RECORDATION NO. 11789-C Filed 1425 MAY 14 1980 -11 25 AM INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 11789-B Filed 1425 MAY 14 1980 -11 25 AM INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 11789 Filed 1425 MAY 14 1980 -11 25 AM INTERSTATE COMMERCE COMMISSION

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May 14, 1980
JDH-80/141

RECORDATION NO. 11789-A Filed 1425 MAY 14 1980 -11 25 AM INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 11789-B Filed 1425 MAY 14 1980 -11 25 AM INTERSTATE COMMERCE COMMISSION

Secretary,
Interstate Commerce Commission
Washington, D.C. 20423

Date MAY 14 1980
Fee $ 170.00
ICC Washington, D. C.

RECEIVED MAY 14 11 20 AM '80 I.C.C. FEE OPERATION BR.

Dear Madam:

Enclosed are ten original and fully executed, notarized copies of the following documents between the parties listed below relating to the railroad cars specified herein:

11789

1.A. Document: Lease Agreement ("Lease"), dated as of January 14, 1980, together with Equipment Schedules One, Two and Three attached thereto, dated as of the same date.

B. Parties: Brae Corporation, as Lessor ("Lessor") and The Seattle & North Coast Railroad Company, as Railroad ("Lessee").

C. Addresses: Lessor, Brae Corporation, Three Embarcadero Center, San Francisco, California 94111; Lessee, The Seattle & North Coast Railroad Company, 2150 N. 107th Street, Suite #150, Seattle, Washington 98133.

D. Equipment: Railroad Cars: 300 steel 50 foot, 70 ton railroad box cars, AAR mechanical designation "XM", manufactured by Pullman Incorporated, bearing identification numbers SNCT 1100-SNCT 1299 and SNCT 1400-1499.

Mary Burns

A

2.A. Document: Amendment No. 1 to Lease Agreement dated as of April 24, 1980.

B. Parties: Lessor and Lessee (described in 1C above).

C. Addresses: Addresses provided in 1C above.

D. Equipment: Railroad Cars: Certain of the railroad cars described in 1D above, that is, 200 XM boxcars, bearing identification numbers SNCT 1100--SNCT 1299.

B

3.A. Document: Assignment of Lease, dated as of April 24, 1980 between Lessor and Hillman Manufacturing Company ("Assignee"), and Consent to Assignment, attached thereto, dated as of May 8, 1980 by the Lessee.

B. Parties: Lessor (and Assignor) Brae Corporation; Assignee, Hillman Manufacturing Company, and Lessee.

Certified copy of 3 Document

C. Addresses: Lessor, and Lessee (provided in 1C above); Assignee, Hillman Manufacturing Company, P.O. Box 510, Brownsville, Pennsylvania 15417.

D. Equipment: As described in 2D above.

4.A. Document: Management Agreement, dated as of April 24, 1980, between Hillman Manufacturing Company (Assignee-Owner) and Brae Corporation (Manager).

B. Parties: Hillman Manufacturing Company (Assignee-Owner) and Brae Corporation (Manager).

C. Addresses: Assignee-Owner, Hillman Manufacturing Company (provided in 3C above) and Manager, Brae Corporation (provided in 1C above).

D. Equipment: As described in 2D above.

5.A. Document: Loan and Security Agreement, dated as of April 24, 1980, between Hillman Manufacturing Company (Assignee, Borrower and Party Granting Security Interest) and Manufacturers Hanover Leasing Corporation (Secured Party and Lender), together with Supplement No. 1 thereto, dated as of May 7, 1980.

B. Parties: Hillman Manufacturing Company (Assignee, Borrower and Party Granting Security Interest) and Manufacturers Hanover Leasing Corporation (Secured Party and Lender).

C. Addresses: Assignee, Borrower and Party Granting Security Interest, Hillman Manufacturing Company (provided in 3C above) and Secured Party and Lender, Manufacturers Hanover Leasing Corporation, 30 Rockefeller Plaza, New York, New York 10020, Attention: Vice President, Credit Department, Eastern United States.

D. Equipment: As described in 2D above.

I respectfully request that one counterpart of these documents be recorded under the provisions of 49 U.S.C. §11303. I would also appreciate your stamping the additional copies of the above documents which are not required for your filing purposes and returning them to me. Our check in the amount of the filing fees is also enclosed.

The undersigned certifies that he is acting as counsel to Hillman Manufacturing Company and that he has knowledge of the

matters set forth in the above described documents.

Sincerely yours,

John D. Hushon

John D. Hushon

Enclosures

ICC

11789/

RECORDATION NO. ..... Filed 1425

MAY 14 1980 - 11 25 AM

INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

between

HILLMAN MANUFACTURING COMPANY

and

MANUFACTURERS HANOVER LEASING CORPORATION

Dated as of April 24, 1980

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on , 1980 at , Recordation No. .

LOAN AND SECURITY AGREEMENT

between

HILLMAN MANUFACTURING COMPANY

and

MANUFACTURERS HANOVER LEASING CORPORATION

Dated as of April 24, 1980

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on , 1980 at , Recordation No. .

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SCHEDULE I - PREPAYMENT PREMIUMS

EXHIBIT A	Form of Interim Note
EXHIBIT B	Form of Consolidated Note
EXHIBIT C	Form of Legal Opinion of Counsel to the Company
EXHIBIT D	Form of Legal Opinion of Special ICC Counsel to the Company
EXHIBIT E	Form of Legal Opinion of Counsel for Brae
EXHIBIT F	Form of Legal Opinion of Counsel for the SNC
EXHIBIT G	Form of Security Deposit Agreement
EXHIBIT H	Consent to Management Agreement Assignment
EXHIBIT I	Form of Bill of Sale
EXHIBIT J	Form of Certificate of Acceptance of Brae
EXHIBIT K	Form of Supplement
EXHIBIT L	Form of Certificate of Cost
EXHIBIT M	Form of Legal Opinion of Counsel to the Company
EXHIBIT N	Form of Legal Opinion of Special ICC Counsel to the Company
EXHIBIT O	Form of Term Note

LOAN AND SECURITY AGREEMENT, dated as of April 24, 1980, between HILLMAN MANUFACTURING COMPANY, a Pennsylvania corporation (the "Company"), and MANUFACTURERS HANOVER LEASING CORPORATION, a New York corporation (the "Lender").

W I T N E S S E T H :

WHEREAS, the Company proposes to purchase and own railroad box-cars for lease to others; and

WHEREAS, the Company desires to obtain loans from the Lender in order to finance 80% of the Equipment Costs (as hereinafter defined) of 200 box-cars on order from Pullman Incorporated (Pullman Standard Division); and

WHEREAS, the Company proposes to lease such box-cars to the Seattle & North Coast Railroad Company pursuant to the Lease (as hereinafter defined) between Brae Corporation and said railroad, which Lease has been assigned by Brae Corporation to the Company; and

WHEREAS, such box-cars are to be managed by Brae Corporation pursuant to the Management Agreement (as hereinafter defined); and

WHEREAS, the Company will evidence its borrowings hereunder by the issuance of promissory notes which, together with the Company's obligations and liabilities under this Agreement, will be secured by, among other things, a lien on and security interest in such box-cars, the rights of the Company under the Lease and the rights of the Company under the Management Agreement; and

WHEREAS, the Lender is agreeable to making the loans on the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement the following terms shall have the following meanings:

"Agreement" shall mean this Loan and Security Agreement, including the Schedule and all Exhibits and Supplements hereto, as the same may from time to time be amended, supplemented or otherwise modified.

"Amortization Installment" shall have the meaning set forth in Subsection 2.4 or 2.10 hereof, as the case may be.

"Assignment" shall mean the Assignment of Lease dated April 24, 1980 between Brae and the Company.

"Box-cars" shall mean at any time the 70-ton XM box-cars and any other box-cars which are described in the Supplements at such time, together with (i) any and all parts, mechanisms, devices and replacements referred to in Subsection 6.14 hereof from time to time incorporated in or installed on or attached to any of such box-cars, (ii) any and all additions and improvements from time to time incorporated in or installed on or attached to any of such box-cars pursuant to any requirement of law or governmental regulation and (iii) any and all Non-Removable Improvements.

"Brae" shall mean Brae Corporation, a Delaware corporation.

"Builder" shall mean Pullman Incorporated (Pullman Standard Division), a Delaware corporation.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday under the laws of the State of New York.

"Casualty Occurrence" shall mean any of the following events or conditions with respect to any Unit:

(i) such Unit shall become lost for a period of at least 60 consecutive days, or shall be stolen, destroyed or irreparably damaged from any cause whatsoever; or

(ii) the confiscation, condemnation, seizure or forfeiture of, or other requisition of title to, or use of, such Unit

by any governmental authority or any Person acting under color of governmental authority, provided that a requisition of use of such Unit by a governmental authority shall not be deemed a Casualty Occurrence so long as such governmental authority pays to the Company during each quarterly payment period under the Notes, for the use of such Unit, an amount at least equal to the installment of principal and interest payable on such Note at the end of such quarterly payment period multiplied by a fraction, the numerator of which is the Equipment Cost of such Unit and the denominator of which is the aggregate Equipment Costs of all Box-cars which are then subject to the lien and security interest of this Agreement.

"Casualty Value" with respect to any Unit shall mean the amount obtained by multiplying the aggregate unpaid principal amount of the Notes at the time Casualty Value is being determined by a fraction, the numerator of which is the Equipment Cost of such Unit and the denominator of which is the aggregate Equipment Costs of all Box-cars which are then subject to the lien and security interest of this Agreement.

"Casualty Value Determination Date" shall have the meaning set forth in Subsection 6.13 (a) hereof.

"Closing Date" shall have the meaning set forth in Subsection 2.1 hereof.

"Collateral" shall mean the Box-cars, the Lease, the Management Agreement, the moneys and investments at any time in the Security Deposit Account and all other property, interests and rights described or referred to in Subsection 5.1, 5.2, 5.3 or 5.4 hereof or in any Supplement, or otherwise subjected to the lien and security interest created by this Agreement or intended so to be by the provisions of this Agreement.

"Consent to Management Agreement Assignment" shall mean the Consent and Agreement between Brae and the Company, in substantially the form of Exhibit H hereto.

"Consolidated Note" shall mean the promissory note of the Company described in Subsection 2.4 hereof.

"Consolidation Date" shall mean June 30, 1980.

"Damaged Unit" shall mean any Unit which has suffered a Casualty Occurrence.

"Default" shall mean any of the events specified in Section 8 hereof, whether or not there has been satisfied any requirement in connection with such event for the giving of notice or the lapse of time or both.

"Equipment Cost" shall mean, for each Unit (other than a Replacement Unit), (i) the construction cost of such Unit, all engineering, inspection and related fees (in an amount not to exceed 5% of such construction cost) with respect to such Unit, and all applicable local or state sales taxes, if any, with respect to the sale of such Unit to the Company, all as set forth in the Builder's invoice with respect to such Unit or as otherwise evidenced in a manner satisfactory to the Lender, plus (ii) transportation costs and legal expenses of the Company with respect to the financing of such Unit hereunder in an amount not to exceed $700. The "Equipment Cost" of a Replacement Unit shall be the Equipment Cost of the Unit which it replaced.

"Event of Default" shall mean any of the events specified in Section 8 hereof, provided that there has been satisfied any requirement in connection with such event for the giving of notice or the lapse of time or both.

"Interim Notes" shall mean the promissory notes of the Company described in Subsection 2.3 hereof.

"Lease" shall mean, collectively, (i) the Lease Agreement dated as of January 14, 1980, as amended by Amendment No. 1 dated as of April 24, 1980, between Brae and SNC as and to the extent that said Lease Agreement relates to the railroad boxcars described in Equipment Schedules Nos. Two and Three thereto, as said Lease Agreement has been assigned by Brae to the Company pursuant to the Assignment and may from time to time be further amended, supplemented or otherwise modified, and (ii) each additional lease or substituted lease entered into by the Company pursuant to Subsection 6.17 hereof.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, security interest, lien, charge or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as a conditional sale or other title retention agreement, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Loan" shall mean each loan made by the Lender under this Agreement.

"Management Agreement" shall mean the Management Agreement dated April 24, 1980 between the Company and Brae, as the same may from time to time be amended, supplemented or otherwise modified, or any substituted management agreement entered into by the Company pursuant to Subsection 6.19 hereof.

"Non-Removable Improvement" shall mean any addition or improvement incorporated in or installed on or attached to any Unit which is not readily removable without causing material damage to such Unit or without diminishing or impairing the utility or condition which such Unit would have had at the time of removal had such addition or improvement not been made.

"Notes" shall mean, collectively, the Interim Notes and the Consolidated Note, provided that if the Term Note is issued pursuant to Subsection 2.9 hereof in lieu of the Interim Notes and the Consolidated Note, the term "Notes" shall mean the Term Note.

"Obligations" shall have the meaning set forth in Section 5 hereof.

"Permitted Liens" shall mean, with respect to any Unit, (i) the rights of the lessee under the Lease of such Unit; (ii) Liens for taxes (A) which are not yet due, or (B) the validity of which is being contested in good faith by appropriate proceedings, so long as such proceedings do not involve any reasonable danger of the sale, forfeiture or loss of such Unit or any part thereof and the Company shall have set aside on its books adequate reserves with respect thereto; and (iii) materialmen's, mechanics', repairmen's and other like Liens arising in the ordinary course of business (A) securing obligations which are not more than 30 days overdue, or (B) the validity of which is being contested in good faith by appropriate proceedings, so long as such proceedings do not involve any reasonable danger of the sale, forfeiture or loss of such Unit or any part thereof and the Company shall have set aside on its books adequate reserves with respect thereto.

"Person" shall mean an individual, partnership, corporation, joint venture, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Prime Rate" shall mean the commercial loan rate of Manufacturers Hanover Trust Company from time to time in effect at its principal office in New York, New York on short-term unsecured loans to its most responsible and substantial domestic corporate borrowers.

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code of the State of New York and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, warranty or guarantee payable to the Company from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition, confiscation, condemnation, seizure or

forfeiture of any of the Collateral by any governmental authority (or any Person acting under color of governmental authority), and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Recourse Release Date" shall mean the first date to occur after June 30, 1981 on which all of the following shall be true: (i) the Box-cars shall have achieved (x) an average rate of Utilization (as defined in Section 6 of the Lease) of not less than 87.5% for the immediately preceding nine-month period and not less than 70% for each successive three-month period within such nine-month period and (y) a rate of Utilization of not less than 75% per month for each of the immediately preceding two months; (ii) the Recourse Release Requirements shall be satisfied, true and in effect, and the requirements set forth in clause (ii) of the definition of Recourse Release Requirements in Subsection 1.1 hereof shall have been satisfied, true and in effect for the immediately preceding six consecutive months; and (iii) the Company shall have delivered to the Lender a certificate of its President or one of its Vice Presidents or a certificate of the President or a Vice President of SNC, stating that the conditions set forth in the foregoing clauses (i) and (ii) have been satisfied, which certificate shall be accompanied by such evidence with respect thereto as the Lender may reasonably request.

"Recourse Release Requirements" shall mean (i) the obtaining by SNC of title to, or of unlimited operating rights for a period ending not earlier than June 30, 1995, the branch line of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company extending from Seattle, Washington to Port Angeles, Washington via Port Townsend, Washington, and the obtaining of all necessary governmental, regulatory, judicial and third party consents and approvals with respect thereto; (ii) the installation by SNC of a new barge apron, or the rebuilding of the present barge apron, at Port Townsend, Washington so that such barge apron may be used in a normal manner by locomotives and fully-loaded railroad

cars without special restrictions; and (iii) the absence of any condemnation, seizure or requisition of title or use of Pier 27 in Seattle, Washington and of any proceedings by any governmental authority before any court or administrative agency with respect thereto.

"Replacement Unit" shall have the meaning set forth in Subsection 6.13(c) hereof.

"SNC" shall mean the Seattle & North Coast Railroad Company, a Washington corporation.

"Security Deposit Account" shall have the meaning set forth in Section 2.1(a) of the Security Deposit Agreement.

"Security Deposit Agreement" shall mean the Security Deposit Agreement among the Company, the Lender and Chemical Bank, substantially in the form of Exhibit G hereto, as the same may from time to time be amended, supplemented or otherwise modified.

"Supplement" shall mean any supplement substantially in the form of Exhibit K hereto which is executed and delivered by the Company to the Lender pursuant to this Agreement.

"Term Note" shall mean the promissory note of the Company described in Subsection 2.9 hereof.

"Unit" shall mean one of the Box-cars.

1.2 Use of Defined Terms. All terms defined in this Agreement shall have their defined meanings when used in any Notes, certificates, reports or other documents made or delivered pursuant hereto. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

1.3 Other Definitional Provisions. (a) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural and vice versa.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Commitment. Subject to the terms and conditions of this Agreement, the Lender agrees to make loans to the Company on not more than four dates (the "Closing Dates"), as the Company shall designate to the Lender by at least four Business Days' prior written notice (effective upon receipt), from the date hereof to and including June 30, 1980, to finance a portion of the aggregate Equipment Costs of up to 200 70-ton XM box-cars to be purchased by the Company and leased under the Lease, provided that the aggregate principal amount of the loans made by the Lender under this Agreement shall not exceed $7,665,000. Each borrowing pursuant to this Agreement shall not exceed 80% of the aggregate Equipment Costs of the Units being purchased by the Company with the proceeds of such borrowing.

