

C. Secretary's Office - Edward M. Lewis

ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N W
SUITE 200
WASHINGTON, D C
20006-2973
(202) 393-2266
FAX (202) 393-2156

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

20629-A, B

April 14, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D C 20423

Dear Mr Williams:

Enclosed for recordation pursuant to the provisions of 49 U S C Section 11301(a), are two (2) copies of a Loan and Security Agreement, dated April 7, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents and two (2) copies of each of the following secondary documents related thereto: a Security Agreement, dated April 7, 1997, and a Rider to Loan and Security Agreement, dated April 7, 1997

The names and addresses of the parties to all of the enclosed documents are.

Debtor: Southern Rail Leasing, Inc.
955 South Virginia Street
Reno, Nevada 89502

Secured Party: Charter Financial, Inc.
153 East 53rd Street
New York, NY 10022

A description of the railroad equipment covered by the enclosed document is:

ten (10) gondola railcars SIRX 2200 through SIRX 2209

APR 14 2 40 PM '97

RECEIVED
SURFACE TRANSPORTATION BOARD

Mr Vernon A Williams

April 14, 1997

Page 2

Also enclosed is a check in the amount of \$72 00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. Alvord", written in black ink.

Robert W Alvord

RWA/bg
Enclosures

SECURITY AGREEMENT

RECORDATION No. 20629-A

Southern Rail Leasing, Inc., 955 South Virginia Street, Reno, NV 89502 herein called "Debtor") and Charter Financial, Inc., 153 E. 53rd Street, New York, New York 10022, (herein called "Secured Party") hereby agree as follows:

RECORDATION NO. _____ FILED

APR 14 97

2-48PM

1. Debtor hereby assigns all of Debtor's right, title and interest in and to, and grants to Secured Party a security interest in the following (together, the "Collateral"):

That certain Lease Agreement dated August 7, 1996 ("Lease") between Debtor as lessor and 7-7, Inc, a subsidiary of Exsorbet Industries, Inc. as lessee (herein called "Lessee") relating to the ten (10) gondola rail cars with covers identified on Schedule A hereto (the "Equipment"), and all rental payments due Debtor under the Lease.

2. Said Security interest shall always secure: (a) all of Debtor's present and future indebtedness to Secured Party of every kind relating to or in connection with the Lease, the Equipment, or the Loan and Security Agreement Number 3082 of even date herewith between Debtor and Secured Party (hereinafter the "Loan and Security Agreement") whether or not such obligations are held by Secured Party or assigned to a third party assignee (in which case the assignee shall have the rights of Secured Party to the extent of the obligations so assigned); (b) all future advances made by Secured Party to or for the account of Debtor relating to, or in connection with, the Lease, the Equipment or the Loan and Security Agreement, including advances for rent, insurance, storage, repairs to and maintenance of the Collateral, taxes, and discharge of any other lien, security interest or encumbrance; and (c) all costs and expenses incurred in the collection of any of the foregoing, including reasonable attorneys' fees, as hereinafter mentioned.

3. Until default hereunder, Debtor shall be entitled to possession of the Collateral, which shall be kept only within the borders of the continental United States.

4. Provided that Debtor is not in default under this Agreement or under the Loan and Security Agreement or any other agreement between Secured Party and Debtor, Secured Party will forward to Debtor such funds received by Secured Party but only to the extent that such funds exceed any installment or any other amounts due to Secured Party under the Loan and Security Agreement, this Agreement or any other agreement between Secured Party and Debtor.

5. Debtor warrants, covenants, and agrees that: (1) Debtor is the sole owner of the Collateral free from any lien, security interest or encumbrance, has the right to grant Secured Party a security interest therein, and will defend the Collateral against the claims and demands of all persons; (2) Debtor shall not sell, lease, encumber, remove, conceal or grant or permit any further security interest in the Collateral, nor part with possession of any thereof, nor permit the same to be used for hire nor in violation of any law or ordinance; (3) Debtor shall maintain the Collateral in good condition and repair at Debtor's sole expense; (4) Debtor will pay all taxes levied on the Collateral, and will make due and timely payment or deposit of all Federal, State, and local taxes, assessments or contributions required by law and will execute and deliver to Secured Party, on demand, appropriate Certificates attesting to the payment or deposit thereof; (5) No financing statement covering the Collateral, or any part thereof, is on file in any public office, and Debtor's present or hereafter acquired Collateral is and shall not be or become subject to any purchase-money or other lien or security interest except in favor of Secured Party; (6) Debtor shall procure and maintain insurance on the Collateral for the full term of this security agreement, against the risks of fire, theft and such other risks as Secured Party may require (including the risk of collision in case any part of the Collateral is a motor vehicle) by insurers satisfactory to Secured Party, and shall deliver to Secured Party a fully paid policy or policies of insurance properly endorsed in favor of Secured Party. The Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact, to institute any action or proceeding necessary or proper for the recovery and collection of any moneys that may become due under the aforesaid policies of insurance and to discharge, compound or release any claims and to execute, acknowledge and deliver any instruments under said policies of insurance and further to endorse the name of the Debtor to any check, draft or other instrument given in payment or in liquidation of any claim under the said policies of insurance, and to perform every other act and thing under said policies of insurance; (7) Debtor will permit Secured Party to inspect the Collateral at any time; (8) Loss, theft, damage, destruction or seizure of the Collateral shall not relieve the Debtor from the payment of any indebtedness secured hereby; (9) The Collateral,

