

7-10192/B
RECORDATION NO. _____ FILED 1425

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INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

DATED AS OF MARCH 9, 1979

BETWEEN

**MCDONNELL DOUGLAS FINANCE CORPORATION,
VENDOR**

AND

**REX RAILWAYS, INC.,
VENDEE**

(COVERING 50 GENERAL PURPOSE BOX CARS)

Filed and recorded with the Interstate Commerce
Commission pursuant to 49 U.S.C. 11303 on _____, 1979
at _____, Recordation No. _____.

CONDITIONAL SALE AGREEMENT dated as of March 9, 1979, between McDonnell Douglas Finance Corporation, a Delaware corporation, as vendor (hereinafter called the "Owner" or "Vendor") and REX RAILWAYS, INC., a New Jersey corporation, as vendee (hereinafter called "Rex" or the "Vendee").

WHEREAS, by letter dated April 20, 1978, from PULLMAN STANDARD DIVISION of PULLMAN INCORPORATED (hereinafter the "Builder") to Rex, which letter has been acknowledged and accepted by Rex and the Guarantor hereinafter named, the Builder acknowledged receipt of Rex's telex order dated April 18, 1978, covering Two Hundred (200) 70-ton, 50'6" Box Cars in accordance with the Builder's proposal dated April 13, 1978, and bidding specification No. 3722 dated September 15, 1977 (such letter of April 20, 1978, and all documents referred to therein being hereinafter referred to as the "Purchase Order"), a copy of which Purchase Order is attached hereto as Exhibit A; and

WHEREAS, by letter dated as of the date hereof from Rex to the Vendor (hereinafter the "Letter of Assignment"), a copy of which is attached hereto as Exhibit B, Rex assigned to Vendor all of Rex's rights under the Purchase Order to the extent of the 151st through and including the 200th Box Cars delivered thereunder (hereinafter collectively the "Equipment" or "Units," and individually a "Unit"), which Units are described in Annex A hereto; and

WHEREAS, the Vendor is willing to acquire, subject to the terms and conditions of the Letter of Assignment, the Units delivered under the Purchase Order and to sell them to the Vendee under this Agreement, all upon and subject to the terms and conditions hereinafter set forth; and

WHEREAS, Rex-Noreco, Inc., a New Jersey corporation (hereinafter "the Guarantor") is willing to execute and deliver a Guaranty (hereinafter the "Guaranty"), substantially in the form of Exhibit C hereto, guaranteeing the obligations of the Owner under this Agreement and the Note hereinafter described; and

WHEREAS, Rex, as lessor, has entered into a lease agreement (hereinafter the "Lease Agreement") dated as of November 30, 1978 with Robert W. Meserve and Benjamin H. Lacy, Trustees of the Property of Boston and Maine Corporation, Debtor, a Delaware corporation, as lessee (hereinafter the "Lessee"), which Lease Agreement has been approved by the court having jurisdiction over the Lessee's reorganization, and a copy of which Lease Agreement is attached hereto as Exhibit D; and

WHEREAS, the Vendee is willing to assign to the Vendor for security, pursuant to a Lease Agreement Assignment, dated as of the date hereof (hereinafter the "Lease Agreement Assignment"), substantially in the form of Exhibit E to this Agreement, all the right, title and interest of the Vendee under the Lease Agreement.

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

ARTICLE 1. Purchase of Equipment; Assignment; Representations of the Vendee. The parties hereto contemplate that the Vendee will furnish to or on behalf of the Vendor that portion of the purchase price payable by the Vendor to the Builder for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof, and that an amount equal to the balance of said purchase price shall be furnished by the Vendor pursuant to this Agreement.

As security for the payment and performance of all the Vendee's obligations hereunder and under the Note hereinafter described, the Vendor shall retain title to and a security interest in the Equipment, pursuant to this Agreement, and the Vendee shall assign to the Vendor all right, title and interest of the Vendee in and to the Lease Agreement, pursuant to the Lease Agreement Assignment.

The Vendee hereby represents and warrants to the Vendor as follows:

(a) The Vendee is a corporation duly organized, validly existing and in good standing under the laws of New Jersey, has the corporate power and authority to own its properties and to carry on its business as presently conducted and to execute, deliver and perform this Agreement, the Note hereinafter described, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment, and has taken all necessary corporate action to authorize the execution, delivery and performance hereof and thereof. This Agreement, the Letter of Assignment and the Lease Agreement have each been duly executed by the Vendee and delivered and constitutes, and the Note hereinafter described and the Lease Agreement Assignment, when executed and delivered by the Vendee pursuant to the provisions of this Agreement, will constitute legal, valid and binding obligations of the Vendee enforceable in accordance with their respective terms.

(b) No consent of any party and no consent, license, approval or authorization of, or registration or declaration with, any governmental body (except for the consent of the court having jurisdiction over the Lessee's reorganization herein referred to and the filings of instruments as described in the opinions referred to in Article 5 hereof) is presently required in connection with the execution, delivery, performance, validity or enforceability of this Agreement, the Note hereinafter referred to, the Letter of Assignment, the Lease Agreement or the Lease Agreement Assignment.

(c) The execution, delivery and performance of this Agreement, the Note hereinafter referred to, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment will not violate any provision of any applicable law or regulation or of any order, judgment or decree of any court, tribunal or governmental instrumentality or of the Certificate of Incorporation or By-Laws of the Vendee, or of any indenture, contract, agreement or other undertaking to which the Vendee is a party or which purports to be binding upon it or upon any of its assets, and will not result in the creation or imposition of any lien on any of the assets of the Vendee except as contemplated by this Agreement.

(d) There is no action, suit, investigation or proceeding pending or, to the knowledge of the Vendee, threatened against or affecting the Vendee or any of its assets which, if adversely determined, would have a material adverse effect upon the Equipment or upon the financial condition, business or operations of the Vendee.

(e) The financial statements of the Guarantor as at July 31, 1978, audited by Coopers & Lybrand, copies of which have been delivered to the Vendor, fairly present the consolidated financial position and results of operations of the Guarantor as at and for the period ended said date, in accordance with generally accepted accounting principles. There has been no material adverse change in the financial condition, business or operations of the Vendee or the Guarantor since the date of such financial statements.

(f) The Vendee is not in default under the Lease Agreement; to the best of the Vendee's knowledge, the Lessee is not in default under the Lease Agreement; and no default or Event of Default exists under this Agreement.

ARTICLE 2. Aquisition and Sale. Subject to the terms and conditions of this Agreement, pursuant to the Purchase Order and this Agreement, the Vendor shall purchase the Equipment set forth in Annex A hereto from the Builder, and simultaneously shall sell and deliver, under and subject to the terms and conditions of this Agreement, such Equipment to the Vendee, and the Vendee shall purchase from the Vendor and accept delivery of and pay for (as hereinafter provided) the Equipment. The Vendee warrants that each Unit delivered hereunder shall have been constructed in accordance with the specifications referred to in the first Recital of this Agreement and in accordance with such modifications thereof as may be agreed upon in writing between the Builder and the Vendee (which specifications, and modifications, if any, are hereinafter called the "Specifications"). The Vendee further warrants that the design, quality, and component parts of each Unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all Department of Transportation and Interstate Commerce Commission (hereinafter called the "ICC") requirements and specifications and to all standards recommended by the Association of American Railroads (hereinafter called the "AAR") reasonably interpreted as being applicable to railroad equipment of the character of such Unit, and each such Unit will be new railroad equipment. Nothing contained in this Article 2 shall impose upon the Vendor any obligation, duty or liability with respect to the construction of the Equipment or the conformity or non-conformity thereof to the Specifications or to applicable requirements, standards or specifications of the ICC, the AAR or other body or authority.

ARTICLE 3. Inspection and Delivery. The Vendor will instruct the Builder to deliver the Units to the Vendee during the delivery period specified in Annex A hereto at Builder's tracks, Bessemer, Alabama, or such other place as Builder and Vendee agree to; provided, however, that no delivery of any Unit of the Equipment shall be made until this Agreement has been filed and recorded with the ICC in accordance with 49 U.S.C. 11303; provided, further, that the Vendor shall have no obligation to deliver any Unit hereunder subsequent to the occurrence of any Event of Default (as described in Article 17 hereof), or event which, with the lapse of time and/or notice, would constitute such an Event of Default.

The Vendor shall have no liability or obligation to the Vendee by reason of any delays in delivery of any Unit or Units resulting from causes beyond the Vendor's reasonable control, including but not limited to acts of

God, acts of government such as embargoes, priorities, and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or limitation of materials or delays of carriers or subcontractors; it being expressly understood and agreed that the Vendor's obligations hereunder shall be performed by the Builder under the Purchase Order and Vendor shall have no obligations or liability for nonperformance or delayed performance hereunder or thereunder.

Notwithstanding the preceding provisions of this Article 3, any Equipment not delivered, accepted and settled for pursuant to Article 4 hereof on or before June 30, 1979 shall be excluded herefrom. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the parties hereto shall execute an agreement supplemental hereto evidencing the limitation of this Agreement to the Equipment not so excluded herefrom.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee. Upon completion of the sample Unit and each Unit of the Equipment, such Unit or Units shall be presented to an authorized inspector of the Vendee (who may be an employee or agent of the Vendee) for inspection at the Builder's plant or the place specified for delivery of such Unit or Units. If each such Unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee, on an acceptable date agreed upon by the Builder and the Vendor, shall execute and deliver to the Builder and the Vendor a certificate of inspection and acceptance substantially in the form annexed hereto as Annex B (hereinafter called a "Certificate of Acceptance") stating that such Unit or Units have been delivered, inspected and accepted on behalf of the Vendee on the date indicated in such Certificate of Acceptance (such date being hereinafter called the "Delivery Date") and are marked in accordance with Article 11 hereof.

ARTICLE 4. Purchase Price and Payment. The base price per Unit of the Equipment to Vendee is set forth in Annex A hereto. Such base price may be increased as is agreed to by the Vendee and the Builder, in the independent exercise of their sole and absolute discretion, with the prior consent of the Vendor which consent of Vendor shall not be unreasonably withheld. Unless the context otherwise requires, the term "Purchase Price" as used herein shall

mean that base price as set forth in Annex A as so increased multiplied by the number of Units delivered to and accepted by the Vendee on or prior to the Closing Date hereinafter mentioned.

The Equipment shall be settled for on a date (hereinafter the "Closing Date") in one group of Fifty (50) Units delivered to and accepted by the Vendee (or if less than Fifty (50) Units are delivered and accepted by June 30, 1979, then such lesser numbers of Units as are delivered and accepted by such date). The Closing Date hereunder shall take place at 10:00 a.m. local time on March 15, 1979 at the offices of Battle, Fowler, Jaffin, Pierce & Kheel, 280 Park Avenue, New York, New York 10017, or at and on such other place, business day and time not later than June 30, 1979 as Vendee and Vendor shall agree in writing. Vendee shall give Vendor written notice of the Closing Date not less than 3 business days prior to such Closing Date. Such notice of closing shall also specify the number of Units to be purchased by the Vendor and sold to the Vendee on the Closing Date and the Purchase Price thereof. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays, and any other day on which banking institutions in New York City, New Jersey or California are authorized or obligated to remain closed.

The Vendor hereby acknowledges its obligation, subject to the terms and conditions hereof, to purchase the Equipment from the Builder pursuant to the Purchase Order for sale to the Vendee hereunder. The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in cash to the Vendor or its designee at such place as the Vendor may designate, the Purchase Price for all Units delivered hereunder as follows:

(a) An amount equal to 15% of the first \$1,750,850 of Purchase Price plus 100% of the Purchase Price in excess of \$1,750,850 shall be payable (on behalf of the Vendor) to the Builder on the Closing Date; and

(b) The portion of the Purchase Price not paid by the Vendee pursuant to clause (a) above (the "Conditional Sale Indebtedness") shall be payable together with interest at the rate of 12.90% per annum from the Closing Date as follows: (i) 11 equal monthly installments of principal and accrued interest thereon, each such installment to be in an amount equal to 1.25867% of the original principal amount of the Conditional Sale Indebtedness shall be payable on the

fifteenth day of each month (or if such day is not a business day then on the first such day thereafter) commencing on April 15, 1979 and ending on February 15, 1980, and (ii) a final installment of principal and accrued interest thereon, in an amount equal to 98.91954% of the original principal amount of the Conditional Sale Indebtedness, shall be payable on March 15, 1980; the aggregate of such installments to be sufficient fully to amortize the principal amount of the Conditional Sale Indebtedness and to pay interest thereon by and as of March 15, 1980. Each such installment payment on the Conditional Sale Indebtedness shall be deemed to have been applied first to the payment of all interest accrued thereon and thereafter to the outstanding principal thereof. The Conditional Sale Indebtedness shall be evidenced by a promissory note (the "Note") of the Vendee, in substantially the form of Exhibit F attached hereto.

