

0100352033

LAW OFFICES
MILES & STOCKBRIDGE

A PROFESSIONAL CORPORATION

10 LIGHT STREET

BALTIMORE, MARYLAND 21202-1487

TELEPHONE 410-727-6464

FAX 410-385-3700

300 ACADEMY STREET
CAMBRIDGE, MD 21613-1865

101 BAY STREET
EASTON, MD 21601-2718

11350 RANDOM HILLS ROAD
FAIRFAX, VA 22030-7429

30 WEST PATRICK STREET
FREDERICK, MD 21701-6903

22 WEST JEFFERSON STREET
ROCKVILLE, MD 20850-4286

600 WASHINGTON AVENUE
TOWSON, MD 21204-3965

1450 G STREET, N.W.
WASHINGTON, D.C. 20005-2001

JOHN A. STALFORD
410-385-3424

August 31, 1994

18963

RECORDATION NO. _____ FILED 1425

SEP 1 1994 -2 50 PM

INTERSTATE COMMERCE COMMISSION

via FEDERAL EXPRESS

Interstate Commerce Commission
12th and Constitution Avenues, N.W.
Washington, D.C 20423
Attention: Mrs. Mildred Lee

Re: Our File No. 258-1402

Dear Mrs. Lee:

Enclosed for recordation in your office pursuant to the provisions of 49 U.S.C. §11303 is an original Senior Railroad Car Lease and one notarized copy of the same dated May 16, 1994 between Radnor Associates, Ltd. (150 Strafford Avenue, Suite 112, Radnor, Pennsylvania 19087-3184) and Southern Rail Leasing (1448 Brookcliff Drive, Marietta, Georgia 30062).

Also enclosed is a check in the amount of \$18.00 to cover the costs of recordation. Once this document has been recorded, please return the same to:

John A. Stalford, Esquire
Miles & Stockbridge
10 Light Street - 9th Floor
Baltimore, Maryland 21202

Thank you for your prompt attention to this matter. Please call me at (410) 385-3425 if you have any questions.

Sincerely,

Michele E. Sperato

Michele E. Sperato
Secretary to John A. Stalford

Enclosures

LIEN SING BRANCH

SEP 1 2 50 PM '94

RECEIVED
OFFICE OF THE
SECRETARY

RECORDATION NO. 18963 FILED 1425

SEP 1 1994 -2 50 PM

INTERSTATE COMMERCE COMMISSION

STATE OF MARYLAND, COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY that the attached Senior Railroad Car Lease is a true and complete copy of said Senior Railroad Car Lease.

WITNESS my hand and seal this 31st day of August, 1994



Joan F. Binner
Notary Public

My Commission Expires: 6/24/97

SEP 1 1994 -2 50 PM

SENIOR RAILROAD CAR LEASE

INTERSTATE COMMERCE COMMISSION

This Lease Agreement ("Agreement") is made as of May 16, 1994 by and between **Radnor Associates, Ltd.**, a Pennsylvania corporation, ("Lessor") and **Southern Rail Leasing**, a Nevada corporation ("Lessee").

Background

A. Subordinate Lease: Pursuant to a Railroad Car Lease Agreement dated as of September 9, 1993 between Lessee and The Kansas City Southern Railway Company ("KCS") (the "Master Lease Agreement") and Schedule Number 2 thereto dated as of April 29, 1994 executed by Lessee and KCS ("Schedule Number Two"), Lessee (as lessor) agreed to lease to KCS (as lessee), and KCS agreed to lease from Lessee, 86 gondola railcars (the "Cars"). A copy of the Master Lease Agreement and Schedule Number Two (collectively the "Subordinate Lease") are attached hereto and incorporated herein as a part of this Agreement.

B. Sale of Equipment subject to Lease: Pursuant to a Sale Agreement dated the date hereof (the "Sale Agreement") Lessee has sold the cars to Lessor under and subject to the rights of KCS under the Subordinate Lease.

C. Senior Lease of Railway Cars: The purpose of this Agreement is to lease back the Cars to Lessee to enable Lessee to fulfill its obligations under the Subordinate Lease.

1. Terms and Conditions of Senior Lease. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Cars on the following terms and conditions:

A. Description of Cars. The Cars are the 86 steel floor and body gondola railcars, 100 ton roller bearing trucks, at least 52'5" interior length; 25 cars have end of car cushioning devices and 4' sides; 61 cars have rigid frames and 4'6" sides; described in and subject to the Subordinate Lease.

Car numbers are as set forth on the Schedule of Cars attached hereto.

B. Lease Term. The term of this Senior Lease is the same as the term provided for in the Subordinate Lease.

C. Rental Payment and Amount. Rent shall be payable hereunder in the same amount and at the same times as provided in the Subordinate Lease.

D. Delivery of Cars. Lessor shall deliver the Cars to KCS for use pursuant to the Subordinate Lease at the times and in the condition provided therefor therein. The respective obligations of the parties hereunder with respect to any Car are subject to the acceptance of such Car by KCS pursuant to the Subordinate Lease. Acceptance or receipt by KCS of any Car under the Subordinate Lease shall be deemed the acceptance or receipt of such Car by Lessee hereunder.

E. Insurance. Lessee shall be obligated to provide liability insurance on the Cars only to the extent provided by KCS pursuant to the Subordinate Lease. Lessee will cause KCS to name Lessor as an additional insured under any policies of insurance so naming Lessee as additional insured.