2.2 Use of Proceeds. The Company will use the proceeds of each Loan solely to pay not in excess of 80% of the aggregate Equipment Costs of the Units being financed with the proceeds of such Loan.

2.3 The Interim Notes. Subject to the provisions of Subsection 2.9 hereof, each Loan initially shall be evidenced by a separate secured limited recourse promissory note of the Company in the principal amount of such Loan, substantially in the form of Exhibit A hereto (an "Interim Note" and, collectively, the "Interim Notes"). Each Interim Note shall (a) be dated the date of issue, (b) be stated to mature on the Consolidation Date, and (c) bear interest, payable at maturity, on the unpaid principal amount thereof from the date thereof at the rate of 18% per annum, provided that if any such unpaid principal amount shall not be paid when due (whether at the stated maturity, by prepayment, by acceleration or otherwise), interest thereon shall thereafter be payable at the rate of 20% per annum until such overdue principal shall be paid in full.

2.4 The Consolidated Note. Subject to the provisions of Subsection 2.9 hereof, on the Consolidation Date the Company shall execute and deliver to the Lender, in exchange and substitution for (but not in payment of) the Interim Notes then outstanding, and, upon satisfaction of the terms and conditions of Subsection 4.3 hereof, the

Lender shall accept a secured limited recourse promissory note of the Company substantially in the form of Exhibit B hereto (the "Consolidated Note"), in a principal amount equal to the then aggregate unpaid principal amount of all outstanding Interim Notes. Upon receipt of the Consolidated Note, the Lender shall cancel and surrender to the Company all outstanding Interim Notes and the Company shall cease to have any liability under the Interim Notes.

The Consolidated Note shall be dated the Consolidation Date, and shall bear interest on the unpaid principal amount thereof from the date thereof to and including June 30, 1981 at the rate of 18% per annum and thereafter at the rate of 14.32% per annum. The Consolidated Note shall be payable (i) in quarterly installments of interest only on the last day of each calendar quarter to and including June 30, 1981, and (ii) in 56 consecutive quarterly installments of principal and interest (each such installment being herein called an "Amortization Installment") commencing on September 30, 1981. Each Amortization Installment shall be in an amount equal to 4.16033308% of the original principal amount of the Consolidated Note, provided that the last Amortization Installment payable on the Consolidated Note shall be in an amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, the Consolidated Note, and provided further, that if any partial prepayment of the Consolidated Note is made pursuant to Subsection 2.5 or 2.6 hereof, each Amortization Installment due and payable on such Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of such Note shall have been reduced by such partial prepayment. Interest on any overdue principal of and premium, if any, on the Consolidated Note shall be at the rate of 20% per annum until June 30, 1981 and 18% per annum thereafter, shall be payable on demand and shall accrue from the due date thereof for the period during which such principal or premium, if any, shall be overdue.

2.5 Prepayment with Premium. (a) The Company may, at its option, upon notice as provided in Subsection 2.7 hereof, prepay the Notes as a whole or in part on any date fixed for the payment of an Amortization Installment at the principal amount so to be prepaid, together with accrued interest thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid as set forth in Schedule I hereto, provided that no such prepayment shall be made prior to June 30, 1988.

(b) In the event that the following events shall occur:

(i) the Interstate Commerce Commission shall (x) issue an order reducing incentive car hire payments for the Box-cars leased under the Lease on an annual basis to less than three months without a corresponding increase (including the increase contemplated by the Interstate Commerce Commission order served April 6, 1979 in Ex Parte 334) in straight car hire payments or other moneys available to both the Company and the lessee of such Box-cars at least equal in amount to such reduction, or (y) determine that the lessee under any Lease of Box-cars may not apply its incentive car hire receipts in payment of the rental charges under such Lease; and

(ii) as a result of the occurrence of either of the events described in the foregoing clause (i), the Company shall terminate the Lease with respect to the affected Box-cars;

then the Company may, upon the giving of notice as provided in Subsection 2.7 hereof, prepay the Notes on the payment date for an Amortization Installment specified in such notice in a principal amount not exceeding the amount determined by multiplying the then unpaid principal amount of the Notes by a fraction, the numerator of which is the aggregate Equipment Costs of all Units which are affected by the foregoing events and the denominator of which is the aggregate Equipment Costs of all Box-cars which are then subject to the lien and security interest of this Agreement, at the principal amount so to be prepaid together with interest accrued thereon to the date fixed for such prepayment, plus a premium equal to the applicable percentage of the principal amount so to be prepaid as set forth in Schedule I hereto.

(c) If at any time after June 30, 1981 (i) the Company shall give written notice to the Lender, certifying that the requirements contained in clause (i) or in clause (ii) of the definition of Recourse Release Date in Subsection 1.1 hereof have not been met and requesting the Lender to waive the provisions of clause (c) of Subsection 10.1 hereof in their entirety, and (ii) the Lender shall not,

within 15 days after its receipt of such notice, have permanently waived such provisions in their entirety, then the Company may, on the first payment date for an Amortization Installment occurring after the expiration of such 15-day period, prepay the Notes as a whole at the principal amount of the Notes then outstanding together with interest accrued thereon to the date of prepayment, plus a premium determined as follows:

(x) if the prepayment occurs on or before July 31, 1981, a premium in an amount equal to the excess, if any, of the amount which would have been paid as interest on the outstanding Notes during the period from the first Loan hereunder to and including June 30, 1981 if the interest rate on the Notes had been 2-1/4% above the Prime Rate, over the amount that was actually paid as interest on the Notes during such period;

(y) if the prepayment occurs after July 31, 1981 and on or before December 31, 1981, a premium in an amount equal to the excess, if any, of the amount which would have been paid as interest on the outstanding Notes during the period from June 30, 1981 to and including the date of prepayment if the interest rate on the Notes had been 2-1/4% above the Prime Rate, over the amount that was actually paid as interest on the Notes during such period;

(z) if the prepayment occurs after December 31, 1981, a premium in an amount equal to the applicable percentage of the principal amount of the Notes being prepaid as set forth in Schedule I hereto.

(d) Except as otherwise provided in this Subsection 2.5, the Notes may not be voluntarily prepaid.

2.6 Casualty Occurrence Prepayment. In the event that any Unit shall suffer a Casualty Occurrence and the Company shall not replace such Unit pursuant to Subsection 6.13 hereof, the Company will prepay the Notes without premium in accordance with the provisions of said Subsection 6.13.

2.7 Notice of Prepayment. The Company shall give written notice to the Lender of any prepayment of the Notes

not less than 10 days nor more than 30 days before the date fixed for such prepayment, specifying (a) the date fixed for such prepayment, (b) the Subsection hereof under which such prepayment is to be made, (c) the principal amount of the Notes to be prepaid, (d) the premium, if any, and accrued interest applicable to such prepayment, (e) if the prepayment occurs after the Consolidated Note or the Term Note shall have been issued and is a partial prepayment, the revised amount of each Amortization Installment payable on such Note after such prepayment, and (f) if such prepayment is to be made pursuant to Subsection 2.6 hereof, the additional information referred to in Subsection 6.13 hereof. Such notice of prepayment shall also certify all facts which are conditions precedent to such prepayment and, if such prepayment is to be made pursuant to Subsection 2.5(b) or 2.6 hereof, shall set forth the calculations used in determining the unpaid principal amount of the Notes to be prepaid. Upon the giving of such notice, the unpaid principal amount of the Notes to be prepaid, together with the premium, if any, and accrued interest thereon, shall become due and payable on the date fixed for such prepayment.

2.8 Computation of Interest. Interest on the Notes shall be calculated on the basis of a 360-day year of twelve 30-day months. All payments (including prepayments) by the Company on account of the principal of, premium, if any, and interest on the Notes shall be made to the Lender at its office at 30 Rockefeller Plaza, New York, New York (or at such other place as the Lender shall notify the Company in writing), in lawful money of the United States of America and in immediately available funds. If any such payment becomes due and payable on a day that is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day.

2.9 Issuance of Term Note. Notwithstanding the provisions of Subsections 2.3 and 2.4 hereof, in the event that the initial Loan to the Company hereunder shall be in an amount equal to the maximum amount which the Company may borrow under Subsection 2.1 hereof, such Loan shall be evidenced by a single limited recourse promissory note of the Company in the principal amount of such Loan, substantially in the form of Exhibit O hereto (the "Term Note"), and no Interim Notes or Consolidated Note shall be issued pursuant to Subsection 2.3 or 2.4 hereof. The Term Note shall be dated the date of its issuance, and shall bear interest on the unpaid principal amount thereof from the date thereof to and including June 30, 1981 at the rate of 18% per annum,

and thereafter at the rate of 14.32% per annum. The Term Note shall be payable (i) in quarterly installments of interest only on the last day of each calendar quarter to and including June 30, 1981, and (ii) in 56 consecutive quarterly installments of principal and interest (each such installment being herein called an "Amortization Installment") commencing on September 30, 1981. Each Amortization Installment shall be in an amount equal to 4.16033308% of the original principal amount of the Term Note, provided that the last Amortization Installment payable on the Term Note shall be in an amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, the Term Note, and provided further, that if any partial prepayment of the Term Note is made pursuant to Subsection 2.5 or 2.6 hereof, each Amortization Installment due and payable on such Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of such Note shall have been reduced by such partial prepayment. Interest on any overdue principal of and premium, if any, on the Term Note shall be at the rate of 20% per annum until June 30, 1981 and 18% per annum thereafter, shall be payable on demand and shall accrue from the due date thereof for the period during which such principal or premium, if any, shall be overdue.

SECTION 3. REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement and to make the Loans, the Company represents and warrants to the Lender that:

3.1 Corporate Existence. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Pennsylvania.

3.2 Power and Authorization. The Company has full power, authority and legal right to own its properties and to conduct its business as now conducted, to execute, deliver and perform this Agreement, the Supplements, the Notes, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment, and to perform the Lease, and the Company has taken all necessary corporation action to authorize the execution, delivery and performance of this Agreement, the Supplements, the Notes, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment, and the performance of the Lease. This Agreement and the Assignment have each been duly executed and delivered by the Company

and constitute, and each Supplement, each Note and the Security Deposit Agreement when executed and delivered by the Company will constitute, valid and binding obligations of the Company enforceable in accordance with their respective terms. No consent of any other party (including stockholders of the Company) and no consent, license, approval or declaration with, any governmental authority is required in connection with the execution, delivery or performance by the Company of this Agreement, any Supplement, any Note, the Security Deposit Agreement or the Assignment except for the filing of this Agreement, each Supplement and the Assignment with the Interstate Commerce Commission, the filing of financing statements with respect to this Agreement with the Secretary of the Commonwealth of Pennsylvania and the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania, and the filings with respect to the Lease, the Management Agreement and the Consent to Management Agreement Assignment referred to in Subsections 3.6(a) and 3.7(a) hereof.

3.3 No Legal Bar. The execution, delivery and performance by the Company of this Agreement, the Supplements, the Notes, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment, and the performance by the Company of the Lease, will not violate any provision of any law or regulation or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company or of the Certificate of Incorporation, By-Laws or any preferred stock provision of the Company or of any mortgage, indenture, contract or other agreement to which the Company is a party or which is binding upon the Company or any of its properties or assets, and will not constitute a default thereunder, and (except as contemplated by this Agreement) will not result in the creation or imposition of any Lien on any of the properties or assets of the Company.

3.4 No Material Litigation. There are no actions, suits or proceedings (whether or not purportedly on behalf of the Company) pending or, to the knowledge of the Company, threatened against the Company or any of its properties or assets in any court or before any arbitrator or before or by any governmental body, which (i) relate to any of the Collateral or to any of the transactions contemplated by this Agreement, or (ii) would, if adversely determined, have a material adverse effect on the financial condition, business or operations of the Company. The Company is not

in default with respect to any material order, judgment, award, decree, rule or regulation of any court, arbitrator or governmental body.

3.5 No Default. No Default or Event of Default has occurred and is continuing under this Agreement.

3.6 Lease. (a) To the best of the Company's knowledge, the Lease has been duly authorized, executed and delivered by SNC and by Brae. All of the right, title and interest of Brae in, to and under the Lease have been duly and validly assigned by Brae to the Company; all of the obligations of Brae under the Lease have been duly and validly assumed by the Company; and SNC has consented to such assignment and such assumption. The Lease constitutes a valid and binding obligation of the Company and, to the best of the Company's knowledge, SNC enforceable in accordance with its terms. All consents of other parties (including, without limitation, stockholders of Brae, the Company and SNC) and all consents, licenses, approvals or authorizations of, exemptions by, and filings, registrations or declarations with, any governmental authority required to be obtained, effected or given by or to the Company or, to the best of the Company's knowledge, Brae or SNC in connection with the execution, delivery and performance of the Lease by each party thereto, the assignment of the Lease by Brae to the Company and the performance of the Lease by the Company and SNC have been duly obtained, effected or given and are in full force and effect, other than (i) those referred to in the definition of Recourse Release Requirements in Subsection 1.1 hereof, and (ii) the filing of the Lease and the Assignment with the Interstate Commerce Commission which will have been duly effected on or before the date of the initial Loan hereunder and will be in full force and effect at all times thereafter. The copy of the Lease Agreement dated as of January 14, 1980, as amended by Amendment No. 1 dated as of April 24, 1980, between Brae and SNC as and to the extent that said Lease Agreement relates to the railroad boxcars described in Equipment Schedules Nos. Two and Three thereto, together with the Assignment of Lease dated April 24, 1980 between Brae and the Company, as delivered by the Company to the Lender, is a true, correct and complete copy of the entire lease agreement between the Company and SNC with respect to the Box-cars.

(b) Neither the Company nor (to the best of the Company's knowledge) SNC is in default in the performance or observance of any covenant, term or condition contained in the Lease, and no event has occurred and no condition exists which constitutes, or which with the giving of notice

or the lapse of time or both would constitute, an event of default under the Lease. The Company and (to the best of the Company's knowledge) SNC have fully performed all of their respective obligations under the Lease, and the right, title and interest of the Company in, to and under the Lease is not subject to any defense, offset, claim or counterclaim, nor have any of the foregoing been asserted or alleged against the Company as to the Lease.

3.7 Management Agreement. (a) The Management Agreement and the Consent to Management Agreement Assignment have each been duly authorized, executed and delivered by the Company and, to the best of the Company's knowledge, Brae, and constitute valid and binding obligations of the Company and, to the best of the Company's knowledge, Brae, enforceable in accordance with their respective terms. Brae and the Company have given due notice to SNC of the effectiveness of the Management Agreement in accordance with the terms of the Lease. All consents of other parties (including, without limitation, stockholders of Brae and the Company) and all consents, licenses, approvals or authorizations of, exemptions by, and filings, registrations or declarations with, any governmental authority required to be obtained, effected or given in connection with the execution, delivery and performance of the Management Agreement and the Consent to Management Agreement Assignment by the Company and, to the best of the Company's knowledge, Brae have been duly obtained, effected or given and are in full force and effect, other than the filing of the Management Agreement and the Consent to Management Agreement Assignment with the Interstate Commerce Commission which will have been duly effected on or before the date of the initial Loan hereunder and will be in full force and effect at all times thereafter.

(b) Neither the Company nor (to the best of the Company's knowledge) Brae is in default in the performance or observance of any covenant, term or condition contained in the Management Agreement or the Consent to Management Agreement Assignment, and no event has occurred and no condition exists which constitutes, or which with the giving of notice or the lapse of time or both would constitute, an event of default under the Management Agreement. The Company and (to the best of the Company's knowledge) Brae have fully performed all of their respective obligations under the Management Agreement and the Consent to Management Agreement Assignment, and the right, title and interest of the Company in, to and under the Management Agreement is not subject to any defense, offset, claim or counterclaim, nor have any of the foregoing been asserted or alleged against the Company as to the Management Agreement.

3.8 Title to Box-cars; Specifications. Whenever the Lender shall make a Loan to the Company hereunder, the proceeds of which will be used partially to finance any Unit, (i) the Company will have good and valid title to, and will be the lawful owner of, each Unit described in such Supplement, free and clear of all Liens whatsoever except the lien and security interest created by this Agreement and Permitted Liens, (ii) each such Unit will conform to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the same type as such Unit. At the time of delivery thereof by the Builder to the Company, each such Unit (other than a Replacement Unit) will be new and unused.

3.9 First Lien. Upon the filing of this Agreement, the Lease, the Assignment, any Supplement, the Management Agreement and the Consent to Management Agreement Assignment in the manner prescribed in Section 11303, Title 49 of the United States Code and in the related regulations of the Interstate Commerce Commission, and the filing of financing statements covering the Lender's security interest in the Lease and in the Management Agreement in the offices of the Secretary of the Commonwealth of Pennsylvania and of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania, this Agreement will constitute a legal, valid and perfected first lien on and first priority security interest in each of the Units described in such Supplement (and any Proceeds thereof), the Lease, as and to the extent it relates to the Box-cars, and the Management Agreement (and the Proceeds of each thereof), as security for the Obligations, free and clear of all other Liens whatsoever except Permitted Liens. No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record with the Interstate Commerce Commission or with any other public office, except such (i) as may have been filed by or on behalf of the Company in favor of the Lender pursuant to this Agreement and (ii) as may have been filed by the Builder with the Interstate Commerce Commission with respect to the Box-cars to secure payment of the purchase price thereof. Whenever the Lender shall make a loan to the Company hereunder, the lien and security interest created by the filing referred to in clause (ii) of the preceding sentence on the Units being partially financed by such Loan will concurrently be released of record in the office of the Interstate Commerce Commission.