Interest under this Agreement and the Note shall be determined on the basis of a 360-day year composed of twelve (12) 30-day months, with periods of less than a full calendar month being calculated on the basis of actual days elapsed.

The Vendee shall have the right to prepay the Conditional Sale Indebtedness at any time without premium or penalty in whole at any time or from time to time in part, provided, however, that each partial prepayment shall be in the principal amount of at least One Hundred Thousand Dollars (\$100,000) or an integral multiple thereof, and further provided, that Vendee shall give Vendor written notice of such prepayment not less than 30 days prior to the date of such prepayment. On the date fixed for prepayment in the aforesaid notice, the Vendee shall pay to the Vendor an amount equal to the Conditional Sale Indebtedness so to be prepaid, together with interest accrued thereon to the date of such prepayment, and thereafter the amount of each installment payment thereon shall be ratably reduced in the same proportion as the amount of the Conditional Sale Indebtedness so prepaid bore to the unpaid amount of the Conditional Sale Indebtedness outstanding immediately prior to such prepayment, provided that the aggregate amount of such reduced installments shall at all times be at least sufficient fully to authorize the outstanding amount of the Conditional Sale Indebtedness together with interest thereon by and as of the maturity date of the Note.

All payments and repayment provided for in this Agreement or the Note shall be made in such coin or curren-

cy of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall be payable in immediately available funds.

ARTICLE 5. Conditions of Closing. The obligation of the Vendor to make payment for the Units in accordance with the Purchase Order is subject to the satisfaction on or prior to the Closing Date of the following conditions precedent:

(a) The Letter of Assignment, this Agreement, the Guaranty, the Lease Agreement, the Lease Agreement Assignment and the Lessee's Consent shall have been duly executed and delivered by the respective parties thereto, shall be in full force and effect, and the Vendor shall have received an executed counterpart of each thereof, and this Agreement, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment shall have been duly filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. 11303.

(b) The Note dated the Closing Date evidencing the Conditional Sale Indebtedness shall have been appropriately completed, and duly executed and delivered by the Vendee to the Vendor pursuant to Article 4 hereof.

(c) The Builder shall have duly executed and delivered to the Vendor a bill of sale and assignment dated the Closing Date transferring to the Vendor title to the Units, warranting to the Vendor, its successors and assigns that (i) at the time of delivery of such Units Builder had legal title to such Units and good and lawful right to sell such Units and (ii) title to such Units was free of all claims, liens, security interests and other encumbrances of any nature and covenanting to warrant and defend the title to such Units against the demands of all persons whomsoever.

(d) A Certificate or Certificates of Acceptance with respect to the Units as contemplated by Article 3 hereof shall have been duly executed and delivered by or on behalf of the Vendee to the Builder and the Vendor and a Certificate of Certificates of Acceptance with respect to the Units as contemplated by Section 3 of the Lease Agreement shall have been duly executed and delivered by or on behalf of the Lessee to the Vendee, and the Vendor shall have received executed counterparts thereof.

(e) The Vendor shall have received a copy of an invoice of the Builder for the Units, addressed to the Vendor and accompanied by or having endorsed thereon a certification by the Vendee as to the correctness of the prices of such Units.

(f) The Vendee shall have made payment in immediately available funds of the amounts of the Purchase Price payable by it on the Closing Date pursuant to Clause (a) of the third paragraph of Article 3 hereof.

(g) The Builder shall have received, in immediately available funds, an amount equal to the Purchase Price for the Units, and the Vendor shall have received evidence, satisfactory to it and its counsel, of Builder's receipt of such amount.

(h) The Vendor shall have received evidence satisfactory to it and its counsel that the insurance relating to the Units required to be maintained under Article 8 hereof is in effect.

(i) The Vendor shall have received the following opinions of counsel, each dated the Closing Date, and addressed and in form and substance satisfactory to the Vendor:

(1) An opinion of counsel to the Vendee stating (i) that the Vendee is a corporation organized and existing under the laws of the State of New Jersey and has the corporate power and authority to own its properties and carry on its business as presently conducted and to execute, deliver and perform this Agreement, the Note hereinafter referred to, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment, (ii) that this Agreement, said Note, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment have each been duly authorized, executed and delivered, and constitute legal and valid instruments binding upon the Vendee and enforceable against the Vendee in accordance with their respective terms, (iii) that no consent or approval from any governmental body of the United States of America or of any state is, to the best of such counsel's knowledge, necessary for the valid execution, delivery and performance by the Vendee of this Agreement, said Note, the Letter of Assignment, the Lease Agreement or the Lease Agreement Assignment, or if any such consent or approval is necessary, it has been obtained, specifying the same, (iv) that the execution, delivery and performance of this Agreement,

said Note, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment will not violate any provision of the Certificate of Incorporation or By-Laws of the Vendor, or, to the best of such counsel's knowledge, any applicable order, judgment or decree of any court, tribunal or governmental instrumentality or of any indenture, contract, agreement or other undertaking known to such counsel to which the Vendee is a party or which purports to be binding upon it or upon any of its assets or result in any lien, encumbrance, security interest or charge upon any asset of the Vendee except as contemplated hereby, (v) that this Agreement and the Lease Agreement Assignment creates a perfected first lien on any security interest in the Units and the Lessor's interest under the Lease Agreement free of all claims, liens, security interests and other encumbrances except only the rights of the Vendee under this Agreement and the rights of the Lessee under the Lease Agreement, and (vi) such other matters as the Vendor shall reasonably request.

(2) An opinion of counsel to the Lessee to the effect that (i) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has corporate power and has taken all corporate action necessary to enter into the Lease Agreement and carry out its obligations thereunder, (ii) the Lease Agreement has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms, (iii) the Units which are subject to the Lease Agreement are held by Lessee under and subject to the provisions of the Lease Agreement prior to any lien, charge or encumbrance in favor of anyone claiming by, through or under Lessee, and (iv) no governmental, administrative or judicial authorization, permission, consent, or approval or recording is necessary on the part of Lessee in connection with the Lease Agreement or any action contemplated on its part hereunder, other than an order of the U.S. District Court for the District of Massachusetts approving the entry of the Lessee into the Lease Agreement.

(3) An opinion of counsel for the Guarantor stating (i) that the Guarantor is a corporation organized and existing under the laws of its jurisdiction of incorporation and has the corporate power and authority to own its properties and carry on its business as presently conducted, and to enter into and perform its obligations under the Guaranty, (ii) that the Guaranty has been duly authorized, executed, and delivered by the Guarantor, and constitutes a legal and valid instrument binding upon the Guarantor and

enforceable against the Guarantor in accordance with its terms (iii) that the execution, delivery and performance of the Guaranty will not violate any provision of the Certificate of Incorporation or By-laws of the Guarantor to the best of such counsel's knowledge, any applicable order, judgment or decree of any court, tribunal or governmental instrumentality or of any indenture, contract, agreement or other undertaking known to such counsel to which the Guarantor is a party or which purports to be binding upon it or upon any of its assets or result in any lien, encumbrance, security interest or charge upon any assets of the Guarantor, and (iv) that such other matters as the Vendor shall reasonably request.

(4) An opinion of counsel for the Builder stating that the bill of sale and assignment referred to in paragraph (c) of this Article 6 hereof has been duly authorized, executed and delivered by or on behalf of the Builder and is valid and enforceable to transfer all right, title and interest of the Builder in and to the Equipment to the Vendor, free of all claims, liens and encumbrances of any nature arising from, through or under the Builder.

(5) An opinion of counsel from Messrs. Morgan, Lewis and Bockius or other special counsel acceptable to the Vendor stating that (i) this Agreement, the Letter of Assignment, the Lease Agreement and the Lease Agreement Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. 11303, and this Agreement and the Lease Agreement Assignment have created a first priority lien on and security interest in the Units free of all claims, liens, security interests and encumbrances except only the rights of the Vendee under this Agreement and the rights of the Lessee under the Lease Agreement, (ii) no other filing or recording or other action is necessary for protection or perfection of the first priority rights of the Vendor in the Units under the laws of the United States or any state, and (iii) no other authorization or approval of or notice to any governmental body or authority of the United States of America is necessary for the valid execution, delivery and performance by the Vendee of this Agreement, the Letter of Assignment, or the Lease Agreement Assignment. In rendering the foregoing opinion, such counsel may rely upon the other opinions of counsel required under this paragraph (i) insofar as the authorization, execution, delivery and binding effect of any instruments are concerned.

In giving any opinion specified in this paragraph (i), counsel may qualify its opinion to the effect that the enforceability of any agreement or instrument is subject to

limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' or lessors' rights generally or by the availability of equitable remedies.

(j) No default or event of default or any event or condition which with notice or lapse of time or both would constitute a default or event of default shall have occurred and be continuing under this Agreement, the Guaranty, the Lease Agreement, the Lease Agreement Assignment or the Lessee's Consent, and the Vendor shall have received certificates to such effect, dated the Closing Date, from the respective parties to the foregoing instruments.

(k) All of the representations and warranties contained in this Agreement, the Guaranty, the Lease Agreement, the Lease Agreement Assignment and the Lessee's Consent shall be true and correct on and as of the Closing Date, and the Vendor shall have received certificates to such effect, dated the Closing Date, from the respective parties to the foregoing instruments.

(l) The Court approvals required pursuant to Paragraph 3 of Rider 1 to the Lease shall have been duly issued, shall be in full force and effect on the Closing Date and the Lender shall have received copies or other evidence satisfactory to it of such approvals.

(m) The Equipment shall have been fully delivered and accepted under this Agreement and the Lease Agreement, and the Closing Date shall have occurred on or prior to June 30, 1979. In no event shall the Vendor be obligated to make any payment in respect of the Purchase Price for more than 50 Units and its total obligation hereunder shall not exceed 85% of \$1,760,850.

ARTICLE 6. Title to the Equipment. The Vendor shall and hereby does retain the full security title to and a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee or the Lessee as provided in this Agreement and the Lease. Any and all additions to the Equipment and any and all parts installed on and additions and replacements made to any Unit shall constitute accessions to the Equipment and shall be subject to

all the terms and conditions of this Agreement and shall be included in the term "Equipment" as used in this Agreement. (All such security title to and security interest in the Equipment hereinabove retained by the Vendor and any such accessions are herein called, collectively, the "Security Title.")

Except as otherwise provided in the third paragraph of Article 8 hereof, when and only when the Vendee shall have been paid the full Conditional Sale Indebtedness, together with interest and all other payments as herein provided, and all the Vendee's obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee, and the Vendor at the expense of the Vendee will (a) execute a bill or bills of sale for the Equipment transferring its Security Title thereto and property therein to the Vendee, or upon its order (without warranties except as against Vendor's acts), free of all the liens and security interest, created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 24 hereof, (b) execute and deliver at the same place, for filing, recording, or depositing in all public offices reasonably specified by and at the expense of the Vendee, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 8 or 9 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments within a reasonable time after written demand by the Vendee.

ARTICLE 7. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes (other than income taxes, gross receipts taxes except gross receipts taxes in the nature of or in lieu of sales, use or rental taxes, franchise taxes measured by net income based upon such receipts, excess profits taxes and similar taxes) license fees, assessments, charges,

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finer or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "Impositions"), all of which Impositions the Vendee assumes and agrees to pay on demand. The Vendee will also pay promptly all Impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor by reason of Vendor's ownership of Security Title thereto and will keep at all times all and every part of the Equipment free and clear of all Impositions which might in any way affect the title of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title, property, or rights of the Vendor in or to the Equipment or otherwise under this Agreement, or involve any danger of the sale, forfeiture or loss of any Equipment. If any Impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement, and shall bear interest at the rate of 15% per annum (or such lesser rate as shall be enforceable under applicable law) from the date of payment by Vendor to and including the date of reimbursement by Vendee.

