commerce and ownership thereof does not subject the Owner either to the provisions of the Interstate Commerce Act or to the authority of the Interstate Commerce Commission.

(d) An opinion of counsel for the Builder to the effect that (i) the Builder is a duly organized and existing corporation in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to own its properties and to carry on its business as now conducted, and (ii) the Conditional Sale Agreement and Assignment have each been duly authorized, executed and delivered by the Builder and, assuming due authorization, execution and delivery by the other parties thereto, are each a legal and valid instrument binding on the Builder and enforceable against it in accordance with its terms.

(e) A certificate of an officer of each of the Lessee and the Co-Lessee to the effect that neither the Lessee nor the Co-Lessee is in default under, and to the knowledge of the Lessee and the Co-Lessee, as the case may be, there is no event which with the passage of time would place the Lessee or the Co-Lessee in default under, this Agreement, the Lease or the Consent, and that the representations and warranties of the Lessee and the Co-Lessee contained in Paragraph 3 hereof are true and correct as of the date of such certificate with the same effect as if made on such date.

(f) A certificate of the general partner of the Owner to the effect that the Owner is not in default under this Agreement and to the further effect that no Federal tax liens (including tax liens filed pursuant to section 6323 of the United States Internal Revenue Code of 1954, as amended), or, to the best of the knowledge and belief of the Owner, other tax liens, have been filed and are currently in effect against the Owner which could adversely affect the interests of the Agent in the Equipment or the Lease or the rentals or other payments due or to become due thereunder.

(g) The Agreement of the stockholders of the general partner of the Owner, in the form of Exhibit D hereto.

In giving the opinions specified in subparagraphs (a), (b), (c) and (d) of this Paragraph 6, counsel may qualify its opinion to the effect that any agreement is a legal, valid and binding instrument enforceable in accordance with its terms by a general reference to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally. In giving the opinion specified in subparagraph (a) of this Paragraph 6, counsel may rely (i) as to authorization, execution and delivery by the Builder of the documents executed by the Builder, on the opinion of counsel for the Builder, and (ii) as to any matter governed by the law of any jurisdiction other than the the Commonwealth of Pennsylvania, or the United States, on the opinion of counsel for the Owner, the Builder or the Lessee, as the case may be, as to such matter.

The obligation of any Investor to make any payment required of it, and the obligation of the Agent to make payment to the Builder pursuant to the Assignment for units of Equipment, on any Closing Date subsequent to the First Delivery Date, shall be subject to the receipt by the Agent from the Builder of the opinion and other documents specified by the first paragraphs of Section 4 of the Assignment and the receipt by the Agent of the certificates specified by the last paragraph of said Section 4.

7. The Owner's obligation to purchase and pay for units of Equipment on any Closing Date under the Conditional Sale Agreement shall be subject to the receipt, on the First Delivery Date, of opinions of counsel and a certificate, dated the First Delivery Date, to the same effect as the opinions and certificate set forth in subparagraphs (c), (d) and (e), respectively, of Paragraph 6 hereof (unless waived by the Owner by written notice to the Builder and the Agent on or prior to the First Delivery Date), and to the receipt, on any Closing Date subsequent to the First Delivery Date, of the Invoices and Certificates of Acceptance specified by the second paragraph of Article 4 of the Conditional Sale Agreement.

The Agent's obligation to make any payment to the Builder pursuant to the Assignment shall be subject to the receipt on each Closing Date of the documents required to be delivered to the Agent pursuant to the last paragraph of Paragraph 6 hereof. The Lessee shall furnish to the Agent and the Owner six days' prior written notice of each Closing Date.

8. Subject to the terms and conditions hereof, upon each delivery to and acceptance by the Owner under the Conditional Sale Agreement of a Group (as therein defined) of the Equipment and the receipt by the Agent of the delivery papers with respect thereto to be delivered by the Builder in accordance with the Assignment, on each Closing Date the Investors will pay to the Agent, and the Agent will pay to the Builder in accordance with the Assignment (and subject to the conditions specified in Section 4 thereof) out of moneys so paid to the Agent an amount equal to the Conditional Sale Indebtedness with respect to such Group.