including the Equipment, has been delivered to and accepted by the Lessee under the Lease and is not now and will not hereafter be so affixed to realty as to become a part thereof or a fixture except as may be set forth on the schedule annexed; (10) The execution and delivery hereof, if Debtor is a corporation, has been duly authorized by all necessary action of Debtor's directors and shareholders; (11) Secured Party is authorized to execute on Debtor's behalf and file, at Debtor's cost, such financing statements and other instruments or documents as may be necessary to perfect and protect Secured Party's security interest; and (12) In case of Debtor's default in performing any warranty, covenant or undertaking hereunder, Secured Party may (but shall not be obliged to) procure the performance thereof and add the cost thereof, with interest, to the indebtedness secured hereby.

6. The occurrence of any of the following events or conditions shall, at the option of Secured Party and without notice or demand, constitute an event of default hereunder and under the Loan and Security Agreement: (1) Default in the due payment of any indebtedness secured hereby; or (2) Failure of Debtor to perform any covenant or undertaking on Debtor's part herein or in any other agreement now existing or hereafter made with Secured Party, or now or hereafter held by Secured Party; or (3) Breach of any warranty or falsity of any representation made by Debtor to Secured Party; or (4) Attachment or seizure of or levy upon the Collateral; or (5) Institution of any proceeding by or against Debtor or Debtor's business under any bankruptcy or insolvency statute, or Debtor's assignment for benefit of creditors, or the appointment of a receiver for Debtor or the Collateral, or the filing of a tax lien notice against Debtor by any taxing authority; or (6) Loss, theft, substantial damage, destruction, sale, encumbrance, concealment, removal, or forfeiture of the Collateral or any material portion thereof.

7. Upon the occurrence of any event of default, Secured Party may declare all Debtor's indebtedness secured hereby immediately due and payable, and thereupon Secured Party shall have the right to take possession of the Collateral and shall have all other rights and remedies of a Secured Party under the Uniform Commercial Code. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party shall give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or other intended disposition thereof is to be made. Debtor agrees that the requirements of reasonable notice shall be met if notice is sent via E-Mail or Facsimile and U.S. Mail to Debtor at the address of Debtor shown above not less than ten (10) days prior to the sale or other disposition. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Secured Party is authorized to maintain, sell, or dispose of the Collateral on the premises of the Debtor. Secured Party's rights and remedies shall be cumulative and not alternative. Debtor agrees that Secured Party may be the purchaser at any public or private sale.

8. If Debtor defaults hereunder or under the Loan and Security Agreement or if any of the Secured Party's rights hereunder are challenged or contested or if Debtor fails to make payment of any of its obligations when required of it, or fails to make any payment required by this Agreement or commits any breach of this Agreement, or any present or future supplement hereto, or any other agreement between Debtor and Secured Party and/or upon termination of this agreement, the Debtor will repay upon demand all of its obligations then owing to Secured Party, whether due or not, and in addition thereto upon the occurrence of any of the above contingencies Secured Party is hereby given the unqualified right to retain counsel for any of the following purposes (i) to protect its interest in this Security Agreement (ii) to protect, assemble, sell, or foreclose any of the equipment chattels, inventory, instruments, documents, chattel paper, general intangibles or other collateral now or hereafter pledged to it (iii) to collect any money which may become due under this or any other Security Agreement or any obligation from Debtor, or any guarantor, or anyone else against whom Secured Party may have any direct or contingent claim pursuant to the terms hereunder or pursuant to the terms of any guarantee or assignment or Security Agreement (iv) to otherwise seek in any manner to protect, defend and enforce Secured Party's rights hereunder or elsewhere contained, or collect any moneys or obligations due Secured Party from Debtor. If Secured Party retains counsel for any of the purposes aforementioned, Debtor agrees to pay reasonable counsel fees and such counsel fees and all disbursements incurred by Secured Party including but not limited to all costs, charges, premiums, fees of Court and Public officers and other disbursements and expenses incurred by Secured Party in connection with the enforcement, proceeding, collection, sale or suit involving any of the aforementioned purposes shall be paid by

Debtor on demand; and the amount thereof shall be added to the indebtedness secured by this Security Agreement and shall be secured by the lien given Secured Party by this and any other security instrument in the same manner as if said amount were a part of the principal sum due from Debtor to Secured Party.