ARTICLE 8. Maintenance, Casualty Occurrences, Insurance. Vendee agrees that it will at all times and at its own expense, maintain and keep the Equipment or cause the Equipment to be maintained and kept, in good repair and efficient condition and working order, eligible for interchange with other railroads pursuant to AAR Interchange Standards, and that it will supply all parts, services and other items required in the operation and maintenance of the Equipment, free of all liens, claims, security interests and encumbrances. All parts, replacements, substitutions and additions to or for any Equipment, except to the extent otherwise provided in the Lease, shall immediately become Equipment and shall constitute accessions to the Equipment subject to all the terms and conditions of this Agreement.

If any Unit shall become worn out, lost, stolen, destroyed, irreparably damaged, from any cause whatsoever, taken or requisitioned by condemnation or otherwise, or there

shall occur any other material interruption or termination of use of any Unit under the Lease Agreement regardless of the cause or there shall occur an event of the type specified in section 16 of the Lease (such occurrences being herein called "Casualty Occurrences"), the Vendee shall, promptly after it shall have learned that such Unit has suffered a Casualty Occurrence, cause the Vendor to be fully notified in regard thereto (including without limitation, a full description of the Casualty Occurrence) and within forty-five (45) days thereafter Vendee shall pay to Vendor a sum equal to the aggregate Casualty Value (as hereinafter defined) of such Unit determined as of the date of such payment. Concurrently with each payment of Casualty Value pursuant to this Article 8, the Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of each Unit as to which such payment is being made. Any money paid to the Vendor pursuant to this paragraph shall be applied to prepay without penalty or premium that portion of the Conditional Sale Indebtedness attributable to the Purchase Price of such Unit remaining unpaid on the date as of which such Casualty Value shall be determined, plus interest accrued thereon but unpaid as of such date, in the manner and with the effect provided in Article 4 with respect to optional prepayments of the Conditional Sale Indebtedness by the Vendee. The Vendor will promptly furnish to the Vendee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendee may request.

Upon payment by the Vendee to the Vendor of the Casualty Value of any Unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and interest in such Unit shall pass to and vest in the Vendee, and the Vendor, will execute and deliver to the Vendee, at the expense of the Vendee an appropriate instrument (without warranties except against acts of the Vendor), confirming such passage to the Vendee of all the Vendor's right, title and interest in such Unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such Unit.

The Casualty Value of each Unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the Conditional Sale Indebtedness attributable to the Purchase Price of such Unit remaining unpaid on the date as of which such Casualty Value shall be determined, plus interest accrued thereon but unpaid as of such date. For the purpose of this Agreement, each payment of the principal of the Conditional Sale Indebtedness in respect of Equipment made pursuant to Article 4 hereof shall be deemed to be a

payment of the principal amount of the Conditional Sale Indebtedness on each Unit of the Equipment in like proportion as the original Purchase Price of such Unit bears to the aggregate original Purchase Price of the Equipment.

Any condemnation payments or insurance proceeds in respect of Units suffering a Casualty Occurrence shall be paid to the Vendor and shall be deducted from the amounts payable by the Vendee to the Vendor in respect of such Casualty Occurrence pursuant to the second paragraph of this Article. If the Vendor shall receive any condemnation payments or insurance proceeds in respect of such Units suffering a Casualty Occurrence after the Vendee shall have made payments pursuant to this Article without deduction for such condemnation payments or insurance proceeds, the Vendor shall pay such condemnation payments or insurance proceeds to the Vendee provided that no Event of Default or event which with notice or lapse of time would constitute an Event of Default shall have occurred and be continuing hereunder. All insurance proceeds received by the Vendor in respect of any Unit or Units not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damages to such Unit in respect of which such proceeds were paid have been fully repaired, or shall be disbursed upon written request of Vendee to any third party in payment for such repairs.

The Vendee shall cause to be procured, maintained and paid for, by itself or its designee, with insurers acceptable to Vendor, insurance in an amount at all times at least equal to the Casualty Value of the Units then subject to this Agreement (subject to a deductible of \$500 per Unit), insuring against loss and destruction of, and damage to, each such Unit arising out of theft, loss, damage, destruction, fire, windstorm, explosion, and all other hazards and risks ordinarily subject to extended coverage insurance, and against such other hazards and risks as are customarily insured against by companies owning or leasing property of a similar character and engaged in a business similar to that engaged in by Lessee.

The Vendee shall, to the extent not provided by Lessee, further maintain or cause to be maintained with reputable insurers acceptable to the Vendor public liability and property damage insurance with respect to the Equipment in amounts not less than \$15,000,000. Each liability insurance policy shall be primary without right of contribution from any other insurance which is carried by the Vendor and shall expressly provide that all of the limits thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

The Vendee warrants that the foregoing insurance coverage shall be in effect at the execution of this Agreement. Such insurance shall (i) name the Vendor and any successor holder of a security interest in the Units as insureds or additional insureds in addition to the Vendee and the Lessee with losses to be payable to the Vendor or any successor holder of a security interest, (ii) provide that the policies will not be invalidated as against the Vendor or any successor holder of a security interest in the Units because of any violation of a condition or warranty of the policy or application thereof by the Vendee or Lessee and (iii) provide that the policies may be materially altered or cancelled by the insurer only after thirty (30) days prior written notice to the Vendor or any successor holder of a security interest in the Equipment.

ARTICLE 9. Application of Payments. (a) The Vendor is entitled to receive payments made by the Lessee under the Lease Agreement and the Lease Agreement Assignment or by any other person in respect of the Equipment only the Owner under this Agreement on account of the principal of or interest on the Conditional Sale Indebtedness and, except as otherwise provided in Article 8 hereof with respect to Casualty Occurrence payments, shall apply such payments in the following order of priority at the times set forth below:

(1) If no Event of Default has occurred and is continuing under this Agreement, then, on the next date for an installment payment of principal of and interest on the Note, the Lender shall apply such moneys as it is then holding hereunder:

(A) First, to the payment of accrued interest then due and payable to the Vendor pursuant to the Note;

(B) Second, to the payment of the principal installment then due and payable to the Vendor pursuant to the Note; and

(C) Provided that no event which with notice or lapse of time would constitute an Event of Default has occurred and is continuing, then the balance, if any, to the Vendee.

(2) If an Event of Default has occurred and is continuing under this Agreement and except to the extent otherwise provided in Article 17 or 18 hereof, all moneys held by or coming into the possession of the Vendor hereunder or under the Lease

Agreement Assignment including, without limitation, payments in respect of Casualty Occurrences, and the net proceeds of any repossession and sale or lease of any Unit (after deduction of all expenses, including reasonable counsel fees, incurred by the Vendor in connection with such repossession and sale or lease or otherwise hereunder in connection with this Agreement, the Lease Agreement and the Lease Agreement Assignment which shall not theretofore have been reimbursed to the Vendor) immediately shall be applied by the Vendor to satisfy the outstanding principal balance of the Note and interest accrued thereon. Upon payment in full of all Conditional Sale Indebtedness together with interest accrued thereon and any and all other amounts due the Vendor under this Agreement and the Note, the Vendor shall distribute the balance of any moneys then in its possession hereunder or thereafter coming into its possession as set forth in Clause (C) of this paragraph (a) as if no Event of Default were then in existence.

(b) All payments to be made by the Vendor hereunder shall (subject to timely receipt by the Vendor of available funds) be made to an account specified by the Vendee in immediately available funds by wire transfer on the date such payment is due.

(c) Any moneys from time to time received by the Vendor and held by the Vendor pursuant to the fifth paragraph of Article 8, Article §(a)(1)(C) or the last paragraph of Article 15 during the occurrence and continuance of an event which with notice or lapse of time would constitute an Event of Default shall be held by the Vendor as security for the performance and observance of all the Vendor's obligations and indebtedness hereunder.

ARTICLE 10. Reports and Inspections. Upon written request of the Vendor, but not more than once in any twelve month period, Vendee shall cause to be furnished to the Vendor an accurate statement: (a) setting forth, as of the preceding December 31, the amount, description and numbers of all Units then subject to this Agreement; and (b) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 11 hereof have been preserved or replaced. The Vendor shall have the right, by its agents, to inspect the Equipment and the Vendee's and any assignee of Vendee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

Vendee shall also furnish, or cause to be furnished to Vendor financial statements of the Guarantor, prepared in accordance with generally accepted accounting principles consistently applied by the Guarantor as follows:

(i) within 120 days after the end of each fiscal year, consolidated statements of income and retained earnings and changes in financial position of the Guarantor and its consolidated subsidiaries for such year and consolidated balance sheets of the Guarantor and its consolidated subsidiaries as at the end of such year, setting forth in comparative form the corresponding figures of the previous annual audit, all in reasonable detail and audited by independent public accountants together with the audit report of such accountants for such fiscal year;

(ii) within 45 days after the end of each of the first three quarterly periods in each fiscal year, a consolidated statement of income and retained earnings of the Guarantor and its consolidated subsidiaries for the period from the beginning of the then current fiscal year to the end of such quarterly period and a consolidated balance sheet of the Guarantor and its consolidated subsidiaries as at the end of such quarterly period, all in reasonable detail and certified by the chief financial officer of the Guarantor, subject, however, to audit and year-end adjustments; and

(iii) such other financial information as the Vendor may from time to time reasonably request.

The Vendee shall prepare and deliver to the Vendor within a reasonable time prior to the required date of filing (or, to the extent permissible and with the prior consent of the Vendor file on behalf of the Vendor) all reports (other than income tax returns), if any, relating to maintenance, registration and operation of the Equipment required to be filed by the Vendor with any federal, state or other regulatory agency by reason of the ownership by the Vendor of Security Title to the Equipment or the provisions hereof.

The Vendee shall deliver to the Vendor promptly after the execution and delivery of this Agreement original or duplicate policies, or certificates of insurers satisfactory to the Vendor, evidencing all the insurance which is then required to be maintained pursuant to the terms of the Agreement, and shall, within 30 days prior to the expiration of any such insurance, deliver other original or duplicate policies or satisfactory certificates of the insurers evidencing the renewal of such insurance.

ARTICLE 11. Marking of Equipment. The Vendee will cause each Unit of the Equipment to be kept numbered with the identifying number of the Lessee set forth in Annex A hereto, or, in the case of Equipment not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO DOCUMENTS FILED UNDER THE INTERSTATE COMMERCE ACT" or other appropriate words designated by the Vendor, with appropriate changes thereof and conditions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such Unit to be placed in operation or exercise any control or dominion over the same until such numbers and markings shall have been made thereon and will replace or will cause to be replaced promptly any such numbers and markings which may be removed, defaced or destroyed. The Vendee will not permit the identifying number of any Unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by or on behalf of the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

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

ARTICLE 12. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will use its best efforts to cause the Lessee and every user of the Equipment to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such user's operations involving the Equipment may extend, with the interchange rules of the AAR and with all lawful rules, regulations and requirements of

the Department of Transportation, the ICC and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws, rules, regulations and requirements affect the title, operation or use of the Equipment, and if such laws, rules, regulations and requirements require alteration, replacement or addition of or to any part on any Unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee shall be under no obligation to take such action in compliance with this Article 12 so long as it is, in good faith, contesting by appropriate legal proceedings the validity or application of any such law, rule, regulation or requirement and such noncompliance does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor in or to the Equipment or otherwise under this Agreement, or involve any danger of the sale, forfeiture or loss of any of the Equipment.

ARTICLE 13. Possession and Use. The Vendee, so long as an Event of Default (as hereinafter defined) shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The Vendee may contract with the Lessee for the maintenance and use of the Equipment as provided in the Lease. The Vendee hereby agrees that it will not exercise any of the remedies permitted in the case of an Event of Default under and as defined in the Lease without the prior written consent of the Vendor, which consent shall not be unreasonably withheld, and hereby further agrees to furnish to the Vendor copies of all summons, writs, processes and other documents served by it upon the Lessee or served by the Lessee upon it in connection therewith. The Lease shall not be amended, modified or terminated by the Vendee without the prior written consent of the Vendor, which consent shall not be unreasonably withheld.

So long as an Event of Default shall not have occurred and be continuing under this Agreement, the Equipment may, on and subject to all the terms and conditions of this Agreement, be used (i) upon the lines of railroad owned or operated by the Lessee or its affiliates (or any other railroad company approved by the Vendor) or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated

pursuant to run-through agreements; provided, however, that the Vendee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America; and provided, further, that at no time shall the Vendee knowingly permit more than ten percent (10%) of the Units to be outside the United States of America.