3.10 Principal Office. The principal place of business of the Company is Brownsville, Pennsylvania, and the chief executive office of the Company and the place

at which the books and records of the Company are kept is 1900 Grant Building, Pittsburgh, Pennsylvania 15219.

3.11 Offering of Notes. The Company has not, either directly or through any agent, offered any of the Notes or any related securities to, or solicited any offers to acquire any of the Notes or any related securities from, or otherwise negotiated in respect of any of the Notes or any related securities with, any Person other than the Lender and three other institutional investors; and the Company agrees that the Company will not, directly or indirectly, offer any of the Notes to, or solicit offers to acquire any of the Notes from, or otherwise approach, negotiate or communicate in respect of any of the Notes with, any Person or Persons so as thereby to bring the issue or disposition of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

3.12 Financial Condition. The consolidated financial statements of the Company and its subsidiaries as at December 31, 1978 and for the fiscal year ended on that date, certified by Price Waterhouse & Co., a copy of which has heretofore been delivered to the Lender, is true and correct in all material respects, presents fairly the financial condition of the Company and its subsidiaries, consolidated, as at December 31, 1978 and the results of their operations for the fiscal year then ended, and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the period involved. There has been no material adverse change in the financial condition, business or operations of the Company and its subsidiaries since December 31, 1978.

SECTION 4. CONDITIONS OF BORROWING

4.1 Conditions of Initial Loan. The Lender shall not be required to make the initial Loan hereunder unless:

(a) the Security Deposit Agreement shall have been duly executed and delivered by each of the parties thereto;

(b) the Consent to Management Agreement Assignment shall have been duly executed and delivered by Brae and the Company and an executed counterpart thereof delivered to the Lender; and

(c) the Lender shall have received, in addition to the documents described in Subsection 4.2 hereof, the following documents, each in form and substance satisfactory to the Lender:

(i) a copy, certified by the Secretary of the Company on the first Closing Date, of the resolutions of the Board of Directors of the Company approving the transactions contemplated by this Agreement and authorizing the performance by the Company of the Lease, and the execution, delivery and performance by the Company of this Agreement, the Notes, the Supplements, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement, the Assignment and all other documents and instruments required hereby;

(ii) a certificate of the Secretary of the Company, dated the first Closing Date, as to the incumbency and signatures of each of the officers of the Company executing this Agreement or any document relating hereto on behalf of the Company;

(iii) a copy, certified by the Secretary of Brae on the first Closing Date, of the resolutions of the Board of Directors of Brae authorizing the execution, delivery and performance by Brae of the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment;

(iv) a certificate of the Secretary of Brae, dated the first Closing Date, as to the incumbency and signatures of each of the officers of Brae executing the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment;

(v) a copy, certified by the Secretary of SNC on the first Closing Date, of the resolutions of the Board of Directors of SNC authorizing the execution, delivery and performance by SNC of the Lease;

(vi) an opinion of Messrs. Heller, Ehrman, White & McAuliffe, counsel for Brae, dated the first Closing Date and substantially in the form of Exhibit E hereto;

(vii) an opinion of counsel for SNC, dated the first Closing Date and substantially in the form of Exhibit F hereto;

(viii) evidence that this Agreement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49 of the United States Code, and that financing statements with respect hereto have been duly filed with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania;

(ix) the executed counterpart of Equipment Schedules No. 2 and 3 to the Lease, each of which is marked "Original", and a copy of the Lease certified by the Secretary of the Company on the first Closing Date as being a true, correct and complete copy thereof;

(x) executed counterparts of the Management Agreement and the Assignment, certified by the Secretary of the Company on the first Closing Date as being true, correct and complete counterparts of each thereof;

(xi) evidence that the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment have been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49 of the United States Code; and

(xii) a certificate of SNC, dated the first Closing Date, in which SNC (A)

acknowledges notice of the assignment to the Lender of all of the Company's right, title and interest in, to and under the Lease, (B) acknowledges receipt of a copy of this Agreement, (C) agrees, upon written demand of the Lender, to pay or cause to be paid directly to the Lender all rents and other amounts payable to the Company under the Lease, (D) agrees that each such payment shall be final and that it will not seek to recover from or set off against the Lender for any reason whatsoever any moneys paid or payable by it to the Lender by virtue of this Agreement and that it will not seek recourse against the Lender by reason of this Agreement or the Lease, (E) certifies that the Lease is in full force and effect and constitutes a valid and binding obligation of SNC enforceable in accordance with its terms, and (F) certifies that SNC does not own any freight cars nor does it presently lease from others any freight cars other than the Box-cars.

4.2 Conditions of Each Loan. The Lender shall not be required to make Loans hereunder on any Closing Date unless:

(a) the representations and warranties contained in Section 3 hereof shall be true and correct on and as of such Closing Date with the same effect as if made on and as of such date, and no Default or Event of Default shall be in existence on such date or would occur as a result of such Loan;

(b) on such Closing Date there shall not have been, in the judgment of the Lender, any material adverse change in the financial condition, business or operations of the Company, Brae, SNC or the Builder; and

(c) the Lender shall have received the following documents on such Closing Date, each in form and substance satisfactory to the Lender:

(i) an Interim Note (or, if the provisions of Subsection 2.9 hereof are applicable, the Term Note) in the principal amount of such Loan, duly executed by the Company;

(ii) a copy of the warranty bill of sale from the Builder, substantially in the form of Exhibit I hereto, transferring to the Company good title to such Box-cars free and clear of all Liens;

(iii) a copy of the Certificate of Acceptance of Brae with respect to the Box-cars being financed by such Loan, substantially in the form of Exhibit J hereto;

(iv) a Certificate of Cost with respect to the Box-cars being financed by such Loan, substantially in the form of Exhibit L hereto, and accompanied by a true and complete copy of the invoice from the Builder, identifying such Box-cars and specifying the price payable to the Builder;

(v) a completed Supplement duly executed by the Company, identifying the Box-cars being financed by such Loan and subjecting such Box-cars to the lien and security interest created by this Agreement, together with evidence that such Supplement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49 of the United States Code;

(vi) evidence of insurance on the Box-cars being financed by such Loan which indicates compliance with the provisions of Subsection 6.11 hereof;

(vii) a certificate, dated the Closing Date and signed by the President or any Vice President of the Company, to the same effect as paragraph (a) of this Subsection 4.2 and to the further effect that (A) the Box-cars being financed by such Loan have been delivered to and accepted by the Company; (B) the Company has valid and legal title to, and is the lawful owner

of, such Box-cars, free and clear of all Liens except the lien and security interest created by this Agreement and Permitted Liens; (C) such Box-cars have been duly subjected to the Management Agreement and accepted by Brae; and (D) such Box-cars have been duly leased to the SNC under the Lease;

(viii) an opinion of H. Vaughan Blaxter III, Esq., counsel for the Company, dated the Closing Date and substantially in the form of Exhibit C hereto, and an opinion of Messrs. Arent, Fox, Kintner, Plotkin & Kahn, special ICC counsel for the Company, dated the Closing Date and substantially in the form of Exhibit D hereto;

(ix) an opinion of counsel for the Builder dated the Closing Date and addressed to the Lender and the Company, in form and substance satisfactory to counsel for the Lender, to the effect that (A) the Builder is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own its property and to conduct its business as presently conducted; (B) the purchase contract with respect to the Box-cars being financed by such Loan has been duly authorized, executed and delivered by the Builder and constitutes a legal, valid and binding obligation of the Builder enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium and similar laws affecting the enforcement of creditors' rights generally; and (C) the Builder's bill of sale relating to the Box-cars manufactured by the Builder and being financed by such Loan has been duly authorized, executed and delivered by the Builder and is effective to transfer to the Company good and marketable title to such Box-cars; and

(x) any other documents, affidavits or certificates that the Lender may reasonably request.

(d) SNC shall have full access to and use of Pier 27 in Seattle, Washington for

its normal operations, and the Lender shall have received a certificate to such effect, dated such Closing Date and executed by the President or a Vice President of SNC.

4.3 Conditions of Acceptance of Consolidated Note. The Lender shall not be required to accept the Consolidated Note in exchange for the Interim Notes unless on the Consolidation Date:

(a) the Company shall deliver to the Lender the Consolidated Note, duly executed by the Company and in a principal amount equal to the aggregate unpaid principal amount of all outstanding Interim Notes;

(b) the Company shall pay to the Lender all interest accrued on the Interim Notes to and including the Consolidation Date; and

(c) the Lender shall receive an opinion of H. Vaughan Blaxter III, Esq., counsel for the Company, dated the Consolidation Date and substantially in the form of Exhibit M hereto, and an opinion of Messrs. Arent, Fox, Kintner, Plotkin & Kahn, special ICC counsel for the Company, dated the Consolidation Date and substantially in the form of Exhibit N hereto.

The acceptance by the Lender of the Consolidated Note in exchange for the Interim Notes shall not be deemed to constitute a waiver by the Lender of any Default or Event of Default which may be in existence on the Consolidation Date, whether or not the Lender shall have notice or knowledge thereof.

SECTION 5. GRANT OF LIEN AND SECURITY INTEREST

As collateral security for the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of the principal of, premium, if any, and interest on the Notes and the due and punctual payment and performance by the Company of all of its other obligations and liabilities under or arising out of or in connection with this Agreement or the Notes (all of the foregoing being hereinafter called the "Obligations"), and in order to induce the Lender to make the Loans hereunder:

5.1 Box-cars. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all Box-cars now owned or at any time hereafter acquired by the Company and any and all Proceeds thereof.

5.2 Lease. (a) The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all of the right, title and interest of the Company in, to and under the Lease, including, without limitation, all right, title and interest of the Company in and to all rents, issues, profits, revenues and other income arising under the Lease and other moneys due and to become due to the Company under or arising out of the Lease, all proceeds of and all claims for damages arising out of the breach of the Lease, the right of the Company to terminate the Lease (except as permitted by Subsection 6.17 hereof) and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other documents evidencing the Lease or any moneys due or to become due thereunder or related thereto. The Company shall cause each and every manually executed copy of the Lease which the Company or any affiliate thereof has in its control or possession to have marked thereon a notice indicating the Lender's interest therein.

(b) If an Event of Default has occurred and is continuing, upon the demand of the Lender, the Company (i) will specifically authorize and direct the lessee under the Lease to make payment of all amounts due and to become due to the Company under or arising out of the Lease directly to the Security Deposit Account or as the Lender may otherwise direct and (ii) will hold in trust any such amounts which may be received by it and forthwith pay the same to the Security Deposit Account or as the Lender may otherwise direct, and upon such demand the Company irrevocably authorizes and empowers the Lender to ask, demand, receive, receipt and give acquittance for any and all such amounts which may be or become due and payable or remain unpaid to the Company by the lessee at any time or times under or arising out of the Lease, to endorse any checks, drafts or other orders for the payment of money payable to the Company in payment therefor, and in the Lender's discretion to file any claims or take any action or proceedings either in its own name or in the name of the Company or otherwise which the Lender may deem to be necessary or

advisable in the premises. The Company hereby irrevocably authorizes the Lender after any such demand has been made, in its own name or in the name and on behalf of the Company, to give notification to the lessee under the Lease that payment thereunder is to be made as provided in this Subsection 5.2(b).

(c) It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under the Lease to observe and perform all the conditions and obligations to be observed and performed by it or Brae thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Lender shall not have any obligation or liability under the Lease by reason of or arising out of this Agreement or the assignment of the Lease to the Lender pursuant hereto, nor shall the Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Company or Brae under or pursuant to the Lease, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any performance by any party under the Lease, or to present or file any claim, or to take any action to enforce the observance of any obligations of any party to the Lease.

5.3 Management Agreement. (a) The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all of the right, title and interest of the Company in, to and under the Management Agreement, including, without limitation, all right, title and interest of the Company in and to all remittances, rents, issues, profits, revenues and other income arising under the Management Agreement and other moneys due and to become due to the Company under or arising out of the Management Agreement, all proceeds of and all claims for damages arising out of the breach of the Management Agreement, the right of the Company to terminate the Management Agreement (except as permitted by Subsection 6.19 hereof) and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other documents evidencing the Management Agreement or any moneys due or to become due thereunder or related thereto. The Company shall cause each and every manually executed copy of the Management Agreement which the Company or any affiliate thereof has in its control or possession to have marked thereon a notice indicating the Lender's interest therein.

(b) The Company authorizes and directs Brae and any other manager of the Box-cars under the Management

Agreement to pay all amounts payable by Brae or such other manager, as the case may be, to the Company under the Management Agreement, including all revenues, rental and other amounts referred to in Section 5 of the Management Agreement originally assigned hereunder or any comparable provision of any substituted management agreement, directly to the Security Deposit Account or as the Lender may otherwise direct; and the Company irrevocably authorizes and empowers the Lender to ask, demand, receive, receipt and give acquittance for any and all such amounts which may be or become due and payable or remain unpaid to the Company by Brae or any other manager of the Box-cars at any time or times under or arising out of the Management Agreement; to endorse any checks, drafts or other orders for the payment of money payable to the Company in payment therefor; and in the Lender's discretion to file any claims or take any action or proceedings either in its own name or in the name of the Company or otherwise which the Lender may deem to be necessary or advisable in the premises. The Company hereby irrevocably authorizes the Lender, in its own name or in the name and on behalf of the Company, to give notification to Brae or any other manager of the Box-cars under the Management Agreement that payment under the Management Agreement is to be made as provided in this Subsection 5.3(b).

(c) It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under the Management Agreement to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Lender shall not have any obligation or liability under the Management Agreement by reason of or arising out of this Agreement or the assignment of the Management Agreement to the Lender pursuant hereto, nor shall the Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or pursuant to the Management Agreement, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any performance by Brae or any other manager of the Box-cars under the Management Agreement, or to present or file any claim, or to take any action to enforce the observance of any obligations of Brae or the manager of the Box-cars under any substituted management agreement under the Management Agreement.

5.4 Security Deposit Account. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all moneys and investments at any time held in the Security Deposit Account.

SECTION 6. COVENANTS

The Company hereby covenants and agrees that from the date of this Agreement and so long as any of the Notes remain outstanding and unpaid:

6.1 Financial Statements and Reports. The Company will furnish, or cause to be furnished, to the Lender:

(a) within 30 days after the end of each quarterly period of each calendar year, a certificate of the President or Vice President of the Company stating that, to the best of his knowledge after due inquiry, the Company has observed and performed each and every covenant and agreement of the Company contained in this Agreement, the Supplements, the Notes, the Lease, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment and that no Default or Event of Default hereunder or default or event of default under the Lease or the Management Agreement has occurred during such quarterly period or is then in existence, except as specifically indicated;

(b) as soon as available but in any event not later than April 30 of each year, a copy of the annual report filed by SNC with the Interstate Commerce Commission or any governmental authority succeeding to all or a part of the functions thereof;

(c) during any period when SNC shall not be required to file annual reports containing its financial statements with the Interstate Commerce Commission or any successor governmental authority, as soon as available but in any event not later than 120 days after the close of each fiscal year of SNC, a balance sheet of SNC as at the end of such fiscal year and the related statements of income and of changes in financial position of SNC for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and certified by the principal financial or accounting officer of SNC;

(d) promptly, such additional information with respect to the Box-cars, the Lease or the Management Agreement as the Lender may from time to time reasonably request.

6.2 Reports. (a) The Company will furnish to the Lender, within 45 days after the end of each six-month period ending June 30 or December 31 of each year, a report as to the Utilization (as defined in Section 6 of the Lease) of the Box-cars during such six-month period, in such detail as shall be reasonably satisfactory to the Lender, which report shall be executed by the President or a Vice President of the Company.

(b) The Company will furnish or cause to be furnished to the Lender:

(i) within 25 days after the end of each calendar month, a copy of the report of the activity of the Box-cars for such month required to be submitted by Brae or any other manager of the Box-cars to the Company pursuant to clause (1) of paragraph (A) of Section 4.15 of the Management Agreement or any comparable provision under any substituted management agreement;

(ii) within 40 days after the end of each calendar year, a copy of the statement signed by an executive officer of Brae required to be submitted by Brae to the Company pursuant to clause (2) of paragraph (A) of Section 4.15 of the Management Agreement or a copy of any comparable statement required to be submitted by the manager of the Box-cars under any substituted management agreement; and

(iii) at the times set forth in the foregoing clauses (i) and (ii), a report or statement, as the case may be, in substantially the same form as, and containing the same information as is required to be contained in, the report or statement referred to in said clauses (i) and (ii), with respect to any Box-cars which are not covered by the Management Agreement.

(c) The Company will prepare and deliver to the Lender, or cause to be prepared and delivered to the Lender, within a reasonable time prior to the required date of filing (or, to the extent permissible, file or

cause to be filed on behalf of the Lender) all reports (other than income tax returns), if any, relating to the maintenance, registration and operation of the Box-cars which to the Company's knowledge are required to be filed by the Lender with any federal, state or other regulatory agency by reason of the Lender's lien on and security interest in the Box-cars or the provisions of this Agreement.