F. Damage and Destruction. In the event any Car is destroyed during the term of this Senior Lease, Lessee shall pay to Lessor the amount payable in respect of such casualty by KCS pursuant to the Subordinate Lease.

G. Maintenance, Repair, Return. Lessee shall cause KCS to maintain and repair the Cars pursuant to the terms of the Subordinate Lease. Upon the expiration or termination of the term of this Senior Lease, Lessee will cause KCS to return the Cars to Lessor in the condition provided for in the Subordinate Lease.

H. Other Obligations Hereunder. Lessee's obligations hereunder with respect to the Cars and the payment of rent, taxes and other amounts shall be the same as the obligations of KCS under the Subordinate Lease.

I. Default. The occurrence of any of the following shall be an Event of Default hereunder:

(i) The occurrence of an Event of Default under the Subordinate Lease;

(ii) The commencement of an involuntary case against Lessee under the Federal Bankruptcy Act (the "Bankruptcy Act") or which is not dismissed within thirty (30) days or the filing by Lessee of a petition, consent, answer or other document seeking or consenting to any proceeding affecting Lessee or its property under the Bankruptcy Act or seeking relief under any similar law of any jurisdiction.

J. Remedies. Upon the occurrence of an Event of Default Lessor shall have and may exercise hereunder, all the remedies provided for the Lessor under the Subordinate Lease.

K. Security. To secure the payment and performance by Lessee of its obligations hereunder, Lessee hereby assigns and transfers to Lessor, and grants to Lessor a security interest in, the Subordinate Lease and all the right, interest and powers of Lessee therein and thereunder. For the purpose of the foregoing, Lessee hereby irrevocably appoints Lessor the attorney-in-fact of Lessee, with full power of substitution and revocation, in the name of Lessee or otherwise, to demand, collect, receive and receipt for all amounts payable by KCS under the Subordinate Lease, to recover the Cars when entitled thereto thereunder and, in general, to enforce all the rights of the Lessor thereunder, including the institution and maintenance of court and administrative proceedings therefor, and to settle, compromise or release any claims thereunder. Lessee has, contemporaneously herewith, delivered to Lessee the original Subordinate Lease.

L. Lessor's Recourse Limited to Security. For recovery of amounts due hereunder by Lessee, Lessor shall have recourse only to the Subordinate Lease and amounts payable thereunder, assigned hereby, and not to any other assets of Lessee.

2. Miscellaneous:

A. No Assignment or Sublease without Lessor Consent. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; PROVIDED HOWEVER, THAT LESSEE MAY NOT WITHOUT THE PRIOR WRITTEN CONSENT OF THE LESSOR (WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD) PLEDGE OR ASSIGN THIS AGREEMENT OR ANY OF ITS RIGHTS OR OBLIGATION HEREUNDER TO ANY PARTY. Any purported assignment in violation hereof shall be void.

B. No Other Assignment or Pledge of Subordinate Lease. Lessee represents that it holds good title to the Lessor's interest in the Subordinate Lease, subject to no lien, charges or security interests. Lessee will make no assignment of or grant any security interest in the Subordinate Lease, other than the assignment to Lessor granted herein.

C. Additional Documents. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by Lessor or its assignees in connection with the acquisition, financing or use of the Cars.

D. No Waiver. No delay, waiver, indulgence or partial exercise by Lessor of any right, power or remedy shall preclude any further exercise thereof or the exercise of any additional right, power or remedy.

E. Financial Information. Upon request of Lessor, Lessee shall promptly furnish to Lessor such financial statements of Lessee, together with such other financial information relating to Lessee as Lessor may reasonably request.

F. Notices. Any notices required or permitted to be given hereunder shall be deemed given when sent by telecopy, facsimile or deposited in United States Mail, registered or certified, postage prepaid, addressed to:

Lessor:

Southern Rail Leasing
955 South Virginia Street
Reno, NV 89502

with a copy to:

Southern Rail Leasing
Attention: Marketing
1448 Brookcliff Drive
Marietta, GA 30062

Lessee:

Radnor Associates, Ltd.
Two Radnor Corporate Center, Suite 114
100 Matsonford Road
Radnor, PA 19087

or to such other addresses as Lessor and Lessee may from time to time designate.

G. Applicable Law. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Pennsylvania, without regard to Pennsylvania's choice of law doctrine.

H. Survival. The obligations of the parties shall survive the expiration or other termination of the term of the lease provided for herein.

I. Entire Agreement. This Agreement constitutes the entire agreement of the parties relating to the subject hereof, and it may not be modified, altered or amended except by agreement in writing signed by the party to be charged thereby.

J. Section Headings. The captions and section headings herein are for convenience of reference only and are not to be construed as a part of the agreement of the parties constituting this Agreement.

K. No Warranties. LESSEE ACKNOWLEDGES THAT IT IS LEASING THE CARS AS IS WHERE IS AND WITH ALL FAULTS. LESSOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE CONDITION OR QUALITY, MERCHANTABILITY OR FITNESS FOR ANY PURPOSE OF THE CARS. LESSOR SHALL NOT BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES.

Each party pursuant to due corporate authority, has caused this Agreement to be executed by its authorized officer or other employee, and each of the undersigned declares under penalty or perjury that he or she holds the title indicated below, that the execution of this Agreement was the free act and deed of the Corporation, the foregoing is true and correct and that this Agreement was executed on the date indicated.