ARTICLE 14. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, or security interest on or with respect to the Equipment, or any Unit thereof, and will promptly discharge any such lien, charge or security interest which arises, provided, however, that the Vendee shall not be required to pay or discharge any such claim, lien, charge, or security interest so long as the validity thereof is being contested in good faith and by appropriate legal proceedings and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title of the Vendor in or to the Equipment or otherwise under this Agreement or involve any danger of the sale, forfeiture or loss of any of the Equipment. Any amounts paid by the Vendor in discharge of claims, liens, charges or security interests upon the Equipment shall be secured by and under this Agreement, and shall bear interest at the rate of 15% per annum (or such lesser rate as shall be legally valid and enforceable) from the date of payment by Vendor to and including the date of reimbursement by Vendee.

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

ARTICLE 15. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims, and demands whatsoever, regardless of the cause thereof, (including strict liability in tort) and expenses in connection therewith, including but not limited to counsel fees and expenses incurred in connection with or as a result of the entering into or the performance of this Agreement, the Lease Agreement Assignment, the Letter of Assignment or related documents, the retention by the Vendor of title to or a security interest in the Equipment, the ownership, lease, ordering, acquisition, use, operation, maintenance, condition, purchase, sale, delivery, rejection,

storage or return of any of the Equipment, any accident, in connection with the operation, use, condition, possession, storage, or return of any of the Equipment resulting in damage to property or injury or death to any person, or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except, however, any losses, damages, injuries, liabilities, claims, and demands caused by the willful misconduct or gross negligence of the Vendor. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the conveyance of title to, the Equipment, as provided in Article 6 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any Unit of or all the Equipment.

So long as no Event of Default or event which with notice or lapse of time or both has occurred and is continuing Vendor, hereby authorizes the Vendee, to the exclusion of the Vendor, to exercise in Vendor's name, all rights and powers of the Buyer under the Purchase Order and the bills of sale and assignments relating thereto to retain any recovery or benefit resulting from the enforcement of any warranty or indemnity under the Purchase Order in respect of the Equipment, except that the Vendee shall not enter into any change order, amendment, modification or supplement to the Purchase Order without the prior written consent or counter signature of the Vendor. VENDOR IS NOT A MANUFACTURER OF THE EQUIPMENT, AND HAS NOT MADE AND DOES NOT HEREBY MAKE ANY REPRESENTATION, WARRANTY OR COVENANT WITH RESPECT TO MERCHANTABILITY, FITNESS FOR ANY PURPOSE, CONDITION, QUALITY, DURABILITY OR SUITABILITY OF THE EQUIPMENT IN ANY RESPECT OR IN CONNECTION WITH, OR FOR THE PURPOSES OR USES OF VENDEE, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR ANY CHARACTER EXPRESSED OR IMPLIED, WITH RESPECT THERETO. However, Vendor does hereby represent and warrant that it has not taken any action resulting in the creation of any claim, lien or other encumbrance on title to the Equipment, and that, effective upon the Closing Date, it will have conveyed to Vendee, subject to the terms and conditions hereof and the retention of security title hereunder, the title conveyed to it by the Builder.

ARTICLE 16. Assignments. The Vendee will not (a) except as provided in Article 13 hereof, transfer the right to possession of any Unit of the Equipment or (b) sell, assign, transfer or otherwise dispose of its rights under

this Agreement without the prior written consent of the Vendor. The Vendee shall at all times maintain its corporate existence, and it shall not consolidate with or merge into any other corporation or convey, transfer or lease substantially all of its assets as an entirety or either of them to any other person (which means any individual, corporation, partnership, joint venture, association, trust, unincorporated organization or government or agency thereof) unless the corporation formed by such consolidation or merger or the person which acquires substantially all the assets of Vendee shall be a corporation organized and existing under the laws of the United States or any state or the District of Columbia, and shall execute and deliver to the Vendor an agreement in form satisfactory to the Vendor containing an assumption of such successor corporation or person of the due and punctual performance of the covenants and conditions of this Agreement and the Financing Agreement; provided, further, immediately after giving effect to such transaction, no Event of Default and no event, which after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing.

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

The Vendee recognizes that it is the custom of railroad equipment vendors to assign agreements of this character and understands that the assignment of this Agreement, or of some of or all the rights of the Vendor hereunder, may be made by the Vendor. THE VENDEE EXPRESSLY REPRESENTS, FOR THE PURPOSE OF ASSURANCE TO ANY PERSON, FIRM OR CORPORATION CONSIDERING THE ACQUISITION OF THIS AGREEMENT OR OF ALL OR ANY OF THE RIGHTS OF THE VENDOR HEREUNDER, AND

FOR THE PURPOSE OF INDUCING SUCH ACQUISITION, THAT IN THE EVENT OF SUCH ASSIGNMENT BY THE VENDOR AS HEREINBEFORE PROVIDED, THE RIGHTS OF SUCH ASSIGNEE TO THE ENTIRE UNPAID INDEBTEDNESS IN RESPECT OF THE PURCHASE PRICE OF THE EQUIPMENT OR SUCH PART THEREOF AS MAY BE ASSIGNED, TOGETHER WITH INTEREST THEREON, AS WELL AS ANY OTHER RIGHTS HEREUNDER WHICH MAY BE SO ASSIGNED, SHALL NOT BE SUBJECT TO ANY DEFENSE, SETOFF, COUNTERCLAIM, OR RECOUPMENT WHATSOEVER ARISING OUT OF ANY BREACH OF ANY OBLIGATION OF THE VENDOR WITH RESPECT TO THE EQUIPMENT NOR SUBJECT TO ANY DEFENSE, SETOFF, COUNTERCLAIM OR RECOUPMENT WHATSOEVER ARISING BY REASON OF ANY OTHER INDEBTEDNESS OR LIABILITY AT ANY TIME OWING TO THE VENDEE BY THE VENDOR. ANY AND ALL SUCH OBLIGATIONS HOWSOEVER ARISING, SHALL BE AND REMAIN ENFORCEABLE BY THE VENDEE AGAINST AND ONLY AGAINST THE VENDOR.

In the event of any such assignment or successive assignments by the Vendor, the Vendee will, upon request by the assignee, change, or cause to be changed, the markings on each side of each Unit of the Equipment so as to be consistent with the interest of such assignee in the Equipment, to the extent necessary to conform to any requirements of the laws of the jurisdictions in which the Equipment shall be operated. The cost of such markings in the event of an assignment of all the Equipment at the time covered by this Agreement shall be borne by the Vendee in the case of the first such assignment requiring a change or addition to the markings on each Unit specified in Article 11 hereof, and, in the case of such subsequent assignments, if any, or in the event of an assignment of less than all such Equipment, such cost shall be borne by such assignee.

ARTICLE 17. Defaults. If any one or more of the following events of default ("Event of Default") shall occur and be continuing:

(a) if the Vendee shall fail to pay in full any indebtedness in respect of the Purchase Price or any other sum payable by the Vendee as provided in this Agreement or the Note within ten (10) days after payment thereof shall be due hereunder; or

(b) if any representation or warranty made by the Vendee herein or by the Vendee or the Guarantor in any instrument or certificate delivered in connection with this Agreement shall prove to be untrue or incorrect in any material respect as of the date made or deemed made; or

(c) if the Vendee shall fail to observe or perform any covenant contained in Article 7, the last three paragraphs of Article 8, Article 12, Article 14, or Article 16; or

(d) if the Vendee or the Guarantor shall, for more than thirty (30) days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, the Lease Agreement, the Lease Agreement Assignment, the Note or the Guaranty, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(e) if by the order of a court of competent jurisdiction, a receiver or liquidator or trustee of the Vendee or the Guarantor shall be appointed and shall not have been discharged within a period of 60 days, or if, by decree of such a court, the Vendee or the Guarantor shall be adjudicated a bankrupt or any substantial part of its property shall be sequestered and such decree shall continue undischarged and unstayed for a period of 60 days after the entry thereof, or a petition to reorganize the Vendee or the Guarantor pursuant to any provision of the Federal Bankruptcy Act, or pursuant to any other similar statute applicable to the Vendee or the Guarantor as now or hereafter in effect, shall be filed against the Vendee and shall not be dismissed within 90 days; or

(f) if the Vendee or the Guarantor shall file a voluntary petition in bankruptcy under the provisions of any bankruptcy law, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or if the Vendee or the Guarantor shall consent to the appointment of a receiver or receivers of all or any part of its property, or if the Vendee or the Guarantor shall consent to the filing of any bankruptcy or reorganization petition against it under any provision of any bankruptcy law, or if (without limitation of the generality of the foregoing) the Vendee or the Guarantor shall file a petition to reorganize itself pursuant to any provision of the Federal Bankruptcy Act, or pursuant to any other similar statute applicable to the Vendee or the Guarantor, as now or hereafter in effect, or if the Vendee shall be dissolved or the Vendee or the Guarantor or its directors or stockholders shall take action looking to the dissolution or liquidation thereof; or

(g) if the Vendee shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any Unit of the Equipment; or

(h) if a default by the Lessee shall have occurred under the Lease and shall be continuing for Thirty (30) days after delivery of notice thereof by the Vendor to the Vendee without the Vendee, with consent of Vendor, having terminated the Lease pursuant to the terms thereof, and entered into a new lease or otherwise provided for the use of the Equipment by a lessee or other user acceptable to the Vendor, in the Vendor's sole and absolute discretion, upon terms acceptable to Vendor, in its sole and absolute discretion;

(i) if an event of default by Vendee under any other conditional sale agreement to which Vendee is a party shall have occurred and be continuing and a declaration of default shall be in effect thereunder;

then at any time after the occurrence of any Event of Default and so long as such event shall be continuing the Vendor may, upon written notice to the Vendee and upon compliance with any mandatory legal requirements then in force and applicable to such action by the Vendor, (i) upon occurrence of an Event of Default under subsection (h) hereof, cause the Lease and any other agreement with respect to the Equipment, or any Unit or Units thereof, then in effect immediately upon such notice to terminate to the extent permitted under the Lease Agreement Assignment and the Lease or exercise any other or further right or remedy available to the lessor under the Lease upon the occurrence of an Event of Default thereunder, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid Conditional Sale Indebtedness, together with the interest thereon then accrued and unpaid, and together with all other amounts then due and owing hereunder or under the Note immediately due and payable, without further demand, whereupon all such amounts shall become and be forthwith due and payable, anything herein or in the Note to the contrary notwithstanding. The Vendee shall promptly notify the Vendor of any event which has come to its attention which constitutes, or with the giving of notice and/or lapse of time could constitute, an Event of Default under this Agreement or the Lease.

The Vendor may, at its election, waive any such Event of Default and its consequences and rescind and annul any Declaration of Default or notice of termination of the

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

ARTICLE 18. Remedies. (a) At any time during the continuance of a Declaration of Default, the Vendor may, (1) if the Lease shall still be in effect, exercise all of the lessor's rights thereunder and under the Lease Agreement Assignment; and (2) if the Lease shall no longer be in effect, then, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the Units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 18 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law. In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(A) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks as the Vendor may designate; and/or

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

(b) At any time during the continuance of an Event of Default, the Vendor, with or without retaking possession thereof, at its election and upon such reasonable notice as may be required to be given by the Vendor in accordance with applicable law and subject to any prior rights of lessees under permitted leases of the Equipment, may sell the Equipment, or one or more of the Units thereof, free from any and all claims of the Vendee, or any other party (other than such lessees) claiming from, through or under the Vendee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement or the Note as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees and expenses, then in such event the Vendor shall, against full payments of all sums due and payable by the Vendee as provided herein, execute and deliver to the Vendee a bill of sale or other appropriate instrument or instruments, at the expense of the Vendee and without warranties except against acts of the Vendor, in recordable form, transferring the Vendor's rights, title and interest in and to the Equipment, free of this Agreement.

The Vendor may bid for and become the purchaser of the Equipment, or any Unit thereof, so offered for sale. In the event that the Vendor shall be the purchaser thereof, it shall not be accountable to the Vendee (except to the extent of surplus money received as hereinafter provided in this Article 18), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all sums due to the Vendor hereunder.