6.3 Sale, Lease, Merger or Consolidation by Company. The Company will not sell, lease, transfer or otherwise dispose of all or substantially all of its properties and assets as an entirety, or consolidate with or merge into any Person, or permit any Person to merge into it, unless such consolidation, merger, sale, lease, transfer or other disposition occurs after the Recourse Release Date or after waiver of the provisions of clause (c) of Subsection 10.1 hereof pursuant to Section 2.5(c) hereof, and unless:

(a) the successor formed by or resulting from such consolidation or merger or the transferee or lessee to which such sale, lease, transfer or other disposition shall be made shall be a corporation duly organized and existing under the laws of the United States of America or any State thereof;

(b) the obligations, covenants and agreements of the Company under this Agreement, the Supplements, the Notes, the Lease, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment shall be expressly assumed, by written instrument furnished to the Lender and in form and substance satisfactory to the Lender, by such successor (if such successor shall not be the Company), transferee or lessee; and

(c) immediately after giving effect to such transaction and to the assumption of the obligations, covenants and agreements of the Company under this Agreement, the Supplements, the Notes, the Lease, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment, the Company or such successor (if such successor shall not be the Company) or such transferee or lessee shall not be in default in the performance or observance of any covenant, agreement or condition contained in this Agreement.

6.4 Corporate Existence; Compliance with Laws and Rules. (a) The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, provided that this covenant shall not prevent a consolidation or merger of, or a sale, lease, transfer or other disposition of all or substantially all of the property and assets of, the Company not prohibited by the provisions of Subsection 6.3 hereof.

(b) The Company will (i) comply, and will use its best efforts to cause any lessee under the Lease and every user of the Box-cars to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Box-cars) with all laws of the jurisdictions in which its or such lessee's or such user's operations involving the Box-cars may extend, with the interchange rules of the American Association of Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other governmental authority exercising any power or jurisdiction over the Box-cars, to the extent that such laws or rules affect the title, operation or use of the Box-cars, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Unit, the Company will conform therewith at its own expense, and (ii) comply with all other applicable laws and regulations of any governmental authority relative to the conduct of its business or the ownership of its properties or assets, provided that the Company may, in good faith, contest the validity or application of any such law or rule by appropriate proceedings which do not, in the opinion of the Lender, involve any reasonable danger of the sale, forfeiture or loss of the Box-cars or any part thereof.

6.5 Principal Office. The Company will not change the location of its principal place of business, its chief executive office or the place at which its books and records are kept from the address specified in Section 3.10 hereof unless it shall have given the Lender at least 30 days' prior written notice of such change, and the Company will at all times maintain its principal place of business, chief executive office and the place at which its books and records are kept within the United States of America.

6.6 Indemnities, etc. (a) In any suit, proceedings or action brought by the Lender under the Lease or the Management Agreement or to enforce any provisions of either

thereof, the Company will save, indemnify and keep the Lender harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of any lessee under the Lease or of Brae or any other manager of the Box-cars under the Management Agreement, as the case may be, arising out of a breach by the Company of any obligation under either thereof or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of any such lessee or Brae or such other manager or their respective successors from the Company, and all such obligations of the Company shall be and remain enforceable against and only against the Company and shall not be enforceable against the Lender.

(b) The Company agrees to indemnify and hold the Lender harmless from and against any and all liabilities, obligations, losses, damages, claims, suits, costs, expenses and disbursements (including legal fees and expenses) incurred by or asserted against the Lender with respect to claims for personal injury or property damage arising from its participation in the transactions contemplated by this Agreement, the Lease, the Notes or the Management Agreement; provided, however, that this indemnity shall not apply to such a claim with respect to a Box-car which (i) is not attributable to the Company or any affiliate thereof and arises from an act or event occurring when such Box-car is in the exclusive possession or control of the Lender or its agent or after such Box-car has been sold by the Lender in the exercise of its remedies provided for in Section 9 hereof or (ii) results from the willful misconduct or gross negligence of the Lender.

6.7 Performance of Agreements. The Company will perform and comply in all material respects with all its obligations under the Lease, the Management Agreement, the Security Deposit Agreement and all other agreements to which it is a party or by which it is bound relating to the Collateral, and the Company will use its best efforts to cause each other party to any thereof so to perform and comply.

6.8 Preservation of Collateral. (a) The Company will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien, claim or right in or to the Collateral (other than the lien and security interest created by this Agreement and Permitted Liens), and will defend the right, title and interest of the Lender in and to the Box-cars, the Lease, the Management Agreement, the other Collateral and the Proceeds of all of the foregoing against the claims and demands of all other Persons whomsoever.

(b) The Company will not, without the prior written consent of the Lender, sell, transfer or otherwise dispose of any of the Collateral or attempt or offer to do so.

(c) The Company will not, without the prior written consent of the Lender, agree to or permit (i) any material amendment or other modification of the Management Agreement, or (ii) any termination of the Management Agreement in whole or in part except in accordance with the provisions of Subsection 6.19 hereof, or (iii) any material amendment or other modification of the Lease, or (iv) any termination of the Lease in whole or in part except in accordance with the provisions of Subsection 6.17 hereof.

(d) The Company will advise the Lender promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Collateral and of any event affecting the Lender's lien on and security interest in the Collateral.

6.9 Further Assurances; Recordation and Filing. The Company will, at its sole cost and expense, do, execute, acknowledge and deliver all further acts, supplements, mortgages, security agreements, conveyances, transfers and assurances necessary or advisable for the perfection and preservation of the lien and security interest created by this Agreement in the Collateral, whether now owned or hereafter acquired. The Company will cause this Agreement and all Supplements hereto, and all financing and continution statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Lender in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Lender hereunder.

6.10 ICC Jurisdiction. The Company will not take or permit to be taken any action within its control which would subject it or its operations to the jurisdiction of the Interstate Commerce Commission, if such jurisdiction will adversely affect the ability of the Company to perform its obligations under this Agreement, any Supplement, any Note, the Lease, the Assignment, the Security Deposit Agreement, the Management Agreement or the Consent to Management Agreement Assignment or adversely affect the validity or enforceability of this Agreement, any Supplement, any Note, the Lease, the Assignment, the Security Deposit Agreement, the Management Agreement or the Consent to Management Agreement Assignment.

6.11 Maintenance of Insurance. Upon the delivery of any Box-cars the Company will promptly effect and maintain or cause to be effected and maintained with financially sound and reputable companies, insurance policies (i) insuring each such Box-car against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the ownership and leasing of railroad freight cars and with coverage in an amount at least equal to the Casualty Value of such Box-car (but such coverage for all Box-cars owned or leased by the Company may be limited to $5,000,000 for each occurrence), (ii) insuring the Company and the Lender against liability for personal injury and property damage caused by or relating to such Box-cars or their use with coverage in the amount of at least $10,000,000, and (iii) insuring the Company for the loss of revenues from each Unit in excess of 10 Units which becomes inoperable due to damage, for an 80-day period commencing 10 days after the date of such damage. All such insurance policies shall (A) be in such form and have such coverage as shall be satisfactory to the Lender, with losses payable to the Company and the Lender as their respective interests may appear, (B) provide for at least 30 days' prior written notice to the Lender before any cancellation, reduction in amount or change in coverage thereof shall be effective, (C) contain a breach of warranty clause in favor of the Lender, and (D) provide that the Lender shall have no obligation or liability for premiums, commissions, assessments or calls in connection with such insurance. The Company shall, on or before April 30 of each year commencing with the year 1981, deliver to the Lender a report of a reputable insurance broker with respect to the insurance on the Box-cars.

6.12 Location of Box-cars. The Company will, within 30 days after it obtains knowledge that more than 10% of the Box-cars are located outside the continental United States of America, cause sufficient of such Box-cars to be returned to the continental United States so that the number of Box-cars located outside the continental United States shall not exceed 10% of all the Box-cars.

6.13 Casualty Occurrence. (a) In the event of a Casualty Occurrence with respect to any Unit, the Company shall promptly give the Lender written notice of such Casualty Occurrence, which notice shall (i) identify the Unit which has suffered the Casualty Occurrence, (ii) set forth the Casualty Value of such Damaged Unit (and the calculations used in the determination thereof) as of the date

which is 30 days after the date of such notice (the "Casualty Value Determination Date"), and (iii) specify whether the Company will, on the Casualty Value Determination Date, prepay the Notes pursuant to paragraph (b) of this Subsection 6.13 (in which case such notice shall also contain the information required by Subsection 2.7 hereof) or replace the damaged Unit pursuant to paragraph (c) of this Subsection 6.13.

(b) If the notice given pursuant to paragraph (a) of this Subsection 6.13 specifies that the Company will prepay the Notes on the Casualty Value Determination Date, the Company will, on such date, (i) prepay the Notes (on a pro rata basis, if Interim Notes are then outstanding) in an aggregate principal amount equal to the Casualty Value of the Damaged Unit as of such date, without premium, and (ii) pay the accrued interest on the principal amount so prepaid to the date of prepayment.

(c) If the notice given pursuant to paragraph (a) of this Subsection 6.13 specifies that the Company will replace the Damaged Unit, the Company will, on or prior to the Casualty Value Determination Date:

(i) replace the Damaged Unit with a box-car of the same type, which has a value and utility at least equal to, which is no older than, and which is in as good condition as, the Damaged Unit immediately prior to the Casualty Occurrence (assuming that such Damaged Unit was then in the condition required to be maintained by Subsection 6.14 hereof) and which is free and clear of all Liens other than Permitted Liens,

(ii) take all steps necessary to subject such replacement box-car (the "Replacement Unit") to the lien and security interest of this Agreement and to subject such Replacement Unit to the Lease and the Management Agreement, and

(iii) deliver to the Lender such documents evidencing the foregoing as the Lender may reasonably request, including, without limitation, (A) a duly executed Supplement describing the Replacement Unit and subjecting the Replacement Unit to the lien and security interest of this Agreement, together with evidence that such Supplement has been duly filed, registered and

recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49 of the United States Code, (B) a duly executed schedule subjecting the Replacement Unit to the Lease, together with evidence that such schedule has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49 of the United States Code, and (C) documents and opinions of counsel with respect thereto corresponding to those described in clauses (ii), (iii), (iv), (vi), (vii), (viii), (ix) and (x) of Subsection 4.2(c) hereof.

Upon the Company's compliance with the foregoing provisions of this Subsection 6.13, the Lender will, if no Default or Event of Default has occurred and is continuing, execute and deliver to the Company such instruments as shall be necessary to release such Damaged Unit from the lien and security interest of this Agreement (without recourse to, or representation or warranty by, the Lender).

6.14 Maintenance. The Company will, at its expense, keep and maintain the Box-cars in good repair, condition and working order and will cause to be furnished all parts, mechanisms, devices and servicing required therefor so that the value, condition and operating efficiency thereof will at all times be maintained and preserved, ordinary wear and tear excepted.

6.15 Notice of Default. The Company will, promptly after obtaining knowledge thereof, give written notice to the Lender of the occurrence of any Default or Event of Default hereunder or of any default or event of default under the Lease or the Management Agreement.

6.16 Inspection. The Company will permit any Person designated by the Lender to visit and inspect any of the Collateral (subject to the rights of the lessee under the Lease) and any of the books and records of the Company pertaining to the Collateral.

6.17 Addition or Substitution of Leases. (a) If pursuant to the provisions of any Lease the Company has the right to terminate such Lease with respect to all or a portion of the box-cars leased thereunder because of a failure to maintain the utilization rate of the box-cars leased thereunder at the rate specified therein, upon any such failure the Company may terminate such Lease with respect to any of the box-cars leased thereunder, provided that (i)

total number of box-cars withdrawn from such Lease shall not exceed the the minimum number which, in the good faith opinion of the Company, is necessary in order that the box-cars remaining under the Lease shall meet the utilization rate specified therein; and (ii) within 90 days after such termination (1) the Box-cars withdrawn from such Lease shall be duly leased to another lessee under a lease (an "additional lease") meeting the requirements of paragraph (c) of this Subsection 6.17, (2) such additional lease (insofar as it pertains to the Box-cars) shall have been duly assigned to the Lender and subjected to the lien and security interest of this Agreement, all recordations, filings and other action necessary to establish, perfect, protect and preserve the rights of the Company and the Lender in and to such additional lease and the lien and security interest of this Agreement on such additional lease shall have been duly made or taken, and the Lender shall have received such instruments and documents as it may reasonably request in order to evidence the foregoing, and (3) the Lender shall have received an opinion of counsel for the Company to the effect that this Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in such additional lease (and the Proceeds thereof) to the extent that such additional lease relates to the Box-cars leased thereunder, and all recordations, filings and other action necessary to establish, perfect, protect and preserve, as security for the Obligations, such lien and security interest have been duly made or taken (specifying the same).

(b) If pursuant to the provisions of any Lease the Company has the right to terminate such Lease upon the occurrence of an event of default by the lessee thereunder, upon the occurrence and continuance of any such event of default the Company may terminate the Lease with respect to all of the Box-cars leased thereunder. The Company may also terminate the Lease Agreement described in clause (i) of the definition of "Lease" in Subsection 1.1 hereof pursuant to Section 13H thereof. If the Company so terminates any Lease, within 90 days after such termination (i) all of the Box-cars previously leased under such Lease shall be duly leased by the Company to another lessee under a lease (a "substituted lease") meeting the requirements of paragraph (c) of this Subsection 6.17, (ii) such substituted lease (insofar as it pertains to the Box-cars) shall be duly assigned by the Company to the Lender and subjected to the

lien and security interest of this Agreement, all recordations, filings and other action necessary to establish, perfect, protect and preserve the rights of the Company and the Lender in and to such substituted lease and the lien and security interest of this Agreement on such substituted lease shall be duly made or taken, and the Company shall deliver to the Lender such instruments and documents as the Lender may reasonably request in order to evidence the foregoing, and (iii) the Company shall deliver to the Lender an opinion of counsel for the Company to the effect that this Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in such substituted lease (and the Proceeds thereof) to the extent that such substituted lease relates to the Box-cars leased thereunder, and all recordations, filings and other action necessary to establish, perfect, protect and preserve, as security for the Obligations, such lien and security interest have been duly made or taken (specifying the same).

(c) Each additional lease of Box-cars referred to in paragraph (a) of this Subsection 6.17, and each substituted lease of Box-cars referred to in paragraph (b) of this Subsection 6.17, (i) shall have a lease term which is non-cancellable by the lessee thereunder and which expires not earlier than the lease term of the Lease originally assigned hereunder, and (ii) shall have substantially the same other terms and be in substantially the same form as the Lease to which such Box-cars were originally subject, or, if the Company is in good faith unable to enter into a lease having such other terms and in such form, shall have such other commercially reasonable terms and be in such form as shall be agreeable to the Company provided that the rent payable under the latter form of lease with respect to the Box-cars leased thereunder during each quarterly or other payment period under the Notes shall be in an amount at least equal to the installment of principal, premium, if any, and interest payable on such Note at the end of such quarterly payment period multiplied by a fraction, the numerator of which is the aggregate Equipment Costs of the Box-cars leased thereunder and the denominator of which is the aggregate Equipment Costs of all Box-cars which are then subject to the lien and security interest of this Agreement.

6.18 Marking of Box-cars. The Company will cause each Unit to be kept marked with the name, railroad markings and/or other insignia used by the lessee thereof and numbered with such identifying number as shall be set forth in the Supplement pertaining to such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in

height, the following: "MORTGAGED TO A FINANCIAL INSTITUTION UNDER A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION" or other appropriate words designated by the Lender, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lender's interest in the Box-cars and its rights under this Agreement. The Company will not permit any such Unit to be placed in operation or exercise any control or dominion over the same until such name, markings and/or other insignia, such number and such words shall have been so marked on both sides thereof and will replace or will cause to be replaced promptly any such name, markings or other insignia, such number or such words which may be removed, defaced or destroyed. The Company will not permit the identifying number of any Unit to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been delivered to the Lender and filed, recorded and deposited by the Company in all public offices where this Agreement shall have been filed, recorded or deposited.

6.19 Substituted Management Agreements. If pursuant to the provisions of any Management Agreement, the Company has the right to terminate such Management Agreement upon the occurrence of an event of default by the manager thereunder, upon the occurrence and continuance of any such event of default, the Company may terminate such Management Agreement with respect to all of the Box-cars, provided that (i) the Company shall have entered into a new management agreement (a "substituted management agreement") with respect to all of the Box-cars containing substantially the same terms as the Management Agreement originally assigned hereunder with a party satisfactory to the Lender in its sole discretion, (ii) such substituted management agreement shall be duly assigned by the Company to the Lender and subjected to the lien and security interest of this Agreement, all recordations, filings and other action necessary to establish, perfect, protect and preserve the rights of the Company and the Lender in and to such substituted management agreement and the lien and security interest of this Agreement on such substituted management agreement shall be duly made or taken and the Company shall deliver to the Lender such instruments and documents as the Lender may reasonably request in order to evidence the foregoing, (iii) the Company and the manager of the Box-cars under such substituted management agreement shall have taken all action in connection with such substituted management agreement required by the Lease, including, without limitation, the giving to the lessee under the Lease of any notice of the effectiveness of

such substituted management agreement required by the terms of the Lease, and (iv) the Company shall have delivered to the Lender an opinion of counsel for the Company to the effect that this Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in such substituted management agreement (and the Proceeds thereof), and all recordations, filings and other action necessary to establish, perfect, protect and preserve, as security for the Obligations, such lien and security interest have been duly made or taken (specifying the same).