9. That the Debtor as further additional collateral security, by these presents assigns to the Secured Party all of the Debtor's present and future rights to any and all payments, checks and drafts, now made or hereafter to be made by any insurance company pursuant to any contract of insurance or indemnity now or hereafter in existence regardless of whether or not the Secured Party is named as Secured Party and/or Mortgagee, and/or Loss Payee in said present or future insurance policy or policies. The rights given to the Secured Party hereunder are coupled with an interest and cannot be revoked by the Debtor. Each present and future insurance carrier is hereby authorized and directed to make all payments, drafts and checks payable to Secured Party with the same force and effect as if the same were paid directly to the Debtor.

10. The words, "debts", "liabilities", "indebtedness", "obligations", or "undertakings", whether singular or plural, whether capitalized or not and whether used alone or collectively, whenever used herein shall be deemed to include without limitation all loans, advances, debts, liabilities, undertakings, obligations, guarantees, covenants and duties owing by Debtor to Secured Party or Secured Party's subsidiaries, of every kind and description related to, or in connection with, the Lease, the Equipment or the Loan and Security Agreement, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including without limitation, all interest, fees, charges, expenses and attorneys' fees chargeable to Debtor's account or incurred by Secured Party or Secured Party's subsidiaries in connection with Debtor's account whether provided for herein or elsewhere in any other such agreement between Debtor and Secured Party.

11. Upon the payment in full of Debtor's present and future indebtedness of every kind secured hereby and the satisfaction of Debtor's duties and obligations hereunder and under the Loan and Security Agreement, Secured Party shall reassign Secured Party's right, title and interest in and to the Collateral to Debtor and release the security interest in thereto.

12. This Security Agreement shall be made, construed and enforced according to the laws of the State of New York. Waiver of any default shall not constitute waiver of any subsequent or other default. All rights of Secured Party shall inure to the benefit of its successors and assigns, and all obligations of Debtor shall bind his or its heirs, executors, personal representatives, successors and assigns.

13. In the event of litigation over any matter connected with this Agreement or resulting from transactions hereunder, the right to a trial by jury is hereby waived by both parties.

14. Nothing herein contained shall be deemed to change, vacate, modify or terminate any of the obligations of Debtor to Secured Party, or extend the time of payment of any of said obligations wheresoever or however said obligations arise, or decrease or impair any rights or remedies Secured Party may have under any other lien or security instrument or any collateral therein mentioned.

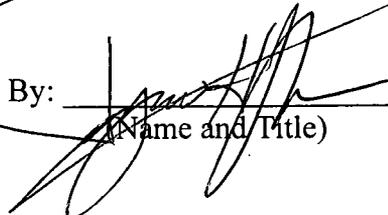
15. The Debtor shall maintain a system of accounts established and administered in accordance with generally accepted accounting principles and practices consistently applied; and within thirty (30) days after the end of each fiscal quarter, deliver to Secured Party a balance sheet as at the end of such quarter and statement of operations for such quarter, and within one hundred and twenty (120) days after the end of each fiscal year, deliver to Secured Party a balance sheet as at the end of such year and statement of operations for such year, in each case prepared in accordance with generally accepted accounting principles and practices consistently applied and certified by Debtor's chief financial officer as fairly presenting the financial position and results of operations of Debtor, and, in the case of year end financial statements, compiled by an independent accounting firm acceptable to Secured Party.

16. This Security Agreement shall be deemed to have been made in New York County, N.Y. and shall be governed by the laws of the State of New York except for local recording statutes.

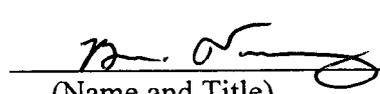
As part of the consideration for Secured Party executing this Security Agreement, Debtor agrees that all actions or proceedings arising directly or indirectly from this Security Agreement shall be litigated in courts having situs within the State of New York and the Debtor hereby consents to the jurisdiction of any local, state or federal court located within the State of New York and waives any claim that such forum is inconvenient, and further waives personal service of any and all process upon Debtor herein, and consents that all such service of process shall be made by certified mail, return receipt requested, directed to Debtor at the address hereinabove stated, and service so made shall be complete two (2) days after the same shall have been posted as aforesaid.