If an Event of Default has occurred and Vendor has accelerated the Conditional Sale Indebtedness under Article 17 hereof, the Vendor shall have the absolute right to sell, lease, transfer or otherwise dispose of all or any part of the Equipment, to any party whomsoever, as Vendor shall in the exercise of its reasonable discretion, deem advisable. In furtherance of Vendor's rights hereunder Vendee hereby agrees to execute any and all documents, agreements, instruments, releases and notices requested by Vendor to sell, lease, transfer or otherwise dispose of the Equipment, or any Unit thereof; and further hereby appoints Vendor as attorney-in-fact to execute any and all documents, instruments, notices or agreements for the sale, lease, transfer or other disposition of the Equipment, or any Unit, in the name and on behalf of Vendee, including without limitation bills of sale and leases. Notwithstanding the provisions of this subparagraph, the sums of money realized by Vendor hereunder shall be applied in accordance with the provisions of this Article 18.

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

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the

rate per annum specified in the Note as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

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

Except as herein agreed to the contrary, the foregoing provisions of this Article 18 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 19. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction (which is not overridden by applicable federal law) shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

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

ARTICLE 20. Recording. Prior to the delivery and acceptance of any Unit of the Equipment and prior to the settlement for such Unit, the Vendee will cause this Agreement, any assignments hereof by the Vendee and any amend-

ments or supplements hereto and thereto, in each case to be filed, registered, recorded, or deposited and refiled, reregistered, rerecorded, or redeposited, with the ICC in accordance with 49 U.S.C. 11303. The Vendee will, at its expense, from time to time, do and perform any other act and will execute, acknowledge, deliver, and file, register, deposit and record (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection in the United States of America, to the satisfaction of the Vendor and its counsel, of its title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement and any assignment hereof. The Vendee will promptly furnish to the Vendor evidences of such filing, registering, depositing or recording and of such publication of notice of such deposit and an opinion or opinions of counsel with respect thereto, each satisfactory to the Vendor and its counsel.

ARTICLE 21. Payment of Expenses. The Vendee will pay all reasonable costs and expenses, payment of which shall not be illegal under any laws of the United States, any State or any foreign jurisdiction (other than the fees and expenses of the Builder and its respective attorneys) incident to this Agreement, the Purchase Order, the Lease, the Lease Agreement Assignment, and any instrument supplemental or related hereto or thereto, including all reasonable fees and disbursements of special counsel for Vendor, and of ICC counsel (provided that the Vendee shall not be required to pay in excess of \$750 of the fees and expenses of such ICC counsel).

ARTICLE 22. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

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

ARTICLE 23. Investment Representation. Vendor represents that it is acquiring the Note for its own account, for investment and not with a view to, or in connection with,

the distribution of the same, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control.

ARTICLE 24. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered personally or mailed by first class mail, postage pre-paid to it at the following specified address (or at such other address as such party shall hereafter specify by written notice to the other party):

(a) to the Vendee,

Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07632
Attention: Mark A. Salitan

(b) to the Vendor,

McDonnell Douglas Finance Corporation
3855 Lakewood Boulevard
Long Beach, California 90846
Attn: Commercial & Industrial
Finance Department

ARTICLE 25. Law Governing Severability. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New Jersey; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303, such additional rights arising out of the filing, recording, registering, or depositing hereof, if any, as shall be conferred by the laws of any jurisdiction in which this Agreement shall be filed, recorded, registered or deposited, or in which any Unit of the Equipment shall be located, and any rights arising out of the marking on the units of the Equipment. In the event that any provision of this Agreement is invalid or unenforceable, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute, or rule or law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

ARTICLE 26. Execution. This Agreement may be executed in any number of counterparts, but the counterpart delivered to the Interstate Commerce Commission for recorda-

tion and subsequently redelivered to the Vendor shall be deemed the original counterpart and all other counterparts shall be deemed duplicates thereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

ARTICLE 28. Right to Acquire Vendor's Rights. In addition to its right to prepay the Note without penalty, Vendee or its designee shall have the right at any time to acquire all of Vendor's rights under the Note, this Agreement, Guaranty, Lease and Lease Agreement Assignment. To exercise such right, Vendee or its designee shall notify Vendor in writing of its intention to acquire such rights and of a closing date not less than 30 nor more than 45 days after the date of such notice and, on such closing date, Vendee shall pay to Vendor the unamortized portion of the Conditional Sale Indebtedness, all interest accrued thereon to and unpaid as of the closing date and all other sums owing to the Vendor under the Note, the Conditional Sale Agreement, Guaranty, Lease and Lease Agreement Assignment and the Vendor shall convey to Vendee or its designee all of its rights under such agreements by instruments of assignment reasonably satisfactory to Vendee and its counsel, but without recourse against or representation of warranties of the Vendor except as to its own acts..

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

REX RAILWAYS, INC., Vendee

Witness:

Robin Roberts

BY:

Title:

Robert W. Chubb, Pres.

McDONNELL DOUGLAS FINANCE CORPORATION, Vendor

Witness:

Robin Roberts

BY:

Title:

James B. [Signature]
Title: Arthur J. [Signature]

STATE OF NY)
 : SS:
COUNTY OF NY)

On this 9TH day of MARCH, 1979, before me personally appeared Robert W. Gruber, to me personally known, who being by me duly sworn, says that he is the President of Rex Railways, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(seal)

Ingrid M. Herbel
(Title of Officer)

My commission expires _____

INGRID M. HERBEL
NOTARY PUBLIC, State of New York
No. 31-4616037
Qualified in New York Co.
Commission Expires March 30, 1979

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

On this 9TH day of MARCH, 1979, before me personally appeared Jerome Butkow, to me personally known, who being by me duly sworn, says that he is the duly authorized agent of McDonnell Douglas Finance Corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(seal)

Ingrid M. Herbel
(Title of Officer)

My commission expires _____

INGRID M. HERBEL
NOTARY PUBLIC, State of New York
No. 31-4616037
Qualified in New York Co.
Commission Expires March 30, 1979

ANNEX A

Description of Equipment

<u>Specifi- cations</u>	<u>Maximum Quantity</u>	<u>Lessee's Road Numbers (Both In- clusive)</u>
70-Ton, 50' 6" General Purpose Box Cars	50	BM 79050 - 79099

Delivery

February 15
through
March 15, at
Bessemer, Alabama

Base Price/Unit

\$35,017

Aggregate Base Price

\$1,750,850

ANNEX B

CERTIFICATE OF INSPECTION AND ACCEPTANCE

THE UNDERSIGNED, BEING THE DULY AUTHORIZED REPRESENTATIVE OF THE REX RAILWAYS, INC. (HEREINAFTER REFERRED TO AS THE "BUYER"), HEREBY CERTIFIES THAT THE FOLLOWING RAILROAD EQUIPMENT BUILT BY PULLMAN INCORPORATED (PULLMAN STANDARD DIVISION), (HEREINAFTER REFERRED TO AS THE "BUILDER"), HAS BEEN INSPECTED AND FOUND TO BE IN GOOD ORDER AND RUNNING CONDITION AND TO BE COMPLETED IN ACCORDANCE WITH THE BUILDER'S SPECIFICATION NO. 3722 DATED SEPTEMBER 15, 1977, AND HAS BEEN ACCEPTED ON BEHALF OF THE BUYER:

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>CAR NUMBERS</u>	<u>ACCEPTANCE DATE & TIME</u>
70-ton 50'6" Box Cars			

The cars have been stenciled with the following legend:
"Ownership subject to Documents filed under the Interstate Commerce Act."

DATE AT BESSEMER, ALABAMA

THIS _____ DAY OF _____, 1979 AT
_____, E.S.T.

AUTHORIZED REPRESENTATIVE OF
REX RAILWAYS, INC.

Division of
Pullman Incorporated

200 South Michigan Avenue
Chicago, Illinois 60604
(312) 322-7070

EXHIBIT A

1616 H Street, N. W.
Washington, D. C. 20006
(202) 638-5522

Freight Unit

89 Park Avenue
New York, New York 10016
(212) 697-5780

5909 West Loop South
Suite 555
Bellaire, Texas 66401
(713) 666-3505



Pullman Standard

April 20, 1978

Mr. Robert W. Gruber
President
Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, N.J. 07635

Dear Mr. Gruber:

Thank you for your ^①telex order dated April 18, 1978 covering 200 - 70-Ton 50'6" Box Cars in accordance with our proposal dated April 13, 1978 and Bidding Specification No. 3722 dated September 15, 1977.

The price per car, F.O.B. Tracks, Bessemer, Alabama, is \$34,865.00 and is not subject to escalation with the understanding that we control specialty sources entering into the construction of cars.

Cars will be constructed and delivered from our Bessemer, Alabama plant under Lot and Specification No. 1018. A Building Specification bearing this number will be furnished to you upon completion.

Delivery of these cars is presently scheduled to commence first quarter, 1979 subject to the terms and conditions contained in the Delivery Paragraph of our General Conditions.

Deliveries quoted are also based on receipt of material by the Seller in time to meet commitments, as set forth in Seller's General Conditions, and in the event Seller reaches a position where material allocation does not permit the Seller to build these cars as anticipated, Seller reserves the right to adjust deliveries accordingly.

Acceptance of this order is with the understanding and on the condition that Rex-Noraco, Inc., of which Rex Railways, Inc. is a wholly-owned subsidiary, shall be obligated for payment of the full purchase price of these cars in the event that Rex Railways, Inc. shall default in the payment of said purchase price pursuant to the General Conditions in our April 13, 1978 proposal. All other terms and conditions included in our proposal shall apply to this transaction.



Mr. Robert W. Gruber
Rex Railways, Inc.
April 20, 1978
Page 2

This letter of acknowledgment has been prepared in triplicate. Kindly indicate your acceptance by having all three copies executed in the space provided and return one copy to the attention of our Mr. Fred W. Bainbridge.

Again, may we extend our thanks for this valued order, and may we look forward to being of service to you in the future.

Sincerely,

HUGH W. FOSTER
Senior Vice President, Marketing

/JMD/lcj

cc: Mr. F. W. Bainbridge

ACKNOWLEDGED AND ACCEPTED:

REX RAILWAYS, INC.
Wholly-Owned Subsidiary of
Rex-Noreco, Inc.

By: Frank G. Arlitan, Ex. V.P.

Title: _____

Date: _____

REX-NORECO, INC.

By: Frank G. Arlitan, Pres.

Title: _____

Date: _____



Pullman Standard

Division of
Pullman Incorporated

200 South Michigan Avenue
Chicago, Illinois 60604
(312) 322-7070

1616 H Street, N. W.
Washington, D. C. 20006
(202) 638-5522

Freight Unit

99 Park Avenue
New York, New York 10016
(212) 697-5780

5909 West Loop South
Suite 555
Bellaire, Texas 66401
(713) 666-3505

April 13, 1978

Handwritten: 3/13, 900 MTH Y
AEF

Mr. Robert W. Gruber
President
Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07636

Subject: 200 - 70-Ton 50'6" Box Cars

Dear Mr. Gruber:

PULLMAN STANDARD (hereinafter called "Seller") hereby offers to construct for, sell and deliver to Rex Railways, Inc., (hereinafter called "Buyer") 70-Ton, 50'6" All Steel, Single Sheath Box Cars, in accordance with Seller's Bidding Specification No. 3722, dated September 15, 1977, two (2) copies which are enclosed and made a part hereof, in quantities and at price as herein-after shown.

The price quoted is not subject to escalation with the understanding that Seller controls the source of supply of materials entering into the construction of these cars. Price quoted is further subject to terms and conditions as set forth herein and in Attachment 1, listed below and made a part hereof, which, together with this letter constitute Seller's proposal.

1. FORM I
2. EXHIBIT "B"

GENERAL CONDITIONS (3 Pages)
ALTERNATE

PRICING DATA:

QUANTITY:	200 Cars
PLANT BASIS:	Bessemer, Alabama
DELIVERY POINT:	F.O.B. Tracks Bessemer, Alabama



Mr. R. W. Gruber

- 2 -

April 13, 1978

PRICING DATA: (cont'd)

DELIVERY COMMENCING: 1st Quarter, 1979

PRICE PER CAR: \$34,865.00

The price and delivery quoted are offered on the premise that we would receive a commitment for your cars by May 1, 1978, enabling us to purchase material. If offer cannot be accepted within this time frame, Seller reserves the right to refigure cost, requote price, or withdraw proposal.

Because of current market conditions, Seller wishes to re-emphasize that all terms, including price considerations, are offered on the basis of the delivery indicated, which is subject to prior sale. In the event space is sold to other customers or order is not received by above date, Seller reserves the right to refigure cost, requote price or withdraw proposal.