LESSEE:

Southern Rail Leasing, Inc. Marketing

By

John C. Chomk

Date

5/16/94

LESSOR:

Radnor Associates, Ltd.

By

James P. Hartman

Title:

VICE PRESIDENT

Date

MAY 16, 1994

Countersignature:

Southern Rail Leasing, Inc., Lessee

By

Title

Date

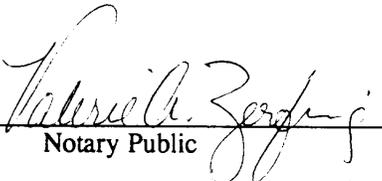
Vice President, Secy
May 16, 1994

COMMONWEALTH OF PENNSYLVANIA)
) ss
COUNTY OF DELAWARE)

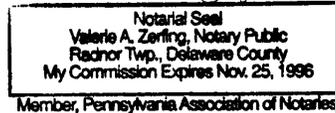
On May 16, 1994 before me, the undersigned authority, personally appeared JAMES P. HARTMAN, known to me (or satisfactorily proven) to be the Vice President of RADNOR ASSOCIATES, LTD., who, by me being duly sworn, said that the seal affixed to the within agreement is the corporate seal of such corporation, that he signed, and such corporate seal was affixed to, the within Agreement on behalf of such corporation by authority of its board of directors and he acknowledged that the execution of the within Agreement was the free act and deed of such corporation.

(SEAL)

My commission expires 11/25/96.



Notary Public



STATE OF GEORGIA)
)
COUNTY OF Cobb) ss
)

On May 16, 1994 before me, the undersigned authority, personally appeared JOHN C. CHAMBERS, known to me (or satisfactorily proven) to be the President of SOUTHERN RAIL LEASING, INC., who, by me being duly sworn, said that the seal affixed to the within agreement is the corporate seal of such corporation, that he signed, and such corporate seal was affixed to, the within Agreement on behalf of such corporation by authority of its board of directors and he acknowledged that the execution of the within Agreement was the free act and deed of such corporation.

(SEAL)

Melodie Logan
Notary Public

My Commission Expires April 21, 1997
My commission expires _____.

STATE OF CALIFORNIA

COUNTY OF

San Diego

)
) ss
)

On May 14, 1994 before me, the undersigned authority, personally appeared PHILIP W. HOFFMAN, known to me (or satisfactorily proven) to be the Vice President of SOUTHERN RAIL LEASING, INC., who, by me being duly sworn, said that the seal affixed to the within agreement is the corporate seal of such corporation, that he signed, and such corporate seal was affixed to, the within Agreement on behalf of such corporation by authority of its board of directors and he acknowledged that the execution of the within Agreement was the free act and deed of such corporation.

(SEAL)

Michelle A. Haus
Notary Public

My commission expires Feb. 21, 1997

SCHEDULE OF CARS

OLD NUMBER	NEW NUMBER	OLD NUMBER	NEW NUMBER	OLD NUMBER	NEW NUMBER
B&O 362522	KCS 899_____	C&O 365032	KCS 899_____	WM 58003	KCS 899_____
B&O 366162	KCS 899_____	C&O 365036	KCS 899_____	WM 58019	KCS 899_____
B&O 366690	KCS 899_____	C&O 365063	KCS 899_____	WM 58020	KCS 899_____
B&O 366737	KCS 899_____	C&O 365064	KCS 899_____	WM 58021	KCS 899_____
B&O 366885	KCS 899_____	C&O 365073	KCS 899_____	WM 58036	KCS 899_____
B&O 366905	KCS 899_____	C&O 365137	KCS 899_____	WM 58043	KCS 899_____
B&O 367102	KCS 899_____	C&O 365190	KCS 899_____	WM 58047	KCS 899_____
B&O 368014	KCS 899_____	C&O 365216	KCS 899_____	WM 58049	KCS 899_____
B&O 368018	KCS 899_____	C&O 365253	KCS 899_____	WM 58051	KCS 899_____
B&O 368068	KCS 899_____	C&O 365265	KCS 899_____	WM 58052	KCS 899_____
B&O 368075	KCS 899_____	C&O 365293	KCS 899_____	WM 58054	KCS 899_____
B&O 368198	KCS 899_____	C&O 365314	KCS 899_____	WM 58055	KCS 899_____
B&O 368243	KCS 899_____	C&O 365334	KCS 899_____	WM 58057	KCS 899_____
B&O 368252	KCS 899_____	C&O 365383	KCS 899_____	WM 58058	KCS 899_____
B&O 368270	KCS 899_____	C&O 365399	KCS 899_____	WM 58060	KCS 899_____
B&O 368274	KCS 899_____	C&O 365404	KCS 899_____	WM 58067	KCS 899_____
B&O 368304	KCS 899_____	C&O 365456	KCS 899_____	WM 58105	KCS 899_____
B&O 368307	KCS 899_____	C&O 365463	KCS 899_____	WM 58107	KCS 899_____
B&O 368326	KCS 899_____	C&O 365495	KCS 899_____	WM 58109	KCS 899_____
B&O 368360	KCS 899_____	C&O 365514	KCS 899_____	WM 58110	KCS 899_____
B&O 368385	KCS 899_____	C&O 365550	KCS 899_____	WM 58155	KCS 899_____
B&O 368386	KCS 899_____	C&O 365555	KCS 899_____	WM 58166	KCS 899_____
B&O 368389	KCS 899_____	C&O 365557	KCS 899_____	WM 58168	KCS 899_____
B&O 368399	KCS 899_____	C&O 365618	KCS 899_____	WM 58180	KCS 899_____
B&O 368447	KCS 899_____	C&O 365654	KCS 899_____	WM 58189	KCS 899_____
		C&O 365659	KCS 899_____		
		C&O 365727	KCS 899_____		
		C&O 365734	KCS 899_____		
		C&O 365764	KCS 899_____		
		C&O 365797	KCS 899_____		
		C&O 365802	KCS 899_____		
		C&O 365827	KCS 899_____		
		C&O 365891	KCS 899_____		
		C&O 365922	KCS 899_____		
		C&O 365925	KCS 899_____		
		C&O 365969	KCS 899_____		