Dated: 4/7/97

Debtor: SOUTHERN RAIL LEASING, INC.

By:  V.P.
(Name and Title)

Secured Party: CHARTER FINANCIAL, INC.

By:  V.P.
(Name and Title)

LLB\n\wp\docs\southern.sec

STATE OF California)
 : s.s.:
COUNTY OF San Diego)

On this 7th day of April, 1997 before me, personally appeared Philip W. Hahn to me personally known, who being by me duly sworn, says that he resides at Encinitas, CA, that he signed the foregoing Loan and Security Agreement on 4-7-97; and he acknowledges that the execution of the foregoing instrument was his free act and deed.

Susan D Park
Notary Public



(SEAL)

My commission expires SEP 4, 1999

STATE OF New York)
 : s.s.:
COUNTY OF New York)

On this 10th day of April, 1997 before me, personally appeared Brian Twomey to me personally known, who being by me duly sworn, says that he resides at Ossining, NY, that he signed the foregoing Loan and Security Agreement on April 10, 1997; and he acknowledges that the execution of the foregoing instrument was his free act and deed.

Stewart Abramson
Notary Public

(SEAL)

My commission expires 2/21/98

STEWART ABRAMSON
Notary Public, State of New York
No 02AIB5039736
Qualified in Rockland County
Commission Expires Feb 21, 19 98

DEBTOR: Southern Rail Leasing, Inc.
955 South Virginia Street
Reno, Nevada 89502

PAGE #: 1

SECURED PARTY: Charter Financial, Inc.
153 East 53rd Street
New York, New York 10022

L&SA #: 3082

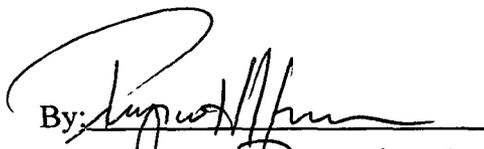
SCHEDULE "A"

QTY. MODEL #/DESCRIPTION

10 46" HIGH SIDE MILL GONDOLA RAIL CARS WITH COVERS
- 2,250 cubic foot capacity
- 263,000 lb gross weight

Original Old Mark	Mark @ time of Purchase	Old Number	New Mark	New Number
EL	KNDX	44190	SIRX	2200
CR	KNDX	656895	SIRX	2201
CR	KNDX	578078	SIRX	2202
CR	KNDX	579339	SIRX	2203
CR	KNDX	583736	SIRX	2204
CR	KNDX	584249	SIRX	2205
CR	KNDX	584268	SIRX	2206
CR	KNDX	584369	SIRX	2207
CR	KNDX	584379	SIRX	2208
CR	KNDX	584477	SIRX	2209

SOUTHERN RAIL LEASING, INC.

By: 
Title: Vice President
RMC:s-idd-7-7inc-3082-lsa.sa

AND ALL ADDITIONS, ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS, REPLACEMENTS, REPAIRS, IMPROVEMENTS, BETTERMENTS AND APPURTENANCES OF WHATEVER DESCRIPTION OR NATURE WHETHER NOW OWNED OR HEREAFTER ACQUIRED, AND ALL PROCEEDS, INCLUDING WITHOUT LIMITATION, INSURANCE PROCEEDS.

RAILROAD CAR LEASE

This Lease Agreement ("Agreement") is made as of August 7, 1996 by and between Southern Rail Leasing, a Nevada Corporation, ("Lessor") and 7-7 Inc., an Ohio Corporation ("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: Lessee shall be liable for all expenses and charges for transportation or movement of any Car leased to Lessee, unless agreed to the contrary in any applicable schedule.

C. Replacement: Lessor may, at its expense, replace any or all Cars with equipment of similar specification and quality upon not less than ten (10) days prior written notice.

D. 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 Control:

Each Car shall be moved to Lessee's control at the earliest time that is consistent with the convenience and economy of the parties. Such movement shall be at the Lessee's expense.

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, this Agreement, not the Interchange Rules, governs who is responsible for performing and paying for the maintenance and repairs.

C. Maintenance by Lessee: As to Cars specified on any applicable Schedule, the party specified therein at its sole cost and 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.

D. Mandated Modification to Cars: If any physical alteration or modification is required by AAR, The Canadian Transport Commission or any governmental entity exercising authority over any Car, Lessee shall pay for the cost of such alteration or modification.