This proposal is tendered with the understanding that Seller shall not be obligated to proceed hereunder until Buyer has made arrangements satisfactory to Seller's Financial Department that funds will be available to pay for these cars when ready for delivery.

DELIVERY SCHEDULE:

Delivery will be made at the rate of approximately 16 cars per day. Delivery is further subject to terms and conditions outlined in the Delivery Paragraph of the attached General Conditions.

Deliveries quoted herein are based on receipt of material by the Seller in time to meet commitments, as set forth in Seller's General Conditions, and in the event Seller reaches a position where material allocation does not permit the Seller to build these cars as anticipated, Seller reserves the right to adjust deliveries accordingly.

As previously stated, labor will not be subject to escalation, and this is predicated on building and shipping these cars on or before March 31, 1979. For cars built and delivered on or after April 1, 1979, labor will be subject to escalation.

Paint and stencil requirements will be in accordance with the A.A.R. minimum. Should you have any additional requirements, please forward this information at your earliest convenience, and we will present any additional cost which may apply.



Mr. R. W. Gruber

- 3 -

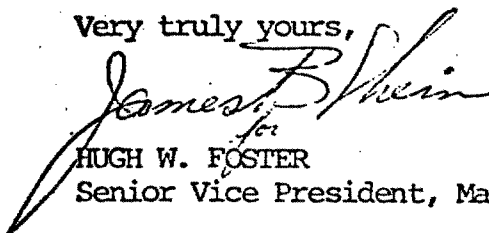
April 13, 1978

If order is received under this proposal, a final building specification will be furnished to the Buyer. The number of such specification will correspond to the lot number assigned by Seller to the order.

Any questions or information desired in connection with this transaction should be referred to our Mr. F. W. Bainbridge.

Thank you for allowing us this opportunity, and we look forward to the pleasure of working with you on this freight car program.

Very truly yours,


for
HUGH W. FOSTER

Senior Vice President, Marketing

/JMD/lcj

Enclosures

cc: Mr. F. W. Bainbridge.

Champ Carry Technical Center
1414 Field Street
Hammond, Indiana 46320
(219) 932-6700
(312) 375-4310



Pullman Standard

FOR: REX RAILWAYS, INC.

GENERAL SPECIFICATION NO. 3722

SEPTEMBER 15, 1977

Describing a

50'-6", 70-TON CAPACITY - ALL STEEL SINGLE SHEATH

OUTSIDE STAKE BOX CAR

RIGID UNDERFRAME

70-TON CAPACITY TRUCKS

(10'-0" DOOR OPENING)

<u>SECTION</u>	<u>DESCRIPTION</u>	<u>PAGE NO.</u>
1	General Dimensions	2
2	General	2 - 3
3	Curve Negotiability	3
4	Tolerances	3
5	Testing	4
6	Material	4
7	Underframe Construction	5 - 6 - 7 - 8
8	Side Construction	8 - 9
9	Side Doors	9
10	End Construction	9 - 10
11	Roof Construction	10
12	Brake System	11 - 12 - 13
13	Safety Appliances	13
14	Uncoupling Device	13
15	Jacking Pad Areas	13
16	Defect Card Receptacle	13
17	Ownership Marking	13
18	Lading Anchors	13
19	Floor	13
20	Marking	14
21	Lumber	14
22	Painting and Stenciling	15 - 16 - 17
23	Trucks	18 - 19
24	Body	20 - 21
25	Trucks	22

1. GENERAL DIMENSIONS

Length inside between 5/32" flat steel end lining	50'-6"
Length over end sills	50'-6-15/16"
Length over strikers.	52'-9-1/2"
Length over pulling face of couplers.	55'-5"
Truck centers (center to center of body bolsters)	40'-10"
Width inside between .10" side sheets	9'-6-1/8"
Width inside between 3/16" side sheets.	9'-6"
Width outside (over door fixtures and side ladders)	10'-8" Max.
Width over outside side posts	10'-0-3/8"
Width over door posts	10'-0-1/8"
Width over bottom horizontal flange of side plates.	10'-1"
Width between top horizontal flange of side plates.	9'-6-3/8"
Width over side sills	9'-7"
Width over side ladder treads	10'-2-1/8"
Width over eaves.	9'-11-1/8"
Width extreme over door fixtures.	10'-8"
Extreme height of roof to rail.	15'-2-3/8"
Height rail to bearing surface of center plate.	2'-1-1/2"
Height rail to top of 1-3/4" floor.	3'-7-1/2"
Height rail to top horizontal side plate flange	14'-11-1/4"
Height rail to bottom of side sill.	3'-5-7/16"
Height bottom of side sill to top horizontal side plate flange.	11'-5-13/16"
Height inside with 1-3/4" floor	11'-3-7/16"
Side door opening width in clear.	10'-0"
Side door opening height in clear with 1-3/4" floor	10'-5"
Truck wheel base.	5'-8"
Center to center of side bearings	4'-2"
Cubic capacity to eaves between side and end lining	5,332 Cu. Ft.
Lift truck front axle load.	50,000 Lbs.
Light weight (estimated).	Lbs.
Gross rail load	220,000 Lbs.

DRAWING

Sections Thru Car SK-E-5659

2. GENERAL

This specification describes a Class "QM" box car, 50'-6" between end lining, 5,332 cubic foot capacity, outside posts, 1-3/4" nailable steel floor, Pullman Standard riveted design roof, equipped with rigid underframe, 6" x 11" journals to provide for 220,000 pound gross rail load, and one (1) 10'-0" sliding door per side. Car body is arranged for 70-Ton with 33" wheels.

Cars built to this specification are of welded, riveted, and Huck bolted steel construction with sides, ends, roof, and underframe construction of Pullman Standard design as described herein.

The cars are built within the A.A.R. Clearance Diagram Plate "C".

The cars will conform to A.A.R. Interchange and U. S. Safety Appliance requirements, and for strength to the latest A.A.R. Specifications for Design, Fabrication and Construction of Freight Cars, Paragraph 4.1.3.1 for various live load

2. GENERAL - (Continued)

The floor and underframe construction are designed for a lift truck front axle load of 50,000 pounds.

Car body and truck are designed for 220,000 pound gross rail load, arranged for 33" wheels, on nominal 70-ton trucks.

Stress analysis summary of car body is to show compliance with A.A.R. design specifications, and that the above special design requirements have been prepared and are available.

Cars are built in a substantial and workmanlike manner according to the true intent of this specification and drawing. This specification is intended to include everything requisite to the proper building of the car, notwithstanding that everything required may not be mentioned. When delivered, each car is complete in all of its parts and ready for service. In the event of any discrepancies between the drawing and this specification, the specification has preference.

On completion of construction of cars, Pullman Standard will furnish to customer one (1) complete deck of 35 mm microfilm copy cards and one (1) deck of EAM cards (slave cards). The microfilm copy cards will be our standard diazo second generation cards, (color; green) and standard 80-80 column cards with computer - generated drawing list. Microfilm copy cards will include all Pullman Standard engineering pertinent to the construction of the cars.

Specialty Manufacturer's drawings (microfilm copy cards) will not be furnished by the car builder.

3. CURVE NEGOTIABILITY

This Pullman Standard underframe box car, 52'-9-1/2" long over the strikers, 55'-5" over pulling face of couplers, 40'-10" truck centers, and equipped with Standard E60C-HT couplers and Y40A-HT coupler yokes, will negotiate the following minimum radii curves.

- a. 150-foot radius curve (39 degrees approx.) uncoupled.
- b. 150-foot radius curve (39 degrees approx.) two (2) cars coupled together on the curve.
- c. 213-foot radius curve (26 degrees approx.) into a level tangent track with no easement, coupled to a conventional A.A.R. 40-foot base car having 7-degree coupler angling with the 40-foot car on a tangent track.
- d. 214-foot radius curve (26 degrees approx.) into a level tangent track with no easement, two (2) cars coupled together if one (1) car is on a tangent track and the other car is on the curve.
- e. 497-foot radius vertical curve (11 degrees approx.) into level tangent track with no easement, two (2) cars coupled together.

The A.A.R. base car is 42'-0-3/8" long over the strikers, 44'-7-7/8" long over the pulling face of the couplers, 31'-1-3/8" truck centers, and equipped with standard couplers and yokes.

4. TOLERANCES

Cars to be built to tolerances as specified in the A.A.R. Specifications for Design, Fabrication and Construction of Freight Cars.

5. TESTING

One (1) car is to be curve tested with simulated truck springs solid on a 150-foot radius curve to insure necessary clearances.

Restrictions to the flow of air in the brake pipe is checked in accordance with A.A.R. Specification No. 2518.

Brake rigging efficiency test is to be performed in accordance with A.A.R. requirements.

6. MATERIAL

Steel, unless otherwise specified, is in accordance with the following.

(O.H.S.) - Pullman Standard Specification No. 517

Conforms to the general requirements for ASTM A-6, "General Requirements for Delivery of Rolled Steel Plates, Shapes, Steel Piling and Bars for Structural Use." It is similar to ASTM A-113, latest revision, Grade "A" steel with a reduced carbon content to achieve low temperature impact strength and improved weldability. Manganese and copper additives provide additional strength and corrosion resistance respectively.

All O.H.S. shapes, plates, bars, and sheets 1/4" and less in thickness are copper bearing (.20% min. - .30% max.).

(PS-526) - Pullman Standard Specification No. 526

Conforms to the general requirements for ASTM A-6, "General Requirements for Delivery of Rolled Steel Plates, Shapes, Steel Piling and Bars for Structural Use." It is similar to ASTM A-36 steel with a reduced carbon content to achieve low temperature impact strength and corrosion resistance respectively. This steel has typical mechanical properties that are similar to ASTM A-36 steel.

All (PS-526) shapes, plates, bars, and sheets 1/4" and less in thickness are copper bearing (.20% min. - .30% max.).

(H.S.S.) - Pullman Standard Specification No. 550

High strength, low alloy structural manganese vanadium steel with improved low temperature impact properties. It has tensile and bend test requirements that conform to ASTM A-441 steel. The chemical composition also conforms to ASTM A-441 steel, except without copper content, unless otherwise specified steel items over 1/4" in thickness.

All (H.S.S.) shapes, plates, bars, and sheets 1/4" and less in thickness are copper bearing (.20% min. - .30% max.).

Rivets are per latest A.A.R. Specification.

All bolts and nuts are American Standard, regular sizes, except as may be otherwise specified herein.

Bolts and ESNA nuts are Class 2 fit.

7. UNDERFRAME CONSTRUCTION

The underframe of the car is of welded construction, details of which are described in the following paragraphs.

a. Center Sill

The center sill consists of two (2) per car, CZ13 x 41.2 (H.S.S.) A.A.R. Z-26 center sill sections extending between strikers and welded the full length of the sill at the junction of the top horizontal flanges. The weld penetration is 100% full length of the center sills.

The center sill separators, six (6) per car, are 5/16" (O.H.S.) pressed "J" sections, welded to the center sill webs, located at the floor beams, plus four (4) additional 1/4" (O.H.S.) flat plates welded to the center sill webs, located at the crossbearers.

b. Strikers

Pullman Standard built-up welded design with integral coupler carrier arranged for A.A.R. drop forged wear plate, 269-341 Brinell hardness.

c. Draft Gear Pockets

The draft gear pocket is 12-7/8" between center sill webs and longitudinally 24-5/8" between front and rear draft lugs. The rear draft lugs are built-up welded design, securely welded to the inside of the center sill webs, meeting A.A.R. design requirements. The front draft lug and key slot liner are forged design. The draft gear carrier, one (1) per pocket (A.A.R., Alternate Standard), is 8" x 5/8" (O.H.S.) plate riveted to the center sill bottom flanges with six (6) 7/8" diameter rivets.

d. Draft Gears

A.A.R. approved, high capacity, Specification M-901-E, for 24-5/8" pocket. Coupler horn clearance is 3-3/4" in normal position.

The draft gear follower plate is hardened in accordance with A.A.R. Manual Page C-34, latest revision.

e. Couplers

A.A.R. Standard E60C-HT high tensile, solid butt, Grade "C" steel, 6-1/4" x 8" rigid shank, 21-1/2" long with recess on bottom of shank for a 5" x 1/4" x 0'8" long hardened wear plate, E-24 rotary articulated locklift assembly, manufactured in accordance with A.A.R. Specification M-211, latest revision. Knuckle pivot pins are manufactured in accordance with A.A.R. Specification M-118, latest revision.

f. Coupler Yokes

A.A.R. Standard for "E" coupler, Y40A-HT Grade "C" cast steel in Grade "B" sections, with 24-5/8" draft gear pocket manufactured in accordance with A.A.R. Specification M-211, latest revision.