As cars are delivered into service, the old numbers noted above shall be translated into new numbers beginning with the sequence of KCS 899050. As such numbers are determined, this table shall be modified accordingly.

RAILROAD CAR LEASE

This Lease Agreement ("Agreement") is made as of September 9, 1993 by and between Southern Rail Leasing, a Nevada Corporation, ("Lessor") and The Kansas City Southern Railway Company, ("Lessee").

1. Scope of Agreement:

A. Agreement to Lease: Lessor and Lessee agree to lease the railroad cars described in the schedule(s) (The "Cars). "Schedule" means any schedule signed by both Lessor and Lessee. "Agreement" shall include this document together with all signed schedules.

B. Schedules Control: The terms of any Schedule shall control as to Cars on such schedule, over any inconsistent terms elsewhere in this Agreement.

2. Term and Delivery:

This Agreement shall remain in full force until terminated as to all Cars on all Schedules. The lease term with respect to any Car shall commence on the date as set forth on the Schedule; and it shall expire on the Expiration Date defined on the applicable Schedule. After the Delivery Date of the Final Car on any Schedule, Lessor shall provide Lessee a certificate (the "Certificate") setting forth the Delivery Date of each Car and the Expiration Date. Each date on each Certificate shall be deemed accurate, final and binding unless Lessee disputes such date in writing within 14 calendar days of receipt by Lessee of such Certificate.

3. Specifications, Transportation Expenses, Replacement and Subscription:

A. Specifications: Car specifications and marks shall be as set forth on the applicable schedule.

B. Transportation Expenses: Transportation expenses for Cars shall be determined by reference to the applicable schedule with respect to such Cars. If nothing is specified on such schedule, then Lessee shall be liable for all expenses and charges for transportation or movement of any Car leased to Lessee.

C. Subscription: Lessee shall for the term of this Agreement subscribe to the Association of American Railroads ("AAR") Car Service and Car Hire Agreements.

4. Acceptance:

Each car shall be deemed accepted unless Lessor is otherwise notified in writing within fourteen (14) days of such Car's delivery to Lessee.

5. Movement to Lessee's Lines:

Each Car shall be promptly moved to Lessee's lines subject to availability of normal transportation. Such movement shall be at the expense of the party specified in the applicable schedule.

6. Maintenance:

A. Definition of Maintenance: "Maintenance" means all repairs, maintenance, replacement of parts and mandated modifications as are needed to keep any Car in good working order and repair, suitable for loading and interchange and in accordance with the Interchange Rules, the Federal Railroad Administration ("FRA") rules and the rules of any other applicable regulatory body.

B. Definition of Interchange Rules: "Interchange Rule" means collectively the Field Manual of the AAR Interchange Rules and the Office Manual of the AAR Interchange Rules. Reference herein to the Interchange Rules provides performance standards and criteria for the condition of the Cars and their maintenance and repair. However, as between Lessor and Lessee, the applicable schedule of this Agreement governs who is responsible for performing and paying for the maintenance and repairs.

C. Maintenance by Lessee: Lessee at its expense shall cause Maintenance to be performed in a timely manner. Lessor shall have title to any non-severable replacement parts or additions applied to any Car. Lessee shall have title to any severable additions applied to any Car removed by Lessee prior to the return of such Car.

7. Record Keeping

The party ("Record Keeper") designated on the applicable Schedule shall prepare and file and is hereby authorized to and shall receive and maintain all records and perform all necessary and customary record keeping functions ("Record Keeping") relating to the use of the Cars. This shall include but not be limited to (i) registration of the Cars in the Official Railway Equipment Register and "UMLER" placing ownership marks as provided in the UMLER ownership field; (ii) collection and receipt of revenue, if any; and (iii) compilation of records pertaining to maintenance, repair and billing in accordance with the Interchange Rules and AAR format. All Record Keeping shall be performed separately with respect to each set of reporting marks and shall be maintained in a form suitable for reasonable inspection by the other party from time to time during regular business hours.

8. Insurance:

As long as Lessee is self insured, Lessee agrees to treat Cars leased under this Agreement in a manner substantially identical to equipment owned by it and pursuant to its self insurance program as it may exist from time to time. Lessee will furnish Lessor with a copy of its self insurance program or plan when requested by Lessor.