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:

A. Lessee's Insurance Obligation: Lessee shall at its expense carry and maintain on the Cars while under Lessee's custody or control (i) all risk physical loss and damage insurance and (ii) public liability insurance. Liability insurance limits shall be five million dollars (\$5,000,000), or such other limit as set forth on the applicable schedule, and shall be written by Insurance Carriers rated at least "A" by A. M. Best and Company. The policies shall name Lessor and any financing party designated in writing by Lessor as additional insureds and as loss payees and shall provide that they shall receive 30 days prior written notification of any material changes in coverage or cancellation. Lessee's policies shall be primary to any other insurance carried by or for the additional insureds. Any and all deductible amounts in Lessee's policies shall be paid by Lessee in the event of loss.

B. Certificates of Insurance: Lessee shall furnish to Lessor certificates of insurance from Lessee's insurer or broker confirming the above insurance upon execution hereof, within 30 days of a written request from the Lessor and on the anniversary of each year during the term hereof.

9. Taxes:

Unless otherwise designated on an applicable Schedule, Lessee shall pay all federal, state and local property taxes assessed against or levied upon the Cars and shall promptly reimburse Lessor for any such taxes paid by Lessor. Lessee may contest such taxes in appropriate proceedings and Lessor shall cooperate therein. Lessee shall forward to Lessor, upon receipt, copies of all correspondence, notifications and bills with respect to such property taxes. Upon Lessor's reasonable notification, Lessee will provide Lessor with a draft of Lessee's property tax return before it is filed. Lessee shall be liable for all other taxes or governmental impositions with respect to the Cars. Without limitation such other taxes shall be deemed to include sales and use taxes.

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 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 last 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, 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 greater of the DV of such Car or the total rental payments remaining with respect to such car (as reflected on the applicable schedule) discounted by the Lessor's then cost of money. Payment shall be made 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, 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. Lessee shall have the right to reasonably approve such substitution.

12. Possession and Use:

A. Use: 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 without Lessor's 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 10 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.

(v) Any action, event or existence of any condition the effect of which would be to materially impair Lessee's ability to perform its obligations under this Agreement.

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 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. Lessee shall pay to Lessor all rental amounts which under the terms of this Agreement may then be due or would have become due for the duration of this Agreement with respect to terminated Cars and any other amounts or damages due hereunder, provided, however, that Lessor shall use its best efforts to mitigate such damages where Lessor has taken possession of the Cars pursuant to this subparagraph (iii).

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 location 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.

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. Any item that is damaged or worn beyond what is considered to be normal by the original component manufacturer shall be deemed to have been damaged beyond normal wear and tear and shall be Lessee's responsibility.

C. Storage: Lessee shall, at Lessor's option, provide up to 15 days free storage for any Car.

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, upon written notice from Lessor, Lessee 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. Marking: Lessee shall bear all reasonable costs associated with marking 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. Lessor may invoice Lessee before having such work performed.

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, occur while the Cars are in Lessee's possession, custody or control, 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.** Any purported assignment or sublease in violation hereof shall be void.

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 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 an annual report or audited financial statements of Lessee, 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
955 South Virginia Street
Reno, NV 89502

with a copy to

Southern Rail Leasing Attention: Marketing
4401 Shallowford Road, Suite 192-219
Roswell, GA. 30075

Lessee:

7/7, Inc.
Attention: Robert Sacco
607 Freedlander Road
Wooster, OH 44691

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.

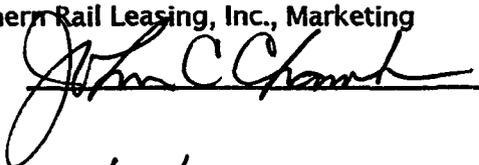
SIGNATURE PAGE FOLLOWS

SIGNATURE PAGE

Signature Page to that Certain Lease of August 7, 1996 between 7-7, Inc. (Lessee) and Southern Rail Leasing, Inc. (Lessor)

LESSOR
Southern Rail Leasing, Inc., Marketing

By:

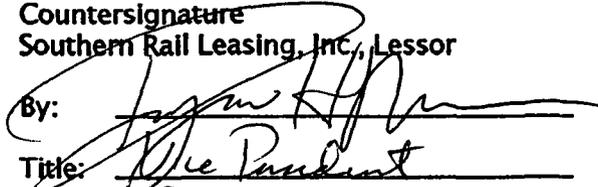


Date:

8/20/96

Countersignature
Southern Rail Leasing, Inc., Lessor

By:



Title:

The President

Date:

8.25-96

LESSEE
7-7, Inc.

By:



Title:

Operations Manager

Date:

8-13-96