7. UNDERFRAME CONSTRUCTION - (Continued)**g. Coupler Keys and Retainers**

Coupler keys are to ASTM Specification A-576, latest revision, Grade C-1045, 6" x 1-1/2" half-round edge sections, M-2150. The coupler keys are held in place with A.A.R. hairpin type retainers.

h. Body Bolster

The body bolsters, two (2) per car, are built-up welded construction.

The body bolster top cover (Bibber type) is a 7/16" plate extending in one (1) piece over the center sill between side sills with the inboard edge contoured from 38-1/2" at the center sill to 24" at the side sill.

The body bolster bottom cover is a 23" x 1/2" (O.H.S.) universal mill edge, plate extending from the bottom flange of the center sill to the side sill reinforcement.

The body bolster webs are 3/8" (O.H.S.) extending between the body bolster top cover, body bolster bottom cover, and center sill web to the side sill reinforcement. The body bolster webs are welded to the side sill reinforcement, and the top and bottom cover plates and to the center sill web.

The body bolster bottom cover plates are joined together by a 25" x 7/16" (O.H.S.) sole plate welded to the body bolster bottom cover plates and center sill.

The body bolster bottom cover plate is additionally stiffened at the bend point by a 3/8" (OHS) stiffener between the body bolster top and bottom cover plates outboard of the body bolster webs and between the body bolster webs.

The body side bearing braces are 5/16" (O.H.S.) inverted "U" sections extending between body bolster webs, welded thereto and to the body bolster bottom cover.

i. Body Side Bearings

The body side bearings are a special wedge section, ASTM Specification A-576, latest revision, Grade C-1045 steel having .43% - .50% carbon, tapered to agree with the slope of the body bolster and heat treated to 248-375 Brinell hardness. The hardened bearings and filler plates are bolted to the body bolster bottom cover plates with 3/4" diameter countersunk head plow bolts and with standard nut tack welded to bolt.

Side bearing clearance is 3/16" minimum, 5/16" maximum per bearing. Total clearance at the BR and AL bearing is the same as at the BL and AR bearing, with permissible variation not to exceed 1/8".

3. UNDERFRAME CONSTRUCTION - (Continued)**j. Body Center Plate and Center Filler**

The body center plates are Pullman Standard design with drop forged bowl, and with 1" flange, and the center filler is Pullman Standard built-up welded design for 70-ton capacity cars with rigid underframe.

The bowls are A.A.R. contour, 13-3/4" diameter. Material is to Specification SAE-1030. Bowl bearing surface is smooth, true, and parallel. Maximum hardened contact bearing surfaces of the center plate are to a depth of 1/8" and to a hardness of a minimum of 300 BHN at the bowl horizontal and vertical surface.

The center plates are lock-bolted to the body bolster sole plate and center sill bottom flanges.

The body center plate mounting surface and the center filler flatness requirements shall conform to the procedures as outlined on A.A.R. Manual pages C-28A and C-28B, latest revision.

k. Crossbearers

The crossbearers, four (4) per car, are built-up weldments with a 1/4" (O.H.S.) web plate extending between center sill web and the crossbearer side connection plate. The web of the crossbearer is welded to the center sill web, crossbearer side connection plate and the crossbearer top and bottom cover plates. The crossbearer top cover plate is connected to the side sill by the welding of a 1/4" (O.H.S.) gusset.

The crossbearer top cover plates are 8" x 5/16" (O.H.S.) extending between and welded to the side sill connection plate and the top flange of the center sill, contoured to permit the floor stringers to pass over the cover plate.

The crossbearer bottom cover plates are 8" x 5/16" (O.H.S.) extending between and welded to the side connection plate and to the bottom flange of the center sill.

The crossbearer side connection plates are 8" x 5/16" (O.H.S.) welded to the crossbearer web and bottom cover plate and lock bolted to the side sill reinforcement.

The crossbearer bottom cover plates are joined together by a 8" x 5/16" (O.H.S.) plate welded to the bottom center sill flanges and the center sill separator.

l. Floor Beams

Six (6) per car, 6" @ 8.5# CBJ-6 sections (PS-526), welded to the side sill reinforcement and the center sill web.

m. Floor Stringers

There are six (6) floor stringers per car, three (3) each side of the center sill, consisting of the following.

7. UNDERFRAME CONSTRUCTION - (Continued)**m. Floor Stringers - (Continued)**

The outboard stringer adjacent to the side sill is an S4 x 7.7 (PS-526) I-Beam extending between bolsters and an S3 x 7.5 (H.S.S.) I-Beam from the bolsters to the end sills.

The inboard stringer adjacent to the center sill is an S4 x 7.7 (PS-526) rolled I-Beam extending between bolsters and an S3 x 7.5 (H.S.S.) rolled I-Beam from the bolsters to the end sills. The middle stringer is an S4 x 7.7 (PS-526) rolled I-Beam extending between floor beams adjacent to the bolsters and S3 x 7.5 (H.S.S.) rolled I-Beam between floor beam and bolster and bolster to the end sill. The S3 x 7.5 I-Beam stringer from the floor beam to the bolster is supported by 1" thick (O.H.S.) filler to provide for wheel clearance.

The stringers are welded to the end sill. The stringers pass over the top of the crossbearers and floor beams, and are welded to the underframe crossmembers.

8. SIDE CONSTRUCTION**a. General**

The sides are Pullman Standard automatically arc welded type of steel construction, with outside posts in which the side sheets are butt-welded together at and to the inside of the flanges of the hat section side posts. The sheets are placed on the inside of the side plate and side sill, and continuously arc welded thereto with a caulking seal on the outside of the car, sealing the side sheet to the side sill.

The welds on the inside of the car are not ground.

Each side is designed for one (1) sliding type door with a clear doorheight of 10'-5", with a 1-3/4" nailable steel floor, and a clear door width of 10'-0". The center line of the door opening is the center line of the car.

b. Side Sheets

The intermediate side sheets are .100" thick commercial hot rolled open hearth copper bearing steel. The side sheets adjacent the door post and corner post are 3/16" commercial hot rolled open hearth copper bearing steel.

The side sheet splice plates at the hat section side posts are 1/8" thick commercial hot rolled open hearth copper bearing steel.

c. Side Plate

The side plates, two (2) per car, are 5/16" (PS-526) fabricated section to suit welded roof.

d. Side Sill

The side sills, two (2) per car, are 6" x 3-1/2" x 5/16" (O.H.S.) rolled angle, end sill to end sill.

8. SIDE CONSTRUCTION - (Continued)**e. Side Sill Reinforcement**

The side sill is continuously reinforced between end sills by 15" deep x 5/16" thick plate (PS-526) "L" shaped section with 4" bottom flange.

The reinforcement is automatically welded full length to the bottom of and flush with the side sill angle, and is attached to floor beams and body bolsters by welding and to crossbearers by lock-bolted fasteners.

f. Side Posts

Twenty (20) per car, ten (10) per side, are 3/16" (PS-526) pressed hat sections, 3" deep, 9" wide.

g. Corner Posts

1/4" (H.S.S.) copper bearing, pressed "J" section, closed with L3 x 3 x 1/4 (O.H.S.) rolled angle to form a box section.

h. Door Posts

1/4" (H.S.S.) copper bearing, pressed plate, and a 1/4" (H.S.S.) pressed plate indented to accommodate a 5/8" round bar lading strap anchor flush with the side lining, welded together to form a box section.

i. Door Post Gussets

The door posts, side sheets, side sill, and side sill reinforcement are joined together with a 3/8" (PS-526) gusset, lock-bolted and welded to the outside of the car.

j. Threshold Plate

The threshold plates, two (2) per car, are MC6 x 12 (O.H.S.) rolled channel flush with the top of the steel floor.

k. Vent Holes

1" diameter vent holes are provided in the top portion of the side sheet covering the hat section side post.

9. SIDE DOORS

Two (2) per car, one (1) per side, 10'-5" wide sliding type steel door provide a clear door height of 10'-5", with a 1-3/4" available steel floor, and a clear door width of 10'-0".

10. END CONSTRUCTION**a. General**

The ends are Pullman Standard design steel in two (2) sections, with 5" deep corrugations, welded at the center seam and to the box type corner post.

10. END CONSTRUCTION - (Continued)**b. End Sheets**

The bottom end sheet is 1/4" thick (H.S.S.) and the top end sheet is 3/16" (H.S.S.).

c. End Sills

Separate L6 x 3-1/2 x 5/16 (H.S.S.) rolled angle butt-welded to steel end bottom sheet.

d. End Lining

The end lining is 5/32" (H.S.S.) flat plate in two (2) pieces, securely welded to the inside face of the end sheet corrugations. The inside face of the end lining is smooth and free of all weld splatter.

e. Corner Gussets

The horizontal legs of the side and end sills are joined together with a 1/4" (O.H.S.) pressed side sill and end sill (corner) gusset.

11. ROOF CONSTRUCTION**a. General**

The roof is the Pullman Standard welded design as described in the following paragraphs.

b. Roof Sheets

The roof sheets are No. 14 Gauge (.0785") copper bearing commercial galvanized material. Sheets are sloped 1/8" per foot from center line of the car to the side of the car.

c. Assembly

The sheets are flanged upward and joined together by riveting within a hairpin type of seam cap. The outside flanges are welded to the top horizontal flange of the formed section side plate.

d. Seam Caps

The seam caps are pressed from No. 12 Gauge (.1084") copper bearing commercial galvanized sheets. The seam caps are of the hairpin type, extending across the car on top of the roof. Each seam cap is flanged down and fastened to the top horizontal flange of the formed section side plate. Seam caps are spaced on 41" centers.

12. BRAKE SYSTEM**a. Air Brake**

Standard ABDW-1012 freight car brake equipment with butt-weld type fittings, including the retainer line.

b. Braking Power - (Composition Shoes)

The brake shoe forces as determined by the brake rigging efficiency test shall be not more than 30% of the light weight of the car and not less than 6.5% of the gross rail load, based on a brake cylinder pressure of 50 pounds per square inch.

c. Brake Pipe

All pipe is extra heavy black steel in accordance with ASTM Specification A-53. The 1" and 1-1/4" pipe fittings on the brake pipe are the butt-welded type. The 1-1/4" brake pipe is butt-welded except for 1-1/4" threaded coupling at the end nipples. The angle cocks are the combination threaded and compression type with FP-5 couplings on the air hose.

d. Brake Attachments

The ABDW valve and reservoir are secured with high strength steel bolts and elastic stop nuts. Retainer valve and angle cocks are secured with elastic stop nuts.

e. Piston Travel

Piston travel is 7-1/4", plus or minus 1/4", adjusted by a double acting automatic slack adjuster.

f. Brake Rigging

The brake rigging is designed to carry forces resulting from the maximum brake cylinder pressure of 90 pounds without exceeding the A.A.R. stress limits.

12. BRAKE SYSTEM - (Continued)**g. Pipe Clamps**

All piping is secured to the underframe with wedge type pipe clamps.

Spacing is 8'-0" maximum for 1-1/4" pipe and 7'-0" maximum for 3/4" pipe.

The branch pipe tee anchor consists of one (1) anchor assembly and one (1) wedge.

h. Brake Pins - Body

The body brake pins are A.A.R. approved.

All holes for the air brake pins are drilled.

i. Brake Pin Cotters - Body

Commercial.

j. Release Rod

The release rod is 1/2" diameter open hearth steel with closed loop ends.

k. Hand Brake

The hand brake is 1966 A.A.R. approved, with an AAR-66 bell crank.

Hand brake chain is 9/16", BBB.

The hand brake is secured to the car with 5/8" standard flat neck bolts and regular hexagon nuts, with the nut welded to the bolt after proper tightening.

l. Body Brake Levers and Guides

The body brake cylinder lever is 1" thick solid full section. The two (2) vertical levers used in conjunction with the hook and eye lever connection are forged steel.

The brake lever guides will be 1-1/2" x 3/8" (O.H.S.) flat bar section, except at cylinder lever to support the slack adjuster fulcrum which is a 1-1/2" x 1/2" (O.H.S.) flat bar section secured by welding.

m. Brake Rod Jaws

The brake rod jaws are drop forged, weld on type.