9. Taxes:

Lessee shall be liable for all taxes or governmental impositions with respect to the Cars. Notwithstanding the foregoing, Lessor shall be liable for all income due with respect to lease payments made pursuant to this Agreement and any Schedule hereunder.

10. Rent:

Lessee shall pay Lessor rent as set forth in each applicable Schedule.

11. Casualty Cars:

A. Casualty While Not In Lessee's Possession: If any Car is destroyed or damaged beyond repair while not in the possession, custody, or control of Lessee or Lessee's agent or shipper and such destruction or damage of a Car has been reported in conformance with the Interchange Rules, such Car will be removed from the rental calculations effective the day of the month during which such damage or destruction occurred. Lessor shall be entitled to all casualty proceeds from the Car.

B. Casualty While In Lessee's Possession: If any Car, while in the possession, custody or control of Lessee or Lessee's agent or shipper, is destroyed or damaged to the extent that such damage exceeds the Depreciated Value ("DV") as provided in the Interchange Rules for such Car, Lessee shall promptly notify Lessor in writing of such damage or destruction and shall remit to Lessor in accordance with the Interchange Rules an amount equal to the DV of such Car within the earlier of (i) 30 days of such receipt of an Invoice from Lessor or (ii) 90 days of the damage or destruction date. Such Car shall remain subject to the terms of this Agreement, including the rental terms, until the date on which Lessor receives all amounts due to it hereunder. Upon payment by Lessee in accordance with this provision, Lessor will transfer to Lessee all its right, title and interest to such damaged or destroyed Car.

C. Substitution of Car: Lessor may, at its expense, replace any such destroyed Car with similar equipment upon prior written notice to Lessee.

12. Possession and Use:

A. Use: Provided that the Quiet Use and Enjoyment specified in this Paragraph 12, Section E, below is protected, Lessee acknowledges that this Agreement and Lessee's rights are subject and subordinate to the rights and remedies of any lender, owner or other party which finances the Cars. Financing agreements between such parties and Lessor determine whether the Cars may be used in Canada or Mexico. Consequently, no use greater than temporary or incidental may be made of the Cars in Canada and no use may be made in Mexico unless the applicable schedule so provides for such use or Lessor has otherwise given prior written consent. The Cars may not be used in unit train

service (other than incidentally) unless an applicable schedule provides otherwise.

B. Compliance: Lessee agrees that while Cars are in Lessee's possession, custody or control, the Cars shall be used in compliance with all applicable laws, regulations and AAR rules.

C. Marks to Show Ownership or Security Interests: Lessee shall mark Cars with its reporting marks at its expense unless otherwise noted on the Schedule. Lessor may mark cars to indicate rights of Lessor or of any financing party. Lessee shall not change any reporting mark or remove or change any of Lessor's lettering without written consent of Lessor.

D. Lessee Liens: Except for liens on Lessee's leasehold interest held by Lessee's current lenders, Lessee shall not directly or indirectly allow to exist encumbrances of any kind or with regard to any Cars or this Agreement arising by, through or under it except those created for the benefit of Lessor or any financing party.

E. Quiet Enjoyment: Lessor agrees that, so long as no event of default has occurred or is continuing, Lessor shall not take or cause to be taken any action inconsistent with the Lessee's rights under this Lease or otherwise through its own actions interfere with or interrupt the quiet enjoyment of the use, operation and possession of any Car by Lessee or any permitted assignee, transferee or sublessee.

13. Default:

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

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within 30 days after the date such payment is due;

(ii) The breach by Lessee of any other term or condition of this Agreement which is not cured within 30 days after notice, in writing, of such breach;

(iii) the making by Lessee of a general assignment for the benefit of creditors, or the failure to pay, or the making of a statement that it is unable to pay, or that it is unable to pay its debts generally as they become due.

(iv) In the event that the Lessee becomes the debtor in a bankruptcy proceeding (including Chapter 11), the failure of Lessee to assume this Agreement within 90 days of the commencement of the case.

B. Lessor Remedies: Upon the occurrence of any Event of Default, Lessor at its option may exercise any or all of the following rights and remedies and any additional rights and remedies permitted by law (none of which shall be exclusive), and the prevailing party shall be entitled to recover all its costs and expenses, including attorney fees, in enforcing its rights and remedies:

(i) Terminate this Agreement and recover damages; and/or

(ii) proceed by any lawful means to enforce performance by Lessee of this Agreement and/or to recover damages for any breach thereof; and/or

(iii) by notice in writing to Lessee, terminate Lessee's right to possession and use of some or all of the Cars, whereupon all right and interest of Lessee in such Cars shall terminate; thereupon Lessee shall at its expense promptly return such Cars to Lessor at such place as Lessor shall designate and in the condition required as provided in the Section captioned "Expiration or Other Termination;" or if Lessee does not so promptly return the Cars on demand, Lessor may enter upon any premises where the Cars may be located and take possession of such Cars free from any right of Lessee. If such cars are repossessed by Lessor, Lessee shall pay to Lessor all rental amounts which under the terms of this Agreement may then be due with respect to terminated Cars. The possession of the Cars shall not bar Lessor from seeking any other damages which may be due. All future rent with respect such terminated Cars shall end upon their repossession.