6.20 Financial Information with Respect to the Company. The Company will furnish the Lender, during the period from the date of this Agreement to the Recourse Release Date:

(a) as soon as available but in any event not later than 120 days after the close of each fiscal year of the Company, a balance sheet of the Company and its subsidiaries (if any) as at the end of such fiscal year and the related statements of income and of changes in financial position of the Company and its subsidiaries (if any) for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and certified by D. G. Sisterson & Company or other independent public accountants of recognized standing selected by the Company and acceptable to the Lender;

(b) within 60 days after the close of each quarter, other than the last, of each fiscal year of the Company, unaudited balance sheets of the Company and its subsidiaries (if any) as at the end of such quarter and the related unaudited statements of income and of changes in financial position of the Company and its subsidiaries (if any) for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the principal financial or accounting officer of the Company (subject to normal year-end audit adjustments); and

(c) promptly, such additional information with respect to the financial condition, business

or operations of the Company as the Lender may from time to time reasonably request.

SECTION 7. POWER OF ATTORNEY

7.1 Appointment. The Company hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the Company or in its own name, from time to time in the Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Company hereby gives the Lender the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) upon default by the Company in the performance of Subsection 6.8(a) or 6.11, the Lender may, but shall not be obligated to, (i) effect any insurance called for by the terms of Subsection 6.11 and pay all or any part of the premiums therefor and the costs thereof and (ii) pay and discharge any Liens on or claims or rights in or to the Collateral which rank prior to or pari passu with the lien and security interest created by this Agreement; and

(b) upon the occurrence and continuance of any Default specified in paragraph (h) of Section 8 hereof or of any Event of Default, (i) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (ii) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents relating to the Collateral; (iii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any of the Collateral; (iv) to defend any suit, action or proceeding brought against the Company with respect to any of the Collateral; (v) to settle, compromise

or adjust any suit, action or proceeding described in clause (iv) above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and (vi) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option and the Company's expense, at any time or from time to time, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do.

The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

7.2 No Duty. The powers conferred on the Lender hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for its or their own gross negligence or willful misconduct.

7.3 Additional Rights. (a) The Company authorizes the Lender, at any time and from time to time, to execute, in connection with the sale provided for in Section 9(c) of this Agreement, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(b) If the Company fails to perform or comply with any of its agreements contained herein, the Lender may itself perform or comply, or otherwise cause performance or compliance, with such agreement, and the expenses of the Lender incurred in connection with such performance or compliance, together with interest thereon at the rate of 18% per annum, shall be payable by the Company to the Lender on demand and shall constitute part of the Obligations secured hereby.

SECTION 8. EVENTS OF DEFAULT

If any of the following Events of Default shall occur and be continuing:

(a) Failure to pay any principal of, premium, if any, or interest on any of the Notes when due and such failure shall continue for a period of three days;

(b) Any representation or warranty made by the Company in this Agreement, or made by the Company or any officer thereof in any document, certificate or financial or other statement furnished at any time under or in connection with this Agreement, or made by Brae in the Consent to Management Agreement Assignment or by Brae or SNC in any certificate or other statement furnished at any time under or in connection with this Agreement, shall prove to have been untrue when made in any material respect;

(c) Default by the Company in the observance or performance of (i) any covenant contained in Subsection 6.3, 6.8(c), 6.11, 6.12, 6.17 or 6.19 hereof, or (ii) any covenant contained in Subsection 6.8(a), 6.8(b), 6.8(d), 6.13, 6.14 or 6.18 hereof and such default shall continue for 30 days;

(d) Default by the Company in the observance or performance of any other covenant or agreement contained in this Agreement and not referred to in paragraph (c) of this Section 8, or in the observance or performance of any covenant or agreement contained in the Security Deposit Agreement, and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the Lender;

(e) The termination of any Lease by the lessee thereof because of a breach by the Company of any term, covenant or condition contained in such Lease;

(f) The occurrence of any event or condition which constitutes an event of default under the Management Agreement and such event or condition shall continue for 30 days, unless, within such 30-day period, the Company shall have entered into a substituted management agreement pursuant to the provisions of Subsection 6.19 hereof;

(g) The entry of a decree or order for relief by a court having jurisdiction in respect of the Company, or adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking a reorganization, arrangement, adjustment or composition of or in respect of the Company in an involuntary proceeding or case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(h) The institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the commencement by the Company of a voluntary proceeding or case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the filing of any such petition or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Company or of any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt or the failure of the Company generally to pay its debts as they become due or the taking of corporate action by the Company in furtherance of any of the foregoing;

then, and in any such event, the Lender may exercise any or all remedies granted to it under this Agreement and under applicable law, and may further, by notice of default given to the Company, (i) terminate forthwith its commitment to make Loans hereunder, and/or (ii) declare the Notes to be forthwith due and payable, whereupon the principal amount of the Notes, together with accrued interest thereon, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding.

SECTION 9. REMEDIES

If an Event of Default shall occur and be continuing:

(a) All payments received by the Company in connection with or arising out of any of the Collateral shall be held by the Company in trust for the Lender, shall be segregated from other funds of the Company and shall forthwith upon receipt by the Company be turned over to the Lender, in the same form as received by the Company (duly indorsed by the Company to the Lender, if required); any and all such payments so received by the Lender (whether from the Company or otherwise) may, in the sole discretion of the Lender, be held by the Lender as collateral security for the Obligations, and/or then or at any time thereafter applied in whole or in part by the Lender against all or any part of the Obligations then due in such order as the Lender shall elect. Any balance of such payments held by the Lender and remaining after payment in full of all the Obligations shall be paid over to the Company or to whomsoever may be lawfully entitled to receive the same;

(b) The Lender may institute suits, actions and proceedings for the collection of all amounts then payable in respect of the Obligations, and, subject to and in accordance with the provisions of Subsection 10.1 hereof, enforce any judgment obtained;

(c) The Lender may exercise in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing,

evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code of the State of New York. Without limiting the generality of the foregoing, the Company expressly agrees that in any such event the Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral or any part thereof and may take possession of the Box-cars and/or may forthwith sell, assign, give option or options to purchase, or sell, lease or otherwise dispose of and deliver the Collateral, or any part thereof, in any manner permitted by applicable law (or contract to do so) in one or more parcels at public or private sale or sales, at the office of any broker or at any of the Lender's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of the Lender upon any such sale or sales, public or private, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company after such sale or sales, which right or equity of redemption is hereby expressly waived or released. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition, postage prepaid, addressed to the Company at the address set forth in Subsection 10.3 hereof. The Company further agrees, at the Lender's request, to collect the Box-cars (to the extent possible) and make them available to the Lender at places which the Lender shall reasonably select. The Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization and sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any or all of the Collateral or in any way relating to the rights of the Lender hereunder, including reasonable attorney's fees and legal expenses, to the payment in whole or in part of the Obligations, in such order as the Lender may elect, and only after so applying such net proceeds, after payment in full

of the Obligations and after the payment by the Lender of any other amount required by any provision of law, including Section 9-504(1)(c) of the Uniform Commercial Code of the State of New York, need the Lender account for the surplus, if any, to the Company. To the extent permitted by applicable law, the Company waives all claims, damages and demands against the Lender arising out of the repossession, retention or sale of the Collateral. If the proceeds of any sale or disposition of the Collateral are insufficient to pay in full all of the Obligations, the Company shall remain liable for the unpaid portion thereof to the extent, if any, that such unpaid Obligations are recourse to the Company under the provisions of Subsection 10.1 hereof. The Company hereby waives presentment, demand, protest and any notice (to the extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral; and

(d) Beyond the use of reasonable care in the custody thereof the Lender shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or as to any income therefrom.

SECTION 10. MISCELLANEOUS

10.1 Nature of Obligations. Any provision of this Agreement to the contrary notwithstanding (except as hereinafter provided), no recourse shall be had against the Company personally or against any incorporator, shareholder, officer or director of the Company for any obligation of the Company under or in respect of this Agreement or any of the Notes, it being expressly understood that, as respects the aforementioned Persons, such obligations are non-recourse obligations enforceable only against the Collateral; provided, however, that notwithstanding the foregoing,

(a) at all times full recourse shall be had against the Company personally for all obligations of the Company under Subsections 6.6, 6.8(a), 7.3(b), and 10.2 hereof;

(b) at all times full recourse shall be had against the Company personally for all losses, damages and expenses suffered or incurred by the Lender as a result of (i) any breach by the Company of any of

its other covenants or agreements contained in this Agreement (except the agreements contained in clause (ii) of Subsection 6.17(a) and the third sentence of Subsection 6.17(b)), or (ii) any representation or warranty made by the Company in this Agreement or made by the Company or any officer thereof in any document, certificate or statement furnished under or in connection with this Agreement being untrue in any material respect when made; and

(c) from the date of this Agreement until the Recourse Release Date, full recourse shall be had against the Company personally for the payment of the principal of, premium (if any) and interest on the Notes in an amount equal to 37.5% of the aggregate unpaid principal amount of the Notes from time to time outstanding, but in no event shall such full recourse amount be less than 37.5% of the aggregate principal amount of the Notes outstanding at the time the Notes are declared forthwith due and payable pursuant to Section 8 hereof.

If the Recourse Release Date shall occur or if, pursuant to Subsection 2.5(c) hereof, the Lender shall permanently waive the provisions of clause (c) of this Subsection 10.1, the Lender shall endorse on the Notes an appropriate notation to such effect and shall send a copy thereof to the Company.

Nothing contained in this Subsection 10.1 shall limit the right of the Lender to seek injunctive or other equitable relief with respect to any of the Company's obligations, representations or warranties.

Notwithstanding the foregoing provisions of this Subsection 10.1, the Company may at any time, by written notice to the Lender, elect to become personally liable (in addition to its personal liability under clause (c) above) for all or a specified portion of the principal of, premium, if any, and interest on the Notes, whereupon the portion of the principal of, premium, if any, and interest on the Notes specified in such notice shall, without further act, immediately and irrevocably become full recourse obligations of the Company enforceable against it and its assets, anything contained in this Agreement or the Notes to the contrary notwithstanding. In such an event, the Lender may endorse on the Notes a legend specifying the full or partial recourse nature thereof, and the Company shall execute such legend.

10.2 Reimbursement of Lender. The Company agrees, whether or not the transactions contemplated by this Agreement shall be consummated, to pay, or reimburse the Lender for, all out-of-pocket expenses (including the reasonable legal fees and disbursements of counsel for the Lender) incurred by the Lender in connection with the preparation, execution, enforcement (or the preservation of any rights hereunder) and any modification of this Agreement, any Supplement, the Notes, the Lease, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and the Assignment. The Company also agrees to pay, and to save the Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying, documentary, excise, recording, filing, stamp or similar taxes, fees and other governmental charges (including interest and penalties), if any, which may be payable or determined to be payable in respect of the execution, delivery or recording of this Agreement, any Supplement, the Notes, the Lease, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement, the Assignment or any modification of any thereof or any waiver or consent under or in respect of any thereof. The obligations of the Company under this Subsection 10.2 shall survive payment of the Notes and termination of this Agreement.

10.3 Notices. Except as otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties to this Agreement shall be deemed to have been given or made when delivered by hand or deposited in the mail, first class postage prepaid, or in the case of telegraphic notice, when delivered to the telegraph company, or in the case of telex notice, when sent, addressed as follows or to such other address as may be hereafter designated in writing by the respective parties hereto:

The Company — Hillman Manufacturing Company
P. O. Box 510
Brownsville, Pennsylvania 15417
Attention: Secretary

With a copy to:

Operating Lease Services, Inc.
c/o Gollust & Tierney, Inc.
30 Rockefeller Plaza, Suite 4510
New York, New York 10020
Attention: President

The Lender	Manufacturers Hanover Leasing Corporation 30 Rockefeller Plaza New York, New York 10020 Attention: Vice President Credit Department Eastern United States Telex: 127578

10.4 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Lender, any right, power or privilege under this Agreement, any Note, any Supplement or any of the Collateral shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

The rights and remedies provided herein and therein are cumulative and not exclusive of any rights or remedies provided by law.

10.5 Acquisition for Investment. The Lender represents that it is acquiring the Notes in the ordinary course of its commercial lending business for its own account for investment and not with a view to, or for sale in connection with, the distribution of any of the Notes, nor with any present intention of selling any of the Notes, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control.

10.6 Amendments and Waivers. The provisions of this Agreement may from time to time be amended, supplemented or otherwise modified or waived only by a written agreement signed by the Company and the Lender.

10.7 Successors. This agreement shall be binding upon and inure to the benefit of the Company and the Lender and their respective successors and assigns, except that the Company may not transfer or assign any of its rights hereunder without the prior written consent of the Lender.

10.8 Construction. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

10.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be 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.

10.10 Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

HILLMAN MANUFACTURING COMPANY

Attest:

By _____ Title: Secretary

By _____ Title: VP

(Seal)

MANUFACTURERS HANOVER LEASING CORPORATION

Attest:

By _____ Title: Asst. Sec.

By _____ Title: V.P.

(Seal)

COMMONWEALTH OF PENNSYLVANIA)
: ss.
COUNTY OF ALLEGHENY)

On this 5th day of May, 1980, before me, the Subscriber, a Notary Public for the Commonwealth of Pennsylvania, personally appeared Steven R. Hutchinson, who acknowledged himself to be the Vice President of HILLMAN MANUFACTURING COMPANY, a corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as

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

(SEAL)

Dianna Lee Withum
Notary Public

DIANNA LEE WITHUM, Notary Public
Pittsburgh, Allegheny County, PA.
My Commission Expires March 5, 1984

STATE OF NEW YORK)
: ss.
COUNTY OF NEW YORK)

On this 2 day of May, 1980, before me personally came John W. Marcus, to me known, who being duly sworn, did depose and say that he resides at 12 East 88th NY NY 10028; that he is a Vice President of MANUFACTURERS HANOVER LEASING CORPORATION, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal, that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

(SEAL)

Christine A. Smith
Notary Public

CHRISTINE A. SMITH
Notary Public, State of New York
No. 31-4506346
Qualified in New York County
Commission Expires March 30, 19

SCHEDULE I

Prepayment Premiums

If Prepayment is Made on:	Percentage of Principal Amount
September 30, 1980	14.8333%
December 31, 1980	14.6666%
March 31, 1981	14.4999%
June 30, 1981	14.3332%
September 30, 1981	14.1665%
December 31, 1981	13.9998%
March 31, 1982	13.8331%
June 30, 1982	13.6664%
September 30, 1982	13.4997%
December 31, 1982	13.3330%
March 31, 1983	13.1663%
June 30, 1983	12.9996%
September 30, 1983	12.8329%
December 31, 1983	12.6662%
March 31, 1984	12.4995%
June 30, 1984	12.3328%
September 30, 1984	12.1661%
December 31, 1984	11.9994%
March 31, 1985	11.8327%
June 30, 1985	11.6660%
September 30, 1985	11.4993%
December 31, 1985	11.3326%
March 31, 1986	11.1659%
June 30, 1986	10.9992%
September 30, 1986	10.8325%
December 31, 1986	10.6658%
March 31, 1987	10.4991%
June 30, 1987	10.3324%
September 30, 1987	10.1657%
December 31, 1987	10.0000%
March 31, 1988	9.667%
June 30, 1988	9.333%
September 30, 1988	9.000%
December 31, 1988	8.667%
March 31, 1989	8.333%
June 30, 1989	8.000%
September 30, 1989	7.667%
December 31, 1989	7.333%

If Prepayment is Made on:	Percentage of Principal Amount
March 31, 1990	7.000%
June 30, 1990	6.667%
September 30, 1990	6.333%
December 31, 1990	6.000%
March 31, 1991	5.667%
June 30, 1991	5.333%
September 30, 1991	5.000%
December 31, 1991	4.667%
March 31, 1992	4.333%
June 30, 1992	4.000%
September 30, 1992	3.667%
December 31, 1992	3.333%
March 31, 1993	3.000%
June 30, 1993	2.667%
September 30, 1993	2.333%
December 31, 1993	2.000%
March 31, 1994	1.667%
June 30, 1994	1.333%
September 30, 1994	1.000%
December 31, 1994	.667%
March 31, 1995	.333%

EXHIBIT A

[Form of Interim Note]

HILLMAN MANUFACTURING COMPANY

$ New York, New York

, 1980

FOR VALUE RECEIVED, HILLMAN MANUFACTURING COMPANY (the "Company") hereby promises to pay to the order of MANUFACTURERS HANOVER LEASING CORPORATION (the "Lender") at its office at 30 Rockefeller Plaza, New York, New York, in lawful money of the United States of America, the principal amount of DOLLARS ($) on June 30, 1980. The undersigned further promises to pay interest at said office, in like money, on the unpaid principal amount hereof from the date hereof at the rate of 18% per annum, provided that whenever any such unpaid principal amount shall become due and payable (whether at maturity, by prepayment, by acceleration or otherwise), interest thereon shall thereafter be payable at the rate of 20% per annum until such overdue principal amount shall be paid in full. Interest shall be payable at the maturity hereof, and after maturity on demand.

This Note is one of the Interim Notes of the Company issued pursuant to the Loan and Security Agreement dated as of April 24, 1980 between the Company and the Lender, as the same may from time to time be amended, supplemented or otherwise modified (the "Agreement"), is entitled to the benefits thereof and is subject to prepayment under certain conditions, in whole or in part, without premium.