12. BRAKE SYSTEM - (Continued)**n. Brake Lever Diagram Plate**

A pressed metal brake lever diagram plate is attached to the underframe near the brake cylinder.

o. Brake Cylinder Push Rod

The brake cylinder push rod faces the "B" end of the car.

13. SAFETY APPLIANCES

All safety appliances are in accordance with F.R.A. Safety Appliance Standards. All ladder treads and grab irons are 7/8" diameter, except unsupported length over 36" which are of 1" diameter. Sill steps are 2-1/2" x 3/4".

14. UNCOUPLING DEVICE

The uncoupling device is a Pullman Standard design of one inch (1") diameter (O.H.S.) steel for operating a bottom operated coupler with E-24 articulated rotary locklift assembly.

15. JACKING PAD AREAS

Four (4) per car, L6 x 4 x 1/2" (H.S.S.) rolled angle and 3/8" (H.S.S.) plate, are applied diagonally at the body bolsters at the side sill reinforcement in compliance with Paragraph 2.1.5.21. in the A.A.R. Specifications for Design, Fabrication, and Construction of Freight Cars (29" min. - 45" max.).

16. DEFECT CARD RECEPTACLE

One (1) per car.

17. OWNERSHIP MARKING

Ownership marking is to be stenciled on the car.

18. LADING ANCHORS

5/8" diameter (O.H.S.) round bar lading strap anchors are located at the door posts, full height of car.

In addition, eighty-four (84) per car, seven (7) per post, three (3) per quarter of car, 1-1/2" x 1/4" round edge bar lading strap anchors.

19. FLOOR

Pullman Standard 1-3/4" #10 Ga. (.1345") nailable steel floor, high strength low alloy copper bearing steel, 8" plank with 1/8" steel hat section reinforcement.

The floor and underframe construction are suitable for 50,000 pound lift truck loads

The floor fillers between crossmembers on top of the center sill are 1-1/2" x 7/16" (O.H.S.).

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20. MARKING

Car numbers are die stamped in 1/2" figures on the side of the car at the left-hand body bolster.

21. LUMBER

Card board material is soft wood, free from knots.

Routing Card Boards: One (1) on each side of the car located to the left of the placard board in accordance with A.A.R. requirements.

- Placard Board: One (1) on each side and one (1) on each end of the car adjacent the ladder on the BR and AL corners in accordance with A.A.R. requirements.

The routing and placard board holders are Pullman Standard make.

22. PAINTING AND STENCILING**a. Cleaning**

All metal surfaces are to be free of rust, dirt, and grease prior to painting. When cleaning is required, it will be done by means of solvent, water soluble cleaner, or by shot blasting--our option.

b. Riveted or Bolted Laps and Joints

One (1) coat of zinc chromate primer is to be applied at riveted joints on sides and ends. Use Tremco JS-788 Sealant at all roof joints.

c. Welded Joints

There is no paint applied at any weld joint prior to welding.

d. Caulking

Tremco JS-788 is to be used on sealing roof, sides, end plate corners, and where required. Vulkem 631 is to be used to caulk the side sill side sheet joint.

e. Flat Neck Bolt

Tremco JS-760-W-2452 Sealant Compound is to be used to seal flat neck bolt application.

f. Sides and Ends - Outside

One (1) coat of primer followed by one (1) coat of freight car finish paint. Total dry film thickness of 2.75 mils.

g. Side Posts - Inside

The inside of the side posts is to receive a coat of primer.

h. Side Doors - Outside

The outside of the side doors is given one (1) coat of primer by the manufacturer, followed by one (1) coat of finish paint after application to car by the car builder.

i. Sides and Ends - Inside

The inside face of the steel end and the back side of the steel end lining are given one (1) coat of primer before application of end lining to car.

After the application of the end lining, the inside of the sides and face of end lining are given one (1) coat of direct-to-metal paint.

22. PAINTING AND STENCILING - (Continued)

j. Side Doors - Inside

The inside of the side doors is given one (1) coat of door manufacturer's standard primer by the door manufacturer. After application to the car, the doors are given one (1) coat of direct-to-metal paint.

k. Roof

The outside and the underside of the roof sheets are not painted.

Seam caps and rivet heads are painted aluminum.

l. Nailable Steel Floor

Grooves and voids at junction of flooring, sides, and ends are filled solidly up to the level of the flooring with groove filler.

Anti-Skid Floor Covering is applied until complete coverage is obtained.

m. Underframe

The underframe is given one (1) coat of primer and one (1) coat of freight car finish paint.

n. Brake Rigging

One (1) coat of primer and one (1) coat of finish paint.

o. Brake Lever Diagram Plate

One (1) coat of primer and one (1) coat of finish paint. Plates are applied to the car after the car has been completely painted.

p. Trucks Except Wheels, Axles, and Brake Shoes

The truck side frames and bolsters are given one (1) coat of primer by the truck manufacturer before shipment to the car builder, followed by one (1) coat of light bodied black paint by the car builder.

Precautions are taken to prevent the paint from contacting the treads and flanges of the wheels.

22. PAINTING AND STENCILING - (Continued)

q. Stenciling

Done with white stencil paint, arrangement to suit A.A.R. requirements, in accordance with A.A.R. Manual Page L-39-A, latest revision.

Our proposition does not include any special large monogram or emblem, nor does it contemplate a two (2) tone striping or painting scheme.

r. Automatic Car Identification Labels

Automatic car identification labels are applied to each side of the car in accordance with A.A.R. requirements.

23. TRUCKS

a. Capacity 70-Ton

Wheel base 5'-8"

Side bearing centers 4'-2"

b. General

The truck brake is arranged with the brake lever connection passing through the truck bolster and with hook and eye levers.

c. Axles

The axles are A.A.R. Standard 6" x 11" freight car roller bearing type, per A.A.R. Specification M-101, latest revision, non-heat treated with raised wheel seats, rough turned all over, center portion between wheel seats turned to 250 microinch body finish as shown on A.A.R. Manual Page D-11, latest revision.

d. Bolsters

The truck bolsters are A.A.R. Standard for 14" diameter bowl, 25-1/2" truck height for 220,000 pound gross rail load, cast steel Grade "B" per A.A.R. Specification M-201, latest revision, and approved in accordance with A.A.R. Specification M-202, latest revision.

e. Truck Center Plate Lubrication

Each truck center plate is lubricated as stated in Rule 47, Section (E)(5) Interchange Rules, published by the Association of American Railroads, with molybdenum disulfide powder in Varsol.

Bearing surface of the truck center plate is cleaned and free of paint, grease, and foreign matter before applying lubricant.

f. Side Frames

The truck side frames are A.A.R. Standard narrow pedestal type for roller bearings, for 220,000 gross rail load, cast steel, Grade "B", per A.A.R. Specification M-201, latest revision, and approved in accordance with A.A.R. Specification M-203, latest revision. Wear plates are of welded and lock-bolted application by the side frame manufacturer.

g. Side Bearings

The truck side bearings are single roller type riveted to the truck bolster and filler with two (2) 7/8" diameter rivets.

23. TRUCKS - (Continued)

h. Wheels

The wheels are 33" one (1) wear steel, A.A.R. design, mounted on 6" x 11" axles at a pressure of not less than 85 tons nor more than 130 tons. Wheel markings are A.A.R. Standard. Wheels to be shot peened and magnetic particle inspected.

i. Springs

The truck springs are A.A.R. Standard, 3-11/16" travel, in accordance with A.A.R. Specification M-112, latest revision, for material and M-114, latest revision, for design.

j. Roller Bearings

The roller bearings are A.A.R. Standard, pregreased and preassembled, "NFL" type, narrow pedestal type for 6" x 11" journals, mounted on the axles in accordance with the manufacturer's latest recommendations.

k. Roller Bearing Adapters and Retainer Frame Keys

The roller bearing adapters are the latest A.A.R. Standard for 6" x 11" journals, finish machined to suit narrow pedestal side frame, without provisions for application of heat indicators, and without roller bearing retainer keys.

l. Brake Beams

The brake beams are A.A.R. Standard No. 18 beams of the Unit type with iron shoe rejection feature.

m. Brake Beam Wear Plates

For use with A.A.R. Standard No. 18 Unit type beams.

n. Brake Shoes

2" composition brake shoes.

o. Brake Shoe Key

Brake shoe key is A.A.R. Standard.

p. Brake Pins - Truck

The brake pins are A.A.R. approved forged type made of open hearth steel.

q. Brake Pin Cotter - Truck

Commercial.

r. Center Pins

The center pins are 1-3/4" diameter, 15" long with one end tapered.

s. Roller Bearing Retainer Frame Key

Without

24. BODY - (Continued)

End Lining	5/32" (HSS)
End Platforms	Steel - Galvanized AAR Approved
Floor	Available Steel
Hand Brakes	AAR 1966 Approved Vertical Wheel Type w/AAR-66 Bell Crank
Lading Strap Anchors at Door Post	5/8" Diameter Bar on Door Posts
Lading Anchors at Hat Section Side Posts	84 per car 1-1/2" x 1/4" Round Edge Bar Type
Pipe Clamps	Wedge Type
Roof	1/8" per 12" Pitch Galvanized, Welded and Riveted Design
Side Bearing	
Slack Adjuster	Double Acting Automatic
Threshold Plate	

5. TRUCKS

The trucks are equipped with the following items.

Axles	AAR Standard, 6" x 11" M-101, Non-Heat Treated
Bolsters	AAR Approved Pattern Grade "B" Cast Steel
Brake Beams	Unit Type #18
Brake Beam Wear Plates	For Unit Type #18 Beams
Brake Levers	
Brake Lever Bottom Connection	
Brake Pins	
Brake Shoes	2" Composition
Brake Shoe Keys	
Cotters	Commercial
Roller Bearings	6" x 11" "NFL" Type, Pregreased and Preassembled
Roller Bearing Adapters	6" x 11" Narrow Pedestal Without Heat Indicators
Side Bearings	Single Roller
Side Frames	AAR Approved Pattern Grade "B" Cast Steel
Springs	3-11/16" Travel
Wheels	33" Diameter One (1) Wear

FORM I - GENERAL CONDITIONS

SPECIFICATIONS:

Cars ordered under this proposal will be constructed in accordance with building specification bearing lot number assigned to the particular order, and such building specification will incorporate all of the features of estimating specification as well as all changes that have been mutually agreed upon between Buyer and Seller. Seller will advise Buyer the lot number of building specification, and this new number will be incorporated in all contract papers.

In the event that it shall become impossible for Seller to secure any materials required for the building of these cars in exact accordance with specification requirements, by reason of Government regulations, or by reason of priorities given to defense orders, or for any other reason beyond the control of Seller, the Seller may make changes in the specifications not materially affecting the strength or efficiency of the cars for railroad use and interchange and the Buyer agrees that it will not unreasonably withhold its consent to such substitutions.

INSPECTION:

Seller will give Buyer full opportunity to inspect cars during construction at Seller's plant. On completion of each car, Buyer will arrange for final inspection thereof at Seller's plant, and Buyer's representative will execute the usual form of certificates of inspection covering all cars found to be completed in accordance with the specifications and will deliver said executed certificate to Seller at Seller's plant at time of final inspection. Each inspection certificate, with respect to cars covered thereby, shall be final and conclusive evidence that such cars conform in workmanship, material, and construction, and in all other respects to the requirements and provisions of order or contract for the cars.

DELIVERY:

The delivery of the cars is contingent upon date of acceptance of this offer, upon Seller's ability to secure steel, and other materials to enable Seller to meet production requirements for these cars, as well as for cars which Seller now has on order which precede these cars in Seller's schedule. Time of delivery is also subject to prior sale of space, prompt settlement of all details and to delays due to strikes; fires, accidents, or any other causes or contingencies beyond Seller's control. Under no circumstances will delay in delivery of cars not due to Seller's willful act or gross negligence be considered as a default under this proposal; nor shall application of price adjustment provisions on account of changes in material prices (when applicable) or effective rate of compensation (when applicable) be restricted by reason of such delays; nor will Seller be under obligation to arrange for shipment and acceptance of any required materials in advance of its actual needs.

FORM I - GENERAL CONDITIONS

ACCEPTANCE OF ORDER:

Buyer shall furnish to Seller, promptly after receipt of a request therefor, such financial and other information concerning Buyer and its purchase of the cars as Seller may reasonably request and any acceptance by Seller of an order placed pursuant to this proposal is subject to approval of such order by Seller's Financial Department after receipt of such