14. Expiration or Other Termination:

A. Return of Cars: Upon the expiration or other termination of this Agreement with respect to any Car on any Schedule, Lessee shall return such Car to Lessor at such interchange point on Lessee's lines as designated by Lessor (the "Return Location"), or if applicable, in accordance with Section 14 B (iii). Lessee shall bear any transportation costs incurred in moving any Car to the Return Location. If Lessor so requests, Lessee shall use best efforts to load such Car with freight and deliver it to a connecting carrier for shipment.

B. Condition Upon Return: Except for normal wear and tear, each Car shall be returned to lessor (i) in as good condition, order and repair as when delivered to Lessee; (ii) in interchange condition in accordance with AAR and FRA rules and regulations, interchange condition to include the replacement of missing materials and the correction of wrong repairs and items listed in the Interchange Rules as "cause for renewal" and "cause for attention"; (iii) free of any and all Rule 95 damage; (iv) suitable for loading of the commodities allowed in the applicable Schedule; and (v) free from all accumulations of deposits from commodities transported in or on it while in the service of Lessee.

C. Storage: Lessee shall, at Lessor's option, provide up to 90 days free storage on its lines for any Car which is either on Lessee's lines at expiration or other termination or is subsequently returned to Lessee's lines. During such time of free storage, Lessee shall be held free from any liability for such Cars.

D. Holdover Rent: Except for Cars stored pursuant to Section 14 (C), Until any Car is returned to the Return Location, Lessee shall continue to pay rent for such Car. If Lessor requests in writing the return of any Car and Lessee fails to use best efforts to return such Car, Lessee upon written notice from Lessor shall pay rent on a monthly basis in an amount equal to 150% of the rent set forth in the schedule and shall in addition make all other payments and keep all obligations required of Lessee under this Agreement as though such expiration or other termination had not occurred. Nothing in this Section shall give Lessee the right to retain possession of any Car after expiration or other termination of this Agreement with respect to such Car.

E. Remarking: Lessor shall bear all reasonable costs associated with remarking each Car at a facility mutually selected by the parties.

F. Return of Records: Lessee shall return to Lessor all Record Keeping records including the then current AAR UMLER format for hard copy records. Lessee shall continue to allow (at no burden or expense to Lessee) the Cars to be registered in UMLER until the Cars are remarked.

G. Inspection: Lessor may inspect any Car which is returned to it, within a reasonable time after such return. Lessee shall be entitled to participate in any such inspection. Lessee agrees to pay Lessor within 30 days of receipt of an invoice for repairs, replacements and cleaning for which Lessee is responsible.

15. Indemnities:

Lessee agrees to defend, indemnify and hold harmless Lessor from any and all claims, losses, damages, liabilities, costs, and expenses (including attorneys fees) with respect to the Cars, which are occasioned by the fault of Lessee, or would be the Lessee's responsibility as the "handling carrier" under the Interchange Rules and Car Hire Rules if the Cars were not bearing Lessee's reporting marks. The Indemnities contained in this Agreement shall survive the expiration or termination of this Agreement.

16. Miscellaneous:

A. No Assignment or Sublease without Lessor Consent: This Agreement shall be binding upon and shall inure to the benefit of the parties, hereto and their respective successors and assigns; PROVIDED HOWEVER, THAT LESSEE MAY NOT WITHOUT THE PRIOR WRITTEN CONSENT OF THE LESSOR (WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD) PLEDGE OR ASSIGN THIS AGREEMENT OR ANY OF ITS RIGHTS OR OBLIGATION HEREUNDER OR SUBLEASE OR ASSIGN ANY CARS TO ANY PARTY. With respect to any Cars, any assignment to another carrier for employment and use comparable to that

of Lessee shall be presumed to be reasonable. Any purported assignment or sublease in violation hereof shall be void. This Section shall not prohibit Lessee from engaging in the practice commonly known in the railroad industry as assigning cars to a shipper on Lessee's lines.

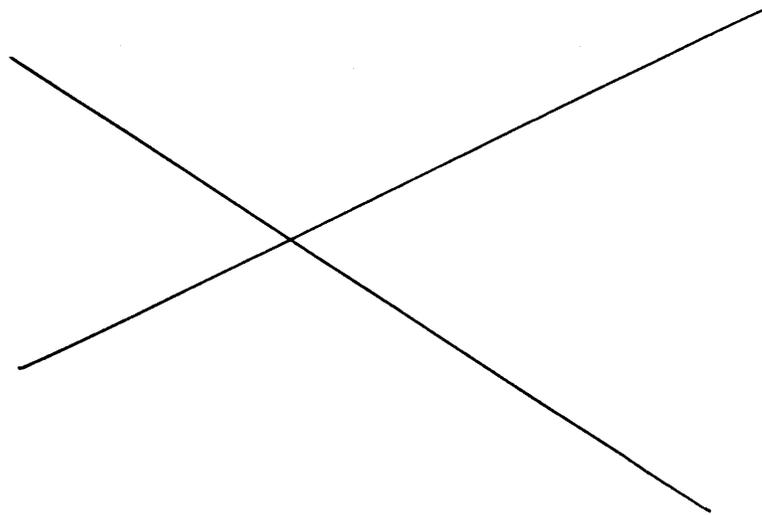
B. Assignment by Lessor: All rights and obligations of Lessor under this Agreement, and Lessor's interest in the Cars and in the rents, may be assigned, pledged or transferred in whole or in part without notice to or consent by Lessee.