This Note, together with the other Notes referred to in the Agreement, is secured by the Collateral described in the Agreement. Reference is made to the Agreement for a description of the nature and extent of the security for this Note and the rights of the holder hereof with respect to such security.

Upon the occurrence of any one or more of the Events of Default specified in the Agreement, the amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Agreement.

The Company shall be personally liable for the payment of this Note only to the extent set forth in Subsection 10.1(c) of the Agreement. Subject to the provisions of Subsection 10.1(c) of the Agreement, no recourse shall be had for the payment of the principal of or any interest on this Note against the Company personally, except to the extent specifically set forth in said Subsection 10.1(c), or against any incorporator, shareholder, officer or director of the Company. The Lender agrees that it will look solely to the Collateral (as defined in the Agreement) and the proceeds thereof for the payment of the portion of this Note which is non-recourse to the Company.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

HILLMAN MANUFACTURING COMPANY

By_____
Title:

EXHIBIT B

[Form of Consolidated Note]

HILLMAN MANUFACTURING COMPANY

$ New York, New York

, 1980

FOR VALUE RECEIVED, HILLMAN MANUFACTURING COMPANY (the "Company") hereby promises to pay to the order of MANUFACTURERS HANOVER LEASING CORPORATION (the "Lender") at its office at 30 Rockefeller Plaza, New York, New York, in lawful money of the United States of America, the principal amount of DOLLARS ($), and to pay interest at said office, in like money, on the unpaid principal amount hereof from the date hereof to and including June 30, 1981 at the rate of 18% per annum, and thereafter at the rate of 14.32% per annum. Such principal and interest shall be payable (i) in quarterly installments of interest only on the last day of each calendar quarter to and including June 30, 1981, and (ii) in 56 consecutive quarterly installments of both principal and interest, each in the amount of $, commencing September 30, 1981 and on the last day of each December, March, June and September thereafter to and including June 30, 1995, provided that, in any event, the final quarterly installment of principal and interest shall be in an amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, this Note, and provided further, that in the event any partial prepayment of this Note is made pursuant to Subsection 2.5 or 2.6 of the Agreement referred to below, each installment of principal and interest due and payable on this Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of this Note shall have been reduced by such partial prepayment. Each payment with respect to this Note shall be applied first to the payment of interest hereon then due and payable and then to the payment of principal. Interest on any overdue principal of and premium, if any, on this Note shall be at the rate of 20% per annum until June 30, 1981 and 18% per annum thereafter, shall be payable on demand and shall accrue from the due date thereof for the period during which such principal or premium shall be overdue.

This Note is the Consolidated Note of the Company issued pursuant to the Loan and Security Agreement dated as of April 24, 1980 between the Company and the Lender, as the same may from time to time be amended, supplemented or otherwise modified (the "Agreement"), is entitled to the benefits thereof and is subject to prepayment, in whole or in part, in certain cases without premium and in other cases with a premium as provided therein.

This Note is secured by the Collateral described in the Agreement. Reference is made to the Agreement for a description of the nature and extent of the security for this Note and the rights of the holder hereof with respect to such security.

Upon the occurrence of any one or more of the Events of Default specified in the Agreement, the amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Agreement.

The Company shall be personally liable for the payment of this Note only to the extent set forth in Subsection 10.1(c) of the Agreement. Subject to the provisions of Subsection 10.1(c) of the Agreement, no recourse shall be had for the payment of the principal of or any premium or interest on this Note against the Company personally, except to the extent specifically set forth in said Subsection 10.1(c), or against any incorporator, shareholder, officer or director of the Company. The Lender agrees that it will look solely to the Collateral (as defined in the Agreement) and the proceeds thereof for the payment of the portion of this Note which is non-recourse to the Company.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

HILLMAN MANUFACTURING COMPANY

By_____
Title:

EXHIBIT C*

[Form of Legal Opinion of Counsel to the Company]

, 1980

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

I have acted as Counsel for Hillman Manufacturing Company, a Pennsylvania corporation (the "Company") since prior to 1976, and I have acted as its counsel in connection with the execution and delivery of the Loan and Security Agreement dated as of April 24, 1980 between the Company and you (the "Agreement").

This opinion is furnished to you pursuant to clause (viii) of Subsection 4.2(c) of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, I have examined executed counterparts of the Agreement and Supplement No.1 thereto, the Interim Note executed and delivered by the Company to you on the date hereof, the Lease, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement, and such closing documents, corporate documents and records of the Company, certificates of public officials and such other documents as I have deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing, I am of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Pennsylvania.

2. The Company has full power, authority and legal right to own its properties and to conduct its

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* If pursuant to Subsection 2.10 of the Loan and Security Agreement a Term Note is being issued on the first Closing Date, all references in this opinion to "Interim Note" or "Notes" will be changed to "Term Note".

business as now conducted, to execute, deliver and perform the Agreement, the Supplements, the Notes, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment and the Security Deposit Agreement and to perform the Lease, and the Company has taken all necessary corporate action to authorize the performance of the Lease and the execution, delivery and performance of each of such other documents. No consent of any other party (including stockholders of the Company) and no consent, license, approval or authorization of, exemption by, or filing, registration or declaration with, any governmental authority of the United States of America or the Commonwealth of Pennsylvania is required in connection with the execution, delivery or performance by the Company of the Agreement, the Supplements, the Notes, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment or the Security Deposit Agreement, or the performance by the Company of the Lease, except for (i) the filings and recordings referred to in paragraph 7 below, and (ii) filings or recordings with the Interstate Commerce Commission, as to which I express no opinion.

3. The Agreement, Supplement No. 1 thereto, the Interim Note executed and delivered by the Company to you on the date hereof, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment and the Security Deposit Agreement have each been duly executed and delivered by the Company and each of such documents and the Lease constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally.

4. The execution, delivery and performance by the Company of the Agreement, the Supplements, the Notes, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment and the Security Deposit Agreement, and the performance by the Company of the Lease, will not violate any provision of any Federal or Pennsylvania law or regulation or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company, or of the Certificate of Incorporation, By-Laws or any preferred stock provision of the Company, or of any mortgage, indenture, contract or other agreement to which the Company, is a party or which is binding upon the Company or any of its properties or assets, will not constitute a default thereunder, and

(except as contemplated by the Agreement) will not result in the creation or imposition of any Lien on any of the properties or assets of the Company.

5. There are no actions, suits or proceedings (whether or not purportedly on behalf of the Company) pending or, to the best of my knowledge, threatened against the Company or any of its properties or assets in any court or before any arbitrator or before or by any governmental body, which (i) relate to any of the Collateral or to any of the transactions contemplated by the Agreement, or (ii) would, if adversely determined, have a material adverse effect on the financial condition, business or operations of the Company.

6. The Company has good and valid title to, and is the lawful owner of, each Box-car described in Supplement No. 1, free and clear of all Liens whatsoever except the lien and security interest created by the Agreement and Permitted Liens.

7. Financing statements with respect to your security interest in the Lease and in the Management Agreement have been duly filed in the offices of the Secretary of the Commonwealth of Pennsylvania and of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania, and no other financing statement asserting the grant by the Company of a security interest in the Lease or in the Management Agreement (or in the Proceeds of either thereof) has been so filed. No other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as security for the Obligations, the lien on and security interest in the Lease, the Management Agreement and the Proceeds thereof created by the Agreement, except for filings or recordings with the Interstate Commerce Commission, as to which I express no opinion, and except that continuation statements must be filed within six months prior to the expiration of the five-year periods following the dates of filing of the financing statements filed with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania. The Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in Supplement No. 1, the Lease, the Management Agreement and the Proceeds thereof, as security for the Obligations, prior to all other Liens.

In rendering the opinion expressed in paragraph 6 above, I have assumed that at the time of delivery thereof by the Builder to the Company, the Box-cars referred to in such paragraph 6 were free from all prior claims, liens, security interests and all other encumbrances of any nature except the rights of SNC under the Lease and the rights of the Lender under the Agreement and that the Builder's Bill of Sale relating to such Box-cars is effective to transfer to the Company good and marketable title to such Box-cars. In rendering the opinion expressed in the last sentence of paragraph 7 above, I have relied as to matters governed by Title 49 of the United States Code, and as to the filings and recordings with the Interstate Commerce Commission (and as to the absence of any other filings and recordings),without independent verification, upon the opinion of Messrs. Arent, Fox, Kintner, Plotkin & Kahn, delivered to you on the date hereof pursuant to clause (viii) of Subsection 4.2(c) of the Agreement.

Insofar as the opinions expressed above relate to the laws of the States of New York and California, I have assumed, but not verified, that such laws do not differ from the laws of the Commonwealth of Pennsylvania.

Very truly yours,

EXHIBIT D

[Form of Legal Opinion of Special
ICC Counsel to the Company]

, 1980

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as special counsel for Hillman Manufacturing Company, a Pennsylvania corporation (the "Company"), in connection with the execution and delivery of the Loan and Security Agreement dated as of April 24, 1980 between the Company and you (the "Agreement").

This opinion is furnished to you pursuant to clause (viii) of Subsection 4.2(c) of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, we have been furnished and submitted to the Interstate Commerce Commission ("ICC") for filing and recordation (which filing and recordation was accepted by the ICC) executed counterparts of the Agreement and Supplement No. 1 thereto (the "Supplement"), the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment.

Based upon the foregoing, we are of the opinion that:

1. The Agreement, the Supplement, the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment have been duly filed and recorded with the ICC in accordance with Section 11303, Title 49 of the United States Code, and no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company or by

Brae Corporation, a Delaware corporation ("Brae") of an interest in or a lien on the Box-cars described in the Supplement, the Lease or the Management Agreement. Financing statements with respect to your security interest in the Lease and in the Management Agreement have been duly filed in the offices of the Secretary of the Commonwealth of Pennsylvania and the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania, and no other financing statement asserting a grant by the Company of a security interest in the Lease or in the Management Agreement (or in the Proceeds of either thereof) has been so filed. No other filing, registration or recording is necessary in order to perfect, protect and preserve, as security for the Obligations, the lien on and security interest in the Box-cars described in the Supplement, the Lease, the Management Agreement and the Proceeds thereof created by the Agreement, except that continuation statements must be filed within six months prior to the expiration of each five-year period following the dates of filing of the financing statements filed with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania.

2. The Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in the Supplement, the Lease, the Management Agreement and the Proceeds thereof, as security for the Obligations, prior to all other Liens.

3. No filing or recording with the ICC is necessary in order to perfect, protect and preserve your lien on and security interest in the moneys and investments at any time on deposit in the Security Deposit Account established by the Security Deposit Agreement.

In rendering the opinions expressed above, we have relied as to matters governed by the Uniform Commercial Code of the Commonwealth of Pennsylvania and as to the filings with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania (and as to the absence of any other filings) upon the opinion of H. Vaughan Blaxter, III, Esq., General Counsel of the Company, delivered to you on the date hereof pursuant to clause (viii) of Subsection 4.2(c) of the Agreement and as to filings with

the ICC (and as to the absence of any other filings) upon the certificate of Transportation Traffic Services, Inc., as to which we believe we, you, and your counsel are justified in relying.

This opinion may be relied upon by the Company as if it were addressed to the Company.

Very truly yours,

EXHIBIT E

[Form Of Legal Opinion of
Counsel to Brae Corporation]

, 1980

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We are the general counsel for Brae Corporation ("Brae") and have acted as its counsel in connection with the execution and delivery of (i) the Lease Agreement dated as of January 14, 1980, as amended by Amendment No. 1 dated as of April 24, 1980, between Brae, as lessor, and the Seattle & North Coast Railroad Company, as lessee, as and to the extent that said Lease Agreement relates to the railroad boxcars described in Equipment Schedules Nos. Two and Three thereto (the "Lease"), (ii) the Assignment of Lease dated April 24, 1980 (the "Assignment") between Brae and Hillman Manufacturing Company ("Hillman"), pursuant to which Brae assigned to Hillman all of Brae's right, title and interest, and Hillman assumed all of Brae's obligations, in, to and under the Lease, (iii) the Management Agreement dated April 24, 1980 between Hillman and Brae (the "Management Agreement"), and (iv) the Consent and Agreement dated as of April 24, 1980 between Brae and Hillman (the "Consent to Management Agreement Assignment").

In connection with this opinion, we have examined the Lease, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment, and such corporate documents and records of Brae, certificates of public officials and officers of Brae and Hillman, and such other documents as we have deemed necessary or appropriate for the purposes hereof.

In rendering this opinion, as to factual matters not directly within our actual knowledge, we have relied upon and assumed the accuracy, completeness and genuineness of, certificates of public officials and of corporate officers and oral and written representations made to us by officers of Brae. We have not made any independent

investigations of such matters, other than the inquiries we have made of officers of Brae and the review we have made of the corporate records of Brae and such contracts and other instruments of Brae as have been specifically identified to us by such officers. Nothing, however, has come to our attention which would lead us to question the accuracy of such certificates or such representations.

In connection with the preparation of this opinion, the only laws we have reviewed are those of the United States of America and the State of California and the General Corporation Law of the State of Delaware. Accordingly, this opinion is based solely upon such laws.

Upon the basis of and subject to the foregoing, we are of the opinion as follows:

1. Brae is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

2. Brae has full power, authority and legal right to own its properties and to conduct its business as now conducted and to perform its agreements and obligations under the Assignment, the Management Agreement and the Consent to Management Agreement Assignment. At the time of its execution and delivery of the Assignment, Brae had full power, authority and legal right to perform its agreements and obligations under the Lease. Brae has taken all necessary corporate action to authorize the execution, delivery and performance of the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment. No consent, license, approval or authorization of, exemption by, or filing, registration or declaration with, any governmental authority was or is required in connection with the execution, delivery or performance by Brae of the Lease, the Assignment, the Management Agreement or the Consent to Management Agreement Assignment, nor is the consent of the stockholders of Brae required, nor to our knowledge is the consent of any other party required.

3. The Lease was duly executed and delivered by Brae, and all right, title and interest of Brae in, to and under the Lease has been duly and effectively transferred, conveyed and assigned by Brae to Hillman. The Assignment, the Management Agreement and the Consent to Management Agreement Assignment have each been duly executed and delivered by Brae and, assuming due authorization, execution

and delivery by the other parties thereto, each constitutes a legal, valid and binding obligation of Brae enforceable in accordance with its terms (except as the enforcement thereof may be limited by bankruptcy, moratorium, insolvency, reorganization and similar laws affecting creditors' rights generally and by the application of equitable principles and judicial decisions limiting the availability of the remedy of specific performance and other equitable remedies).

4. The execution, delivery and performance by Brae of the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment did not and will not violate any present provision of the Certificate of Incorporation, by-laws, or any preferred stock provision of Brae, or any provision of any law applicable to Brae, or, to our knowledge, any regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to Brae, or any contract or agreement to which Brae is currently a party or by which its property is currently bound.

This opinion may be relied upon by Hillman as if it were addressed to Hillman.

Very truly yours,

EXHIBIT F

[Form of Legal Opinion of
Counsel to Seattle & North
Coast Railroad Company]

, 1980

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

I have acted as counsel for the Seattle & North Coast Railroad Company (the "Railroad") in connection with the execution and delivery of the Lease Agreement dated as of January 14, 1980, as amended by Amendment No. 1 dated as of April 24, 1980, between Hillman Manufacturing Company ("Hillman"), as assignee of Brae Corporation ("Brae"), as lessor, and the Railroad, as lessee, as and to the extent that said Lease Agreement relates to the railroad boxcars described in Equipment Schedules Nos. Two and Three thereto (the "Lease"), including the execution and delivery by the Railroad of its consent to the Assignment of Lease dated April 24, 1980 between Brae and Hillman (the "Assignment") pursuant to which Brae assigned to Hillman all of Brae's right, title and interest, and Hillman assigned all of Brae's obligations, in, to and under the Lease.

In connection with this opinion, I have examined the Lease, the Assignment and such corporate documents and records of the Railroad, certificates of public officials and such other documents as I have deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing, I am of the opinion that:

1. The Railroad is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington.

2. The Railroad has full power, authority and legal right to own its properties and to conduct its business as now conducted, and to execute, deliver and perform the Lease.

3. The Lease has been duly authorized, executed and delivered by the Railroad and constitutes a legal, valid and binding obligation of the Railroad enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally. The Railroad has duly consented to the assignment by Brae to Hillman of all of Brae's right, title and interest in, to and under the Lease and the assumption by Hillman of all of Brae's obligations under the Lease.

4. No consent of any party and no consent, license, approval or authorization of, exemption by, or filing, registration or declaration with, any governmental authority is required in connection with the execution, delivery or performance by the Railroad of the Lease.

5. The execution, delivery and performance by the Railroad of the Lease will not violate any provision of any law or regulation or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Railroad or of the Certificate of Incorporation, By-Laws or any preferred stock provision of the Railroad or of any mortgage, indenture, contract, or other agreement to which the Railroad is a party or which is binding upon the Railroad or any of its properties or assets, and will not constitute a default thereunder.

This opinion may be relied upon by Hillman as if it were addressed to Hillman.

Very truly yours,

EXHIBIT G

SECURITY DEPOSIT AGREEMENT

SECURITY DEPOSIT AGREEMENT dated as of April 24, 1980 among Hillman Manufacturing Company (the "Company"), Manufacturers Hanover Leasing Corporation (the "Lender"), and Chemical Bank, as agent for the Lender under this Agreement (the "Agent").