If, on the earlier of (1) December 31, 1977, (2) the last Closing Date under the Conditional Sale Agreement, and (3) the date of any Default as to which the Agent has actual knowledge (the earlier of said dates being hereinafter called the Cut-Off Date), the aggregate Conditional Sale Indebtedness will be less than the amount which the Investors have agreed to invest pursuant to Paragraph 2 hereof (less any amounts prepaid pursuant to Paragraph 9 hereof), the Agent will promptly notify the Investors thereof and the Investors' and Agent's remaining obligations, if any, to make investments and payments pursuant to Paragraph 2 and this Paragraph 8 shall forthwith terminate.

9. The Agent will accept payments made to it by or for the account of the Owner pursuant to the Conditional Sale Agreement, the Assignment, the Lease and the Lease Assignment, on account of the principal of and interest on the Conditional Sale Indebtedness and will apply such payments promptly first, to the pro rata payment of interest then due and payable to the Investors on their

respective interests in the Conditional Sale Indebtedness, second, to the pro rata payment of their respective interests in the installments of Conditional Sale Indebtedness then due and payable in the order of maturity thereof until the same shall have been paid in full, and third, the balance, if any, to the Owner.

The Agent will accept all sums paid to it pursuant to Article 7 of the Conditional Sale Agreement with respect to Casualty Occurrences (as therein defined) and will apply such sums to the pro rata prepayment of each of the installments of the aggregate Conditional Sale Indebtedness remaining unpaid (in proportion to the principal amount of aggregate Conditional Sale Indebtedness represented by each such installment), without premium, together with interest thereon pro rata among the Investors in accordance with their respective interests in the installments of Conditional Sale Indebtedness being prepaid. The Agent will furnish to each Investor and to the Owner a revised schedule or schedules of payments showing the reduction of such holder's interest in the installments of the aggregate Conditional Sale Indebtedness remaining unpaid and the interest payable thereon.

Notwithstanding anything to the contrary contained herein, if a Declaration of Default (as defined in the Conditional Sale Agreement) is in effect under the Conditional Sale Agreement, all moneys held by or coming into the possession of the Agent under the Conditional Sale Agreement or the Lease applicable to the payment or prepayment of Conditional Sale Indebtedness or interest thereon (including, without limitation, the net proceeds of any repossession and sale or lease of any unit of the Equipment after deduction of all expenses, including reasonable counsel fees, incurred by the Agent in connection with such repossession and sale or lease or otherwise hereunder in connection with the Conditional Sale Agreement and the Assignment which shall not theretofore have been reimbursed to the Agent by the Owner pursuant to the Conditional Sale Agreement) shall be distributed immediately by the Agent pro rata among the Investors in accordance with their respective interests in the Conditional Sale Indebtedness at the time of such distribution and the Agent shall otherwise take such action as is referred to in this Paragraph 9 hereof.

So long as, to the actual knowledge of the Agent, no Event of Default under the Conditional Sale Agreement shall have occurred and be continuing, the Agent shall pay to the Owner in accordance with the provisions of the Lease Assignment any funds received by it pursuant to the Lease and the Lease Assignment not necessary to satisfy the obligations of the Owner then due under the Conditional Sale Agreement.

All payments to be made by the Agent hereunder shall (subject to timely receipt by the Agent of available funds) be made by check mailed to the Investors and to the Owner on the date such payment is due or, upon written request of any party, by bank wire of immediately available funds to such party at such address as may be specified to the Agent in writing.