C. Additional Documents: Both parties agree to execute the documents contemplated by this transaction and such other documents consistent with this lease as may be reasonably required in furtherance of any financing agreement entered into by Lessor or its assignees in connection with the acquisition, financing or use of the Cars.

D. No Waiver: No delay, waiver, indulgence or partial exercise by either Lessee or Lessor of any right, power or remedy shall preclude any further exercise thereof or the exercise of any additional right, power or remedy.

E. Financial Information: Upon request of Lessor, Lessee shall promptly furnish to Lessor an annual report or audited financial statements of KCS, Inc., together with unaudited interim statements together with any other financial information reasonably requested.

F. No Warranties: Lessor's obligations with respect to the Cars are expressly limited to those set forth in this Agreement and LESSOR MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED. LESSOR MAKES NO WARRANTY OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR OTHERWISE, NOR SHALL LESSOR HAVE ANY LIABILITY FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH ANY CAR.



G. Notices: Any notices required or permitted to be given hereunder shall be deemed given when sent by telecopy, facsimile or deposited in United States Mail, registered or certified, postage prepaid, addressed to:

Lessor:

Southern Rail Leasing
2533 North Carson Street
Carson City, Nevada, 89706

with a copy to

Southern Rail Leasing Attention: Marketing
1448 Brookcliff Dr.
Marietta, GA. 30062

Lessee:

The Kansas City Southern Railway Company
Director-Fleet Utilization
114 West 11th Street
Kansas City, MO. 64105

or to such other addresses as Lessor and Lessee may from time to time designate.

H. Applicable Law: The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Nevada, without regard to Nevada's choice of law doctrine. This Agreement is deemed made upon execution hereof by Lessee and by a representative from Lessor's marketing office followed by posting of Lessee's signed copy to Lessor's office in the State of Nevada for countersignature and countersignature thereof.

I. Survival: The obligations of the parties shall survive the expiration or other termination of this Agreement.

J. Entire Agreement: This Agreement represents the entire agreement; and it may not be modified, altered or amended except by agreement in writing signed by the parties.

K. Counterparts: This Agreement and any Schedule hereunder may be executed in any number of counterparts, and such counterparts together shall constitute one contract.

L. Days: All references to days shall mean calendar days and not business days.

M. Section Headings: The captions and section headings are for the convenience and reference of the parties and are not to be construed as a part of the agreement of the parties constituting this Agreement.

Each party, pursuant to due corporate authority, has caused this Agreement to be executed by its authorized officer or other employee, and each of the undersigned declares under penalty of perjury that he or she holds the title indicated below, that the execution of this Agreement was the free act and deed of the Corporation, the foregoing is true and correct and that this Agreement was executed on the date indicated.

Southern Rail Leasing, Inc., Marketing

By: *John C. Frank*

Date: 9/20/93

The Kansas City Southern Railway Company

By: *J. B. ...*

Title: C.O.O.

Date: 9/17/93

Countersignature
Southern Rail Leasing, Inc., Lessor

By: *[Signature]*

Title: Vice President

Date: 9/21/93

APPROVED AS TO FORM

R.P. Bryg *JMN*

Schedule Number 2

This Schedule Number 2 ("Schedule") to that certain Lease Agreement, ("Agreement") of September 9, 1993 between Southern Rail Leasing, Inc. as lessor ("Lessor") and The Kansas City Southern Railway Company, as lessee ("Lessee") is made as of this 29th day of April, 1994 between Lessor and Lessee.

Lessee and Lessor agree as follows:

1. All terms of the Agreement shall have the meanings defined therein when used in this Schedule except that the term "Cars" shall refer only to the equipment described in this Schedule.
2. Lessor hereby leases the following Cars to Lessee:

86 Cars, Steel floor and body gondolas, 100 Ton roller bearing trucks, at least 52'5" interior length. 25 cars have end of car cushioning devices and 4' sides; 61 cars have rigid frames and 4'6" sides

Car numbers are as follows: 899050 *et.seq.*

Cars to be drawn from the current C&O/B&O series 360000 (rigid frame) and WM 58000 (cushioned cars) series as set forth in the attached exhibit A, attached hereto and incorporated herein by reference.
3. The term of the lease shall be deemed to have commenced on either the 120th day after the delivery of the first Car or the day of delivery of the last Car after completion of the remedial work specified in Paragraph 6 of this addendum, whichever date shall first occur ("Lease Commencement Date"). The lease shall continue as to all of the Cars described in this schedule through the last day of the 84th month following such commencement date. Lessor will notify Lessee of completion of reconditioning work with respect to Cars and their availability for inspection and delivery. Lessee will inspect any Car within a reasonable time, not to exceed seven days, from such date of notification by Lessor. Lessee shall then promptly accept all Cars meeting the reconditioning specifications set forth in Paragraph 7. Any Car not then meeting such reconditioning specifications shall remain at the repair facility for completion of the required work. The delivery date with respect to each Car shall be the date that Lessee inspects and accepts the Car at the repair facility (see paragraph 7).
4. The date for commencement of payment of rent with respect to each Car ("Rental Commencement Date") shall be the date of delivery. The rental shall be a fixed amount of _____ per month per Car from the Rent Commencement Date through and including the Expiration Date, subject to provisions of the lease relating to holdover. Rent shall be paid on the first of each month, in advance. Any rent attributable to the period between delivery of a Car and the first of the month shall be pro-rated and paid with the first payment due with respect to such Car.
5. Other than the reconditioning provided for in Paragraph 7, Lessee shall have the maintenance and repair obligation with respect to the Cars leased pursuant to this Schedule.