W I T N E S S E T H :

WHEREAS, the Lender and the Company have entered into a Loan and Security Agreement dated as of April 24, 1980 (herein, as the same may be amended, supplemented or modified from time to time, called the "Loan and Security Agreement"), pursuant to which the Lender has agreed to make loans to the Company in an aggregate amount not exceeding $7,665,000 in order to finance the purchase by the Company of 200 railroad box-cars; and

WHEREAS, all right, title and interest of the Company in, to and under the Lease and the Management Agreement (as such terms are defined in the Loan and Security Agreement), including, without limitation, all rents, revenues and other amounts due and to become due to the Company thereunder, have been assigned by the Company to the Lender by the provisions of Section 5 of the Loan and Security Agreement as collateral security for the prompt and complete payment of the Obligations (as defined in the Loan and Security Agreement); and

WHEREAS, pursuant to the provisions of the Loan and Security Agreement and related documents, amounts payable to the Company under the Lease and the Management Agreement are to be paid directly to the Lender by deposit in the Security Deposit Account established and maintained pursuant to this Agreement; and

WHEREAS, the Loan and Security Agreement requires, as a condition to the Lender's obligation to make the initial Loan thereunder, that this Agreement shall have been duly executed and delivered by each of the parties hereto; and

WHEREAS, Chemical Bank has agreed to act as Agent for the Lender pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE ONE

1.1 Appointment of Agent. The Lender hereby appoints Chemical Bank as its agent under this Agreement and hereby authorizes the Agent to take such action on the Lender's behalf and to exercise such powers and perform such duties hereunder as are specifically delegated to or required of the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Chemical Bank agrees to act as the agent of the Lender on the terms and conditions of this Agreement.

ARTICLE TWO

2.1 Security Deposit Account. (a) Concurrently with the execution and delivery of this Agreement there shall be established by the Lender with the Agent a cash collateral account entitled "Hillman Manufacturing Company - Second Security Deposit Account" (the "Security Deposit Account"), which Security Deposit Account shall be maintained at all times until termination thereof in accordance with Section 2.3 hereof. All moneys and securities in the Security Deposit Account shall constitute collateral security for the payment by the Company of the Obligations and shall at all times be subject to the control of the Lender, acting through the Agent in accordance with the provisions of this Agreement, provided that the Agent shall act with respect to the Security Deposit Account in accordance with the terms of this Agreement.

(b) All moneys at any time deposited in the Security Deposit Account, whether by Brae Corporation or by the lessee under any Lease or by the Company or by any other person, and all interest or other income earned with respect thereto, are herein called the "Pledged Deposits".

(c) The Company hereby assigns, delivers, pledges and conveys to the Lender, and grants to the Lender a security interest in, the Pledged Deposits as collateral security for the prompt and unconditional payment in full of the Obligations.

(d) The Company shall not have any rights or powers with respect to the Pledged Deposits or any part thereof, except (i) as provided in Section 2.3 hereof, (ii) the right to have the Pledged Deposits applied to the payment of the Obligations in accordance with the provisions of Section 2.2 hereof and (iii) the right to receive the excess of the proceeds of any sale of investments over the cost thereof to the extent permitted by the provisions of Section 3.1(c) hereof.

2.2 Application of Pledged Deposits. (a) The Pledged Deposits shall be accumulated in the Security Deposit Account and paid over by the Agent to the Lender for application by the Lender to the payment of the Obligations as and when the Obligations become due and payable (whether at the maturity thereof or by prepayment, acceleration or otherwise); provided, however, that so long as the Agent shall not have been notified by the Lender that a Default or Event of Default under the Loan and Security Agreement has occurred and is continuing, any amounts on deposit in the Security Deposit Account in excess of the total payments required to be made with respect to the Obligations within the next succeeding three months as specified by the Lender shall, upon written request of the Company delivered to the Agent and the Lender, be paid by the Agent to the Company. The Lender shall initially provide the Agent with a schedule listing the dates on which the Obligations become due and payable and the amount of the Obligations becoming due and payable on each such date, which schedule may be amended from time to time by the Lender by written notice to the Agent. A copy of such schedule and of each amendment thereto shall be delivered by the Lender to the Company.

(b) Notwithstanding the provisions of paragraph (a) of this Section 2.2, if the Lender shall at any time notify the Agent that an Event of Default under the Loan and Security Agreement has occurred and is continuing, then the Agent shall, if and to the extent requested by the Lender, from time to time promptly withdraw the Pledged Deposits from the Security Deposit Account and deliver the same to the Lender, such Deposits to be applied by the Lender to the payment of the Obligations in such order as it may determine.

2.3 Release of Pledge and Control of Pledged Deposits. When the Obligations have been satisfied and paid in full, the Lender shall instruct the Agent to distribute the funds then on deposit in the Security Deposit Account to the Company. The Agent agrees to distribute such funds to the Company upon receipt of such instruction, whereupon the Security Deposit Account shall terminate.

ARTICLE THREE

3.1 Investment. (a) Cash held by the Agent in the Security Deposit Account (i) shall not be invested or reinvested except as provided in the following paragraph (b), and (ii) shall not bear interest.

(b) The Agent is hereby authorized and directed (unless the Lender shall have notified the Agent that a Default or Event of Default under the Loan and Security Agreement has occurred and is continuing), to the fullest extent practicable and reasonable, to invest or reinvest any cash held in the Security Deposit Account, in accordance with written instructions of the Company in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or any agency thereof, money instruments of United States banks with assets of at least $1,000,000,000, investment grade commercial paper and similar securities, and repurchase agreements fully secured by any of the foregoing, provided that the Agent shall be under no obligation to make any investment in an amount less than $10,000.

(c) The Agent shall sell all or any designated part of the securities held in the Security Deposit Account if (i) so directed by the Company by the delivery of a written request or (ii) at any time proceeds thereof are required for any withdrawal under Article Two of this Agreement. If any such sale (or any payment at maturity) produces a net sum less than the cost (including accrued interest paid as such) of the securities so sold or paid, the Agent shall give written notice of such deficiency to the Company and the Company shall promptly pay to the Agent cash in an amount equal to such deficiency for deposit in the Security Deposit Account. The Agent shall not be liable for any depreciation in the value of any such securities. If any such sale (or any payment at maturity) produces a net sum greater than the cost (including accrued interest paid as such) of the securities so sold or paid, the Agent shall,

unless the Lender shall have notified the Agent that a Default or Event of Default under the Loan and Security Agreement has occurred and is continuing, promptly pay the excess to the Company.

(d) All such securities, the interest thereon, and the net proceeds of the sale or payment thereof (to the extent such interest and proceeds shall not have been paid to the Company in accordance with the terms hereof) plus any deficiency paid by the Company to the Agent shall be held in the Security Deposit Account for the same purposes as the cash used to purchase such securities.

ARTICLE FOUR

4.1 The Agent's Fees, Expenses and Responsibilities. (a) The Company agrees to pay the reasonable fees and expenses of the Agent (including reasonable counsel fees) incurred in connection with its execution and delivery of this Agreement and the performance of its duties hereunder. The duties of the Agent are only such as are specifically provided herein or as provided by any written instructions herein provided for signed by the party hereto who is authorized hereunder to deliver such instructions to the Agent, and no implied covenants or obligations shall be read into this Agreement against the Agent. The Agent shall have no liability hereunder except for the performance by it in good faith of the acts to be performed by it hereunder and except for its own willful default or misconduct or gross negligence. In accepting this agency, the Agent acts solely as the agent of the Lender and not in its individual capacity. No provision of this Agreement shall require the Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. In the event the Agent shall become involved in any litigation relating to the Pledged Deposits, the Agent is authorized to comply with any final order or decree entered in such litigation.

(b) The Agent shall be under no responsibility with respect to any of the moneys deposited with it hereunder other than to comply with the specific duties and responsibilities herein set forth or set forth in written instructions herein provided for and, without limiting the

generality of the foregoing, the Agent shall have no obligation or responsibility to determine (i) the correctness of any notice, statement or calculation made by the Company or the Lender, (ii) whether any deposit in the Security Deposit Account is proper or (iii) whether any Pledged Deposits paid to the Lender pursuant hereto are properly applied by the Lender. The Agent may consult with counsel and shall be fully protected in respect of any action taken, suffered or omitted by it in accordance with counsel's advice. The Company hereby assumes liability for and agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify and hold harmless the Agent from and against any and all liabilities, obligations, losses, damages, penalties, taxes, claims, actions, suits, costs, expenses and disbursements (including counsel fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted at any time against the Agent and in any way relating to or arising out of this Agreement or the administration of the Security Deposit Account or the action or inaction of the Agent hereunder, except only that the Company shall not be required to indemnify the Agent in the case of willful default or misconduct or gross negligence on the part of the Agent. The indemnities contained in this Section 4.1(b) shall survive the termination of this Agreement. The Agent shall not be required to institute legal proceedings of any kind. The Agent shall have no responsibility for the genuineness or validity of any document, notice, request, instruction or other item delivered to it and shall be fully protected in acting in accordance with written schedules, notices, requests or instructions given to it hereunder and believed by it to have been signed by the proper party or parties.

4.2 Notices. All notices, instructions and other communications to any party hereto shall be in writing and may be made or delivered in person, or by first class mail addressed to such party as provided below (or to such other address as such party may hereafter specify in a written notice to the other parties hereto), or by telex dispatched to such party at the number set forth below (or at such other number as such party may hereafter specify in a written notice to the other parties hereto):

The Company:

Hillman Manufacturing Company
P.O. Box 410
Brownsville, Pennsylvania 15417
Attention: Secretary

With a copy to:

Operating Lease Services, Inc.
c/o Gollust & Tierney, Inc.
30 Rockefeller Plaza, Suite 4510
New York, New York 10020
Attention: President

The Lender:

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Telex No.: 127578

The Agent:

Chemical Bank
Corporate Trust Administration
55 Water Street, Room 1820
New York, New York 10041

Telex No.: 129100

All notices, instructions and other communications shall be deemed given when received by the party to whom addressed.

4.3 Amendments and Supplements. No agreement shall be effective to amend, supplement or discharge in whole or in part this Agreement unless such agreement is in writing and signed by the parties hereto. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

4.4 Resignation, Removal and Succession of Agent. (a) The Agent may resign without cause at any time and be fully discharged from its duties hereunder by giving 30 days' prior written notice to the Lender. The Agent may be removed without cause at any time by the Lender upon 10 days' prior written notice by the Lender to the Agent. The Lender agrees to furnish the Company with copies of all notices given or received by it pursuant to this paragraph (a).

(b) If any notice of resignation or of removal shall have been given pursuant to paragraph (a) of this Section 4.4, then a successor Agent shall be appointed by the Lender.

(c) Upon appointment and acceptance as Agent, each successor Agent shall forthwith, without further act or deed, succeed to all the rights and duties of its predecessor under this Agreement. Such predecessor shall promptly deliver to such successor Agent all moneys and securities held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Agent under this Agreement. Upon the written request of the successor Agent or the Lender, and upon payment of all amounts due to the predecessor Agent under this Agreement, such predecessor Agent shall transfer, assign and confirm to the successor Agent all of its rights under this Agreement by executing and delivering from time to time to the successor Agent such further instruments and by taking such other action as may reasonably be deemed by such successor Agent or the Company to be necessary or appropriate in connection therewith.

4.5 Nature of Agency and Security Deposit Account. The Company understands and agrees that the Agent is acting hereunder solely as the agent of the Lender, and that all funds at any time on deposit in the Security Deposit Account are in the possession and control of the Lender through its agent.

4.6 Use of Defined Terms. Terms used herein which are defined in the Loan and Security Agreement shall have the respective meanings set forth in the Loan and Security Agreement, unless otherwise defined herein.

4.7 Representations and Warranties of Agent. The Agent makes no representation or warranty as to the validity, legality or enforceability of this Agreement, the Loan and Security Agreement or of any agreement, certificate or document referred to herein or therein or involved in the transactions contemplated hereby or thereby, or as to the correctness of any statements contained in any such agreement, certificate or document, except that the Agent represents and warrants to the Company and the Lender that this Agreement has been duly executed and delivered by one of its officers who is duly authorized to effect such execution and delivery on its behalf.

4.8 Action by Company. The Company may perform any of its duties hereunder or exercise any of its rights hereunder by and through duly authorized agents specifically designated for such purposes.

4.9 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of this 24th day of April, 1980.

HILLMAN MANUFACTURING COMPANY

By_____
Title:

MANUFACTURERS HANOVER LEASING CORPORATION

By_____
Title:

CHEMICAL BANK

By_____
Title:

EXHIBIT H

CONSENT AND AGREEMENT

CONSENT AND AGREEMENT, dated as of April 24, 1980, entered into by BRAE CORPORATION ("Brae") and HILLMAN MANUFACTURING COMPANY (the "Company") in favor of MANUFACTURERS HANOVER LEASING CORPORATION (the "Lender").

W I T N E S S E T H :

WHEREAS, Brae and the Company have entered into a Management Agreement dated April 24, 1980 (the "Management Agreement"), pursuant to which Brae has agreed to manage 200 railroad box-cars being leased by the Company to the Seattle & North Coast Railroad Company (including the collection of all rent and other revenues due to the Company with respect to such box-cars); and

WHEREAS, the Company and the Lender have entered into a Loan and Security Agreement dated as of April 24, 1980 (herein, as the same may be amended, supplemented or modified from time to time, called the "Loan and Security Agreement"), in which the Company, as collateral security for the repayments of its borrowings from the Lender and its other indebtedness to the Lender thereunder, assigned to the Lender all of the right, title and interest of the Company in, to and under the Management Agreement; and

WHEREAS, the Loan and Security Agreement requires as a condition to the Lender's obligation to make the initial loan to the Company thereunder that this Consent and Agreement be duly executed and delivered by Brae and the Company and an executed counterpart hereof be delivered to the Lender;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to induce the Lender to make loans to the Company pursuant to the Loan and Security Agreement, the parties hereto agree as follows:

1. Use of Defined Terms. Terms used herein which are defined in the Loan and Security Agreement shall have the respective meanings set forth in the Loan and Security Agreement.

2. Consent to Assignment. Brae hereby acknowledges notice of, and consents to, the assignment by the Company to the Lender pursuant to the Loan and Security Agreement of all of the right, title and interest of the Company in, to and under the Management Agreement, including (without limitation), all right, title and interest

of the Company in and to all remittances, rents, issues, profits, revenues and other income arising under the Management Agreement and other moneys due and to become due to the Company under or arising out of the Management Agreement, all proceeds of and all claims for damages arising out of the breach of the Management Agreement, the right of the Company to terminate the Management Agreement and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other documents evidencing the Management Agreement or any moneys due or to become due thereunder or related thereto.

3. Receipt of Loan and Security Agreement. Brae hereby acknowledges receipt of a copy of the Loan and Security Agreement.

4. Payments, Etc. The Company hereby authorizes and directs Brae to, and Brae unconditionally agrees that it will, pay all amounts at any time payable by Brae to the Company under the Management Agreement, including (without limitation) all revenues, rentals and other amounts referred to in Section 4 of the Management Agreement, directly to the Lender by depositing such amounts in the "Hillman Manufacturing Company - Second Security Deposit Account" at the office of Chemical Bank, located at Room 1820, 55 Water Street, New York, New York 10041, Attention: Corporate Trust Administration, or as the Lender may from time to time hereafter otherwise direct by written instructions delivered to Brae. Brae agrees to pay such amounts to the Lender unconditionally without any abatement, reduction, set-off, defense, counterclaim or recoupment whatsoever, whether arising under the Management Agreement or otherwise. All payments made by Brae to the Lender pursuant to this Section 4 shall be final and Brae will not seek to recover any such payments from the Lender for any reason whatsoever.

5. Representations and Warranties of Brae. Brae hereby represents and warrants that:

(a) Brae is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware;

(b) Brae has full power, authority and legal right to own its properties and to conduct its business as now conducted by it, and to execute, deliver and perform the Management Agreement and this Consent and Agreement; and Brae has taken all necessary corporate action to authorize the execution, delivery and performance by it of the Management Agreement and this Consent and Agreement on the terms hereof.

(c) The Management Agreement and this Consent and Agreement have been duly executed and delivered by Brae and constitute valid and binding obligations of Brae enforceable against Brae in accordance with their respective terms.

(d) No consent of any other party (including stockholders of Brae), and no consent, license, permit, approval or authorization of, exemption by, or filing, registration or declaration with, any governmental authority, is required in connection with the execution, delivery or performance by Brae of the Management Agreement or this Consent and Agreement; and

(e) the execution, delivery and performance by Brae of the Management Agreement and this Consent and Agreement will not violate any provision of any existing law or regulation to which Brae is subject, or any provision of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to Brae, or the Certificate of Incorporation, By-Laws or any preferred stock provision of Brae, or any provision of any mortgage, indenture, contract or other agreement to which Brae is a party or which is binding upon Brae or any of its properties or assets, and will not constitute a default thereunder.

7. Miscellaneous. (a) Brae and the Company each hereby agrees that, anything herein to the contrary notwithstanding, it shall remain liable under the Management Agreement to observe and perform all the conditions and obligations to be observed and performed by it thereunder and that the Lender shall not be required or obligated to perform or fulfill any of the obligations of the Company under or pursuant to the Management Agreement.

(b) This Consent and Agreement may not be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto and consented to in writing by the Lender.