So long as, to the actual knowledge of the Agent, no Default shall have occurred and be continuing, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights or taking or refraining from taking any action which may be vested in it, or which it may be entitled to assert or take, hereunder or under the Conditional Sale Agreement and the Lease, except as otherwise specifically provided herein. The Agent shall not incur any liability hereunder or otherwise in acting upon any notice, certificate or other paper or instrument believed by it to be genuine and signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the exercise of its best judgment, or which may seem to it to be necessary or desirable in the premises, except liability resulting from its own wilful misconduct or gross negligence; provided, however, that in case the Agent shall have actual knowledge of the occurrence of a Default it shall promptly notify the Owner, the Lessee and the Investors thereof and shall take such action and assert such rights under the Conditional Sale Agreement and the Lease as shall be agreed upon by holders of interests totaling more than 50% of the aggregate Conditional Sale Indebtedness then outstanding. In case the Agent is required to take action hereunder, it shall be indemnified against any liability or expense, including reasonable counsel fees, in connection with taking such action or asserting such rights by the holders directing the Agent to take such action in proportion to each holder's interest in the aggregate outstanding Conditional Sale Indebtedness of the holders agreeing to such action.

The Agent may consult with legal counsel of its own choice, and shall not be under any liability for any action taken or suffered in good faith by it in accordance with the opinion of such counsel.

The Agent will promptly mail or deliver one counterpart or copy of all notices, statements, documents or schedules received by it from the Owner or the Lessee pursuant to the Conditional Sale Agreement, Assignment or Lease to each Investor who shall have requested the same in writing.

All notices, instructions, directions and approvals to be delivered hereunder to the Agent by any Investor shall be in writing signed by an officer, assistant officer, manager or assistant manager of such Investor, and the Agent may rely on any notice, instruction, direction or approval so signed.

The Agent does not make any representation or assume any responsibility with respect to (i) the validity of the Conditional Sale Agreement, the Lease, the Assignment, the Consent, the Lease Assignment or any certificate of interest (except with respect to its own execution thereof) or any of the matters covered thereby or (ii) the value of or the title to the Equipment.

In the event of any dispute with respect to the delivery or ownership or right to possession of funds or documents at any time held by the Agent hereunder, or with respect to title to any unit of the Equipment, the Agent is hereby authorized and directed to retain, without liability to anyone, all or any of such funds or documents and title to such unit of the Equipment until such dispute shall have been settled either by agreement of the Investors or by final order, decree or judgment of a court of competent jurisdiction, provided, however, that, as between the Owner and the Investors, the agreement of the Investors shall not be binding upon the Owner unless the Owner shall have consented thereto.

The Agent shall be entitled to terminate its duties and responsibilities hereunder by giving written notice to the Investors that it desires to terminate such duties and responsibilities on a date (at least 30 days subsequent to the giving of such notice) stated in said notice; it being understood and agreed that the Agent shall also give such notice if it is directed so to do by the holders of interests totaling at least 50% of the aggregate Conditional Sale Indebtedness then outstanding. If, prior to the date stated in said notice, the holders of interests totaling at least 50% of the aggregate Conditional Sale Indebtedness then outstanding shall have requested in writing that the Agent assign to a person or institution designated by such holders all right, title and interest of the Agent under the Conditional Sale Agreement and the Assignment and in and to the Equipment and the Lease, the Agent shall comply with such request. In the event that such request is not received by the Agent on or before the date designated in said notice, the Agent shall be entitled to appoint a successor to act hereunder (which successor shall be a bank or trust company located in Baltimore, Maryland or in Philadelphia, Pennsylvania, and having capital and surplus aggregating at least $50,000,000) and to assign to such successor, subject to the provisions of this Agreement, all such right, title and interest of the Agent. Upon such assignment by the Agent to a person or institution designated by such holders or, in the absence of such designation, to a successor appointed by the Agent, the Agent shall thereupon be relieved of all duties and responsibilities hereunder.

10. The Lessee will deliver to the Owner, the Agent, and any Investor which shall so request (i) as soon as available and in any event within 120 days after the end of each fiscal year, a certificate signed by the President, any Vice President, the Treasurer or any Assistant Treasurer of the Lessee stating that a review of the activities of the Lessee during such year has been made under his supervision with a view to determining whether the Lessee has kept, observed, performed and fulfilled all of its obligations under this Agreement, the Lease and the Consent and that to the best of his knowledge the Lessee during such year has kept, observed, performed and fulfilled each and every covenant, obligation and condition contained herein and in the Lease and the Consent, or if an Event of Default (as defined in the Lease)

shall exist or if an event has occurred and is continuing which, with the giving of notice or the passage of time or both, would constitute an Event of Default, specifying such Event of Default and all such events and the nature and status thereof, (ii) as soon as available and to the extent available, and in any event within 60 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Lessee copies of the balance sheet of the Lessee as of the end of such accounting period and copies of the related statements of earnings and retained earnings of the Lessee for the portion of its fiscal year ended with the last day of such quarterly accounting period, all in reasonable detail and stating in comparative form the figures for the corresponding date and period in the previous fiscal year, and (iii) as soon as available, and in any event within 120 days after the end of each fiscal year, copies, in comparative form with the preceding fiscal year, of the balance sheet of the Lessee as at the end of such fiscal year, and of the statements of earnings and retained earnings of the Lessee for such fiscal year, all in reasonable detail and stating in comparative form the figures as of the end of and for the previous fiscal year, and certified by the Lessee's independent public accountants; and (iv) a copy of the Annual Report to the Interstate Commerce Commission which is required to be filed by the Lessee.

11. The Owner agrees to pay the reasonable fees and disbursements of the Agent (including the reasonable fees and disbursements, if any, of its counsel), except those subsequent to termination of the Lease by the Agent or attributable to periods during the continuance of a Declaration of Default under the Conditional Sale Agreement (which shall be paid by the Lessee). The Owner additionally agrees, from the fee payable by it to FDI Investment Corporation as an organization fee, to withhold and to pay for the account of FDI Investment Corporation, the reasonable fees and disbursements of Messrs. Morgan, Lewis & Bockius as special counsel for the Investors.

12. All documents and funds deliverable hereunder to the Agent shall be delivered to it at its address at 2 Hopkins Plaza, P. O. Box 2258, Baltimore, Maryland 21203, attention of Corporate Trust Department, or as the Agent may otherwise specify. All documents, notices and funds deliverable hereunder to the Owner or the Investors shall be delivered or mailed to them at their respective addresses set forth in Schedule A or B hereto, or as any of them may otherwise specify. All documents deliverable hereunder to Messrs. Morgan, Lewis & Bockius shall be delivered to them at The Fidelity Building, Philadelphia, Pennsylvania 19109.

13. In the event that either the Owner or the Lessee shall have knowledge of an Event of Default under the Lease or an event of default under the Conditional Sale Agreement, such party shall give prompt telephonic notice (confirmed in writing) thereof to the Agent.

14. This Agreement having been executed in the Commonwealth of Pennsylvania by at least one of the parties hereto, and having been delivered in said Commonwealth, all of the terms hereof, and all rights and obligations of the parties hereto hereunder shall be governed by the laws of said Commonwealth. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought.

15. This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument. It shall not be necessary that any counterpart be signed by all the parties so long as all counterparts shall be signed by the Agent, and the Owner, the Lessee and each Investor shall sign a counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by duly authorized officers or other persons, as of the date first above written.

PICKENS RAILROAD COMPANY

[CORPORATE SEAL]

Attest:

By _____
Vice President

_____
Secretary

NATIONAL RAILWAY UTILIZATION CORPORATION

[CORPORATE SEAL]

Attest:

By _____
Vice President

_____
Secretary

ST. LAWRENCE PARTNERS

[CORPORATE SEAL]

By BRANDYWINE CORPORATION,
its General Partner

Attest:

By _____
President

_____
Secretary

MERCANTILE-SAFE DEPOSIT AND
TRUST COMPANY

[CORPORATE SEAL]

Attest:

By _____

_____
Corporate Trust Officer

THE OHIO NATIONAL LIFE INSURANCE COMPANY

[CORPORATE SEAL]

Attest:

By _____
Vice President

_____
Secretary

MONUMENTAL LIFE INSURANCE COMPANY

[CORPORATE SEAL]

Attest:

By _____
Vice President

_____
Secretary

VOLUNTEER STATE LIFE INSURANCE COMPANY

[CORPORATE SEAL]

Attest:

By _____
Vice President

_____
Secretary

SCHEDULE A

Equipment

Type: 50'-6" 70-ton general purpose box cars, Type XM

Lessee's Identifying Numbers: M&NJ 120805-834 (inclusive)

Owner	Maximum Purchase Price
St. Lawrence Partners	$ 1,035,000

Address for delivery of documents:

St. Lawrence Partners
c/o FDI Management Corporation
Suite 1100
300 Delaware Avenue
Wilmington, Delaware 19801
Attn:

with copy to:

Messrs. Blank, Rome, Klaus & Comisky
Four Penn Center Plaza
Philadelphia, Pennsylvania 19103
Attn: Elliott K. Braverman, Esq.

SCHEDULE B

Investor	Nominee	Investment*	Date of Deposit	Investment to be Repaid in Installments on each March 31, June 30, September 30 and December 31 During the Period
The Ohio National Life Insurance Company		$ 388,125	Not later than 12/29/77	March 31, 1978-December 31, 1992

Address for delivery of documents:
P. O. Box 237
Cincinnati, Ohio 45201
Attn: Securities Division

Address for delivery of funds:
Wire transfer to:
The First National Bank of Cincinnati
Cincinnati, Ohio
Acc't No. 910-275-7
Attn: Wm. R. Trimpe

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* The investment is subject to increase by an amount not to exceed 10% thereof, but only as a result of an increase in the Purchase Price of the Equipment, as provided in the Conditional Sale Agreement.

SCHEDULE B
(continued)

Investor	Nominee	Investment*	Date of Deposit	Investment to be Repaid in Installments on each March 31, June 30, September 30 and December 31 During the Period
Monumental Life Insurance Company	Princeton Bank & Trust Co.	$ 258,750	Not later than 12/29/77	March 31, 1978-December 31, 1992

Address for delivery of documents:
2 East Chase Street
Baltimore, Maryland 21202
Attn: Law Department

Address for delivery of funds:
Wire transfer to:
Mercantile-Safe Deposit and Trust Company
2 East Chase Street
Baltimore, Maryland 21202
Acc't No. 08525-1
Attn: Carl Presser

Copy of notice of payment to:
Monumental Life Insurance Company
2 East Chase Street
Baltimore, Maryland 21202
Attn: Treasurer's Office

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* The investment is subject to increase by an amount not to exceed 10% thereof, but only as a result of an increase in the Purchase Price of the Equipment, as provided in the Conditional Sale Agreement.

SCHEDULE B
(continued)

Investor	Nominee	Investment*	Date of Deposit	Investment to be Repaid in Installments on each March 31, June 30, September 30 and December 31 During the Period
Volunteer State Life Insurance Company	Princeton Bank & Trust Co.	$ 129,375	Not later than 12/29/77	March 31, 1978-December 31, 1992

Address for delivery of documents:
c/o Monumental Life Insurance Company
2 East Chase Street
Baltimore, Maryland 21202

Address for delivery of funds:
Wire transfer to:
American National Bank & Trust Co.
P. O. Box 1638
Chattanooga, Tenn. 37401
Acc't No. 000-031-5
Attn: Wm. Bobo

Copy of notice of payment to:
Volunteer State Life Insurance Company
P. O. Box 1369
Chattanooga, Tenn. 37401
Attn: Controller's Office

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* The investment is subject to increase by an amount not to exceed 10% thereof, but only as a result of an increase in the Purchase Price of the Equipment, as provided in the Conditional Sale Agreement.