6. The Cars shall be used as general purpose gondola Cars and shall be delivered for such purpose. The obligation of Lessee for the condition of the Cars upon their return to Lessor shall reflect the demands of such service and the nature and amount of reconditioning work performed by Lessor on the Cars (as provided in Paragraph 7, below). The Cars shall be in interchangeable condition when returned to Lessor upon termination of the lease. The condition of the Car body shall be comparable to the condition of such Cars upon delivery to Lessee at the commencement of the term herein, as set forth in Paragraph 7, below, normal wear and tear excepted.

Notwithstanding the foregoing, Lessee may use the Cars for any alternative use it determines. Notwithstanding any provision in the Agreement to the contrary, the Cars may be interchanged to any location in North America, including Canada and Mexico without further consent of Lessee.

7. Lessee has heretofore inspected the series of cars from which the actual Cars are to be delivered. Lessor shall perform the following reconditioning work on the cars so that they are suitable for use as general purpose gondola Cars:
 - A. Car body end chords, end sheets and corners to be straightened and repaired. Ends to be straightened to within 2" of original specifications.
 - B. Cuts and holes to side sheets to be repaired. All cars shall receive new 3/8" steel plate floors.
 - C. Safety appliances and running gear shall meet interchange requirements.
 - D. Cars shall be painted and restenciled.

Lessee's obligation hereunder is contingent upon the satisfactory performance by Lessor of the above reconditioning work.

8. The Cars shall be delivered to Lessee, F.O.B., Lessor's repair facility or facilities.
Upon termination of this lease with respect to any Car (or upon expiration of the storage period described in Paragraph 14 C of the Lease, Lessee shall transport such Cars to any interchange point of Lessee's lines specified by Lessor in accordance with the terms of the Agreement.
9. The Record Keeper designated in Paragraph 7 is Lessee.
10. Paragraphs 11 (A) and (B) of the Agreement shall be subject to a schedule of casualty values as set forth in Exhibit B.
11. Notwithstanding Paragraph 12 (C) of the Agreement, with respect to the equipment described on this schedule, the Cars may be stenciled with Lessee's reporting marks prior to movement to Lessee for delivery. If done, this will be performed at Lessor's expense.
12. Except as expressly modified by this Schedule, with respect to these Cars, all terms and conditions of the Agreement shall remain in full force and effect.

Each party, pursuant to due corporate authority, has caused this Schedule to be executed by its authorized officer or other employee, and each of the undersigned declares under penalty of perjury that he or she holds the title indicated below, that the execution of this Schedule was the free act and deed of the Corporation, the foregoing is true and correct and that this Schedule was executed on the date indicated.

Southern Rail Leasing, Inc., Marketing

The Kansas City Southern Railway Company

By: _____

By: Robert L Brant

Date: _____

Title: SR VP - Finance

Date: 5/6/94

Countersignature
Southern Rail Leasing, Inc., Lessor

By: [Signature]

Title: Vice President

Date: 5-9-94

Exhibit A

B&O 362522	C&O 365032	WM 58003
B&O 366162	C&O 365036	WM 58019
B&O 366690	C&O 365063	WM 58020
B&O 366737	C&O 365064	WM 58021
B&O 366885	C&O 365073	WM 58036
B&O 366905	C&O 365137	WM 58043
B&O 367102	C&O 365190	WM 58047
B&O 368014	C&O 365216	WM 58049
B&O 368018	C&O 365253	WM 58051
B&O 368068	C&O 365265	WM 58052
B&O 368075	C&O 365293	WM 58054
B&O 368198	C&O 365314	WM 58055
B&O 368243	C&O 365334	WM 58057
B&O 368243	C&O 365383	WM 58058
B&O 368252	C&O 365399	WM 58060
B&O 368270	C&O 365404	WM 58067
B&O 368274	C&O 365456	WM 58105
B&O 368304	C&O 365463	WM 58107
B&O 368307	C&O 365495	WM 58109
B&O 368326	C&O 365514	WM 58110
B&O 368360	C&O 365550	WM 58155
B&O 368385	C&O 365555	WM 58166
B&O 368386	C&O 365557	WM 58168
B&O 368389	C&O 365618	WM 58180
B&O 368399	C&O 365654	WM 58189
B&O 368447	C&O 365659	
	C&O 365727	
	C&O 365734	
	C&O 365764	
	C&O 365797	
	C&O 365802	
	C&O 365827	
	C&O 365891	
	C&O 365922	
	C&O 365925	
	C&O 365969	

Exhibit B

During the term of the lease, the stated casualty value of each Car shall be as follows:

per Car if destroyed during the prior to the end of the first year of the Lease;

per Car if destroyed after the first year of the Lease but prior to the end of the second year of the Lease;

per Car if destroyed after the second year of the Lease but prior to the end of the third year of the Lease;

per Car if destroyed after the third year of the Lease but prior to the end of the fourth year of the Lease;

per Car if destroyed after the fourth year of the Lease but prior to the end of the fifth year of the Lease;

per Car if destroyed after the fifth year of the Lease but prior to the end of the sixth year of the Lease;

per Car if destroyed after the sixth year of the Lease.