(c) This Consent and Agreement shall be binding upon Brae and the Company and their respective successors and assigns and shall inure to the benefit of the Lender and its successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Consent and Agreement as of this 24th day of April, 1980.

BRAE CORPORATION

By_____

Name:_____

Title:_____

HILLMAN MANUFACTURING COMPANY

By_____

Name:_____

Title:_____

EXHIBIT I

BILL OF SALE

Pullman Incorporated (Pullman Standard Division) (the "Builder"), in consideration of the sum of One Dollar and other good and valuable consideration paid by Hillman Manufacturing Company (the "Buyer"), receipt of which is hereby acknowledged, does hereby sell, transfer and set over unto the Buyer, its successors and assigns, all right, title and interest of the Builder in the following described equipment which has been delivered by the Builder to the Buyer:

Number of Units	Description	Serial Numbers

And the Builder hereby warrants to the Buyer, its successors and assigns, that at the time of delivery to the Buyer the Builder had legal title to, and good and lawful right to sell, said equipment and that title to said equipment was free from all prior claims, liens, security interests and other encumbrances of any nature; and the Builder covenants that it will warrant and defend such title against all claims and demands whatsoever based on claims originating prior to the delivery of said equipment to the Buyer.

PULLMAN INCORPORATED
(Pullman Standard Division)

By: _____
Title: Vice President

Dated: _____, 1980

EXHIBIT J

CERTIFICATE OF ACCEPTANCE NO.

Reference is made to (i) the Lease Agreement dated as of January 14, 1980 as amended by Amendment No. 1 to the Lease Agreement dated as of April 24, 1980, each between Brae Corporation ("Brae"), as Lessor, and Seattle & North Coast Railroad Company ("Railroad"), as Lessee (the Lease Agreement as so amended by Amendment No. 1 to the Lease Agreement being herein called the "Lease") (ii) Letter Agreements dated January 22, 1980, August 28, 1978, and August 4, 1978 (collectively, the "Purchase Agreement") between Brae Corporation and Pullman Incorporated (Pullman Standard Division); (iii) the Assignment of the Lease Agreement between Brae Corporation as Assignor and Hillman Manufacturing Company ("Hillman") as Assignee and dated April 24, 1980; (iv) the Assignment of the Purchase Agreement between Brae Corporation as Assignor and Hillman as Assignee dated April 24, 1980; (v) the Management Agreement between Brae Corporation and Hillman dated April 24, 1980; (vi) the Loan and Security Agreement dated as of April 24, 1980 between Hillman and Manufacturers Hanover Leasing Corporation ("Lender"), all relating to up to 200 general purpose railroad boxcars ("Units") described in Equipment Schedules Nos. 2 and 3 to the Lease Agreement.

The undersigned hereby certifies that:

1. He is an employee or agent of Brae Corporation duly authorized to receive delivery of, inspect and accept the Units on behalf of the Railroad and Hillman.

2. The Units, whose serial numbers are listed below (i) have been delivered by the Builder, (ii) have been inspected by the undersigned, (iii) conform to the specifications for the Units referred to in the Purchase Agreement, (iv) conform to all requirements and interchange standards of the Association of American Railroads, the Interstate Commerce Commission and the Department of Transportation, (v) conform to all other specifications and requirements of the Lease Agreement and the Management Agreement, and (vi) are marked in accordance with the requirements of Section 4 of the Lease Agreement, Section 6.18 of the Loan and Security Agreement and Section 4.11 of the Management Agreement.

The undersigned hereby accepts the Units whose Serial Numbers are listed below on behalf of (a) Hillman pursuant to the Purchase Agreement and Section 4.3 of the Management Agreement, and (b) the Railroad pursuant to Paragraph 3 of the Lease Agreement.

BRAE CORPORATION

Dated: _____ BY: _____

Total Number of Units Accepted
Pursuant to this Certificate:

EXHIBIT K

ICC Recordation No.

SUPPLEMENT NO.

Supplement No. to Loan and Security Agreement ("Agreement") dated as of April 24, 1980 between HILLMAN MANUFACTURING COMPANY ("Company") and MANUFACTURERS HANOVER LEASING CORPORATION ("Lender").

1. This Supplement is executed and delivered pursuant to the Agreement in order more particularly to identify certain of the Collateral in which the Company has granted a lien and security interest to the Lender, and to confirm the lien and security interest created by the Agreement on such Collateral. Any term defined in the Agreement and used herein shall have its defined meaning herein.

2. The Company has assigned, conveyed, mortgaged, pledged and transferred to the Lender and granted to the Lender a security interest in, and does hereby assign, convey, mortgage, pledge and transfer to the Lender and grant to the Lender a security interest in, the following Collateral:

(a) the Box-cars described in the schedule attached hereto and any Proceeds thereof; and

(b) a lease agreement and all rentals and Proceeds thereunder and thereof, described in the schedule attached hereto, to the extent such lease covers the Box-cars identified in paragraph (a) above.

3. All the terms and conditions of the Agreement are hereby incorporated in this Supplement and made a part hereof. By their execution and delivery of this Supplement the parties hereto hereby reaffirm all of the terms and conditions of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Supplement on , 1980.

HILLMAN MANUFACTURING COMPANY

By_____
Title:

MANUFACTURERS HANOVER LEASING CORPORATION

By_____
Title:

EXHIBIT L

CERTIFICATE OF COST

Pursuant to clause (iv) of Subsection 4.2(c) of the Loan and Security Agreement dated as of April 24, 1980 (the "Agreement") between HILLMAN MANUFACTURING COMPANY and MANUFACTURERS HANOVER LEASING CORPORATION (the "Lender") the undersigned hereby certifies that the Equipment Costs (as defined in the Agreement) of the Box-cars being partially financed with the proceeds of the loan being made by the Lender to the undersigned on the date hereof are as follows:

ber and ription Units	Identification Nos.	Price Payable to Manufacturer	Inspection and Engineering Costs	Other Costs	Equipment Costs

TOTAL EQUIPMENT COSTS

The undersigned hereby further certifies that attached hereto are true and complete copies of the invoices of Pullman Incorporated (Pullman Standard Division), identifying the Box-cars described above and specifying the price payable to such manufacturer.

The undersigned hereby further certifies that the other costs set forth above consist solely of transportation costs, local or state sales taxes and legal expenses.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Certificate this day of , 1980.

HILLMAN MANUFACTURING COMPANY

By_____
Title:

EXHIBIT M

[Form of Legal Opinion of Counsel to the Company]

, 1980

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

I have acted as counsel for Hillman Manufacturing Company, a Pennsylvania corporation (the "Company") since prior to 1976, and I have acted as its counsel in connection with the execution and delivery of the Loan and Security Agreement dated as of April 24, 1980 between the Company and you (the "Agreement").

This opinion is furnished to you pursuant to Subsection 4.3(c) of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, I have examined executed counterparts of the Agreement and Supplement No. 1 thereto (the "Supplement"), the Consolidated Note executed and delivered by the Company to you on the date hereof, the Lease, the Assignment, the Management Agreement, the Consent to Management Agreement Assignment, the Security Deposit Agreement and such closing documents, corporate documents and records of the Company, certificates of public officials and such other documents as I have deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing, I am of the opinion that:

1. The Consolidated Note has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally.

2. The Company has good and valid title to, and is the lawful owner of, each Box-car described in the Supplements, free and clear of all Liens whatsoever except the lien and security interest created by the Agreement and Permitted Liens.

3. Financing statements with respect to your security interest in the Lease and in the Management Agreement have been duly filed in the offices of the Secretary of the Commonwealth of Pennsylvania and of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania, and no other financing statement asserting the grant by the Company of a security interest in the Lease or in the Management Agreement (or in the Proceeds of either thereof) has been so filed. No other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as security for the Obligations, the lien on and security interest in the Lease, the Management Agreement and the Proceeds thereof created by the Agreement, except for filings or recordings with the Interstate Commerce Commission, as to which I express no opinion, and except that continuation statements must be filed within six months prior to the expiration of the five-year periods following the dates of filing of the financing statements filed with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania. The Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in the Supplement, the Lease, the Management Agreement and the Proceeds thereof, as security for the Obligations, prior to all other Liens.

In rendering the opinion expressed in paragraph 2 above, I have assumed that at the time of delivery thereof by the Builder to the Company, the Box-cars referred to in such paragraph 2 were free from all prior claims, liens, security interests and all other encumbrances of any nature except the rights of SNC under the Lease and the rights of the Lender under the Agreement and that the Builder's Bill of Sale relating to such Box-cars is effective to transfer to the Company good and marketable title to such Box-cars. In rendering the opinion expressed in the last sentence of paragraph 3 above, I have relied as to matters governed by Title 49 of the United States Code, and as to the filings and recordings with the Interstate Commerce Commission (and as to the absence of any other filings and recordings), without independent verification, upon the opinion

of Messrs. Arent, Fox, Kintner, Plotkin & Kahn, delivered to you on the date hereof pursuant to Subsection 4.3(c) of the Agreement.

Insofar as the opinions expressed above relate to the laws of the States of New York and California, I have assumed, but not verified, that such laws do not differ from the laws of the Commonwealth of Pennsylvania.

Very truly yours,

EXHIBIT N

[Form of Legal Opinion of Special
ICC Counsel to the Company]

, 1980

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as special counsel for Hillman Manufacturing Company, a Pennsylvania corporation (the "Company"), in connection with the execution and delivery of the Loan and Security Agreement dated as of April 24, 1980 between the Company and you (the "Agreement").

This opinion is furnished to you pursuant to Subsection 4.3(c) of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, we have been furnished and submitted to the Interstate Commerce Commission ("ICC") for filing and recordation (which filing and recordation was accepted by the ICC) executed counterparts of the Agreement, Supplement No. 1 thereto (the "Supplement"), the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment.

Based upon the foregoing, we are of the opinion that:

1. The Agreement, the Supplement, the Lease, the Assignment, the Management Agreement and the Consent to Management Agreement Assignment have been duly filed and recorded with the ICC in accordance with Section 11303, Title 49 of the United States Code, and no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company or by Brae Corporation, a Delaware corporation ("Brae") of an interest in or a lien on the Box-cars described in the Supplement, the Lease or the Management Agreement. Financing statements with respect to your security interest in the Lease and in the Management Agreement have been duly filed in the offices of the Secretary of the Commonwealth of Pennsylvania and of the

Prothonotaries of Allegheny and Fayette Counties, Pennsylvania, and no other financing statement asserting a grant by the Company of a security interest in the Lease or in the Management Agreement (or in the Proceeds of either thereof) has been so filed. No other filing, registration or recording is necessary in order to perfect, protect and preserve, as security for the Obligations, the lien on and security interest in the Box-cars described in the Supplement, the Lease, the Management Agreement and in the Proceeds thereof created by the Agreement, except that continuation statements must be filed within six months prior to the expiration of each five-year period following the dates of filing of the financing statements filed with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania.

2. The Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in the Supplement, the Lease, the Management Agreement and the Proceeds thereof, as security for the Obligations, prior to all other Liens.

3. No filing or recording with the ICC is necessary in order to perfect, protect and preserve your lien on and security interest in the moneys and investments at any time on deposit in the Security Deposit Account established by the Security Deposit Agreement.

In rendering the opinions expressed above, we have relied as to matters governed by the Uniform Commercial Code of the Commonwealth of Pennsylvania and as to the filings with the Secretary of the Commonwealth of Pennsylvania and in the offices of the Prothonotaries of Allegheny and Fayette Counties, Pennsylvania (and as to the absence of any other filings) upon the opinion of H. Vaughan Blaxter, III, Esq., General Counsel of the Company, delivered to you on the date hereof pursuant to Subsection 4.3(c) of the Agreement and as to the filings with the ICC (and as to the absence of any other filings) upon the certificate of Transportation Traffic Services, Inc., as to which we believe we, you and your counsel are justified in relying.

This opinion may be relied upon by the Company as if it were addressed to the Company.

Very truly yours,

EXHIBIT O

[Form of Term Note]

HILLMAN MANUFACTURING COMPANY

$ New York, New York

, 1980

FOR VALUE RECEIVED, HILLMAN MANUFACTURING COMPANY (the "Company") hereby promises to pay to the order of MANUFACTURERS HANOVER LEASING CORPORATION (the "Lender") at its office at 30 Rockefeller Plaza, New York, New York, in lawful money of the United States of America, the principal amount of DOLLARS ($), and to pay interest at said office, in like money, on the unpaid principal amount hereof from the date hereof to and including June 30, 1981 at the rate of 18% per annum, and thereafter at the rate of 14.32% per annum. Such principal and interest shall be payable (i) in quarterly installments of interest only on the last day of each calendar quarter to and including June 30, 1981, and (ii) in 56 consecutive quarterly installments of principal and interest, each installment in the amount of $, commencing September 30, 1981 and on the last day of each December, March, June and September thereafter to and including June 30, 1995, provided that, in any event, the final quarterly installment of principal and interest shall be in an amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, this Note, and provided further, that in the event any partial prepayment of this Note is made pursuant to Subsection 2.5 or 2.6 of the Agreement referred to below, each installment of principal and interest due and payable on this Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of this Note shall have been reduced by such partial prepayment. Each payment with respect to this Note shall be applied first to the payment of interest hereon then due and payable and then to the payment of principal. Interest on any overdue principal of and premium, if any, on this Note shall be at the rate of 20% per annum until June 30, 1981 and 18% per annum thereafter, shall be payable on demand and shall accrue from the due date thereof for the period during which such principal or premium shall be overdue.

This Note is the Term Note of the Company issued pursuant to the Loan and Security Agreement dated as of April 24, 1980 between the Company and the Lender, as the same may from time to time be amended, supplemented or otherwise modified (the "Agreement"), is entitled to the benefits thereof and is subject to prepayment, in whole or in part, in certain cases without premium and in other cases with a premium as provided therein.

This Note is secured by the Collateral described in the Agreement. Reference is made to the Agreement for a description of the nature and extent of the security for this Note and the rights of the holder hereof with respect to such security.

Upon the occurrence of any one or more of the Events of Default specified in the Agreement, the amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Agreement.

The Company shall be personally liable for the payment of this Note only to the extent set forth in Subsection 10.1(c) of the Agreement. Subject to the provisions of Subsection 10.1(c) of the Agreement, no recourse shall be had for the payment of the principal of or any premium or interest on this Note against the Company personally, except to the extent specifically set forth in said Subsection 10.1(c), or against any incorporator, shareholder, officer or director of the Company. The Lender agrees that it will look solely to the Collateral (as defined in the Agreement) and the proceeds thereof for the payment of the portion of this Note which is non-recourse to the Company.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

HILLMAN MANUFACTURING COMPANY

By_____
Title:

ICC Recordation No.

SUPPLEMENT NO. 1

Supplement No. 1 to Loan and Security Agreement ("Agreement") dated as of April 24, 1980 between HILLMAN MANUFACTURING COMPANY ("Company") and MANUFACTURERS HANOVER LEASING CORPORATION ("Lender").

(1) This Supplement is executed and delivered pursuant to the Agreement in order more particularly to identify certain of the Collateral in which the Company has granted a lien and security interest to the Lender, and to confirm the lien and security interest created by the Agreement on such Collateral. Any term defined in the Agreement and used herein shall have its defined meaning herein.

(2) The Company has assigned, conveyed, mortgaged, pledged and transferred to the Lender and granted to the Lender a security interest in, and does hereby assign, convey, mortgage, pledge and transfer to the Lender and grant to the Lender a security interest in, the following Collateral:

the Box-cars described in the schedule attached hereto and any Proceeds thereof.

(3) All the terms and conditions of the Agreement are hereby incorporated in this Supplement and made a part hereof. By their execution and delivery of this Supplement the parties hereto hereby reaffirm all of the terms and conditions of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Supplement on May 7, 1980.

HILLMAN MANUFACTURING COMPANY

BY: Steven N Hirtt
Title: Vice President

MANUFACTURERS HANOVER LEASING CORPORATION

BY: [illegible]
Title:

COMMONWEALTH OF PENNSYLVANIA)
: SS:
COUNTY OF ALLEGHENY)

On this 15th day of May, 1980, before me, the Subscriber, a Notary Public for the Commonwealth of Pennsylvania, personally appeared Steven R. Hutchinson who acknowledged himself to be the Vice President of HILLMAN MANUFACTURING COMPANY, a corporation, and that he, as such Vice President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

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

(SEAL)

Dianna Lee Withum
NOTARY PUBLIC

DIANNA LEE WITHUM, Notary Public
Pittsburgh, Allegheny County, PA.
My Commission Expires March 5, 1984

STATE OF NEW YORK)
: SS:
COUNTY OF NEW YORK)

On this 8th day of May, 1980, before me personally came John W. Marcus, to me known, who being duly sworn, did depose and say that he resides at 12 East 86th Street; that he is a Vice President of MANUFACTURERS HANOVER LEASING CORPORATION, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal, that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

(SEAL)

Albert Russo
NOTARY PUBLIC

ALBERT RUSSO
Notary Public, State of New York
No. 31-4645937
Qualified in New York County
Commission Expires March 30, 1981

SCHEDULE TO SUPPLEMENT NO. 1

ınufacturer	Specifications	Maximum Quantity	Identification Numbers (Both Inclusive)	Delivery
ıllman ıcorporated	Steel 50 foot 70 ton Boxcars, Mechanical Designation XM	200	SNCT 1100 -- SNCT 1299	April 28, 1980 to June 30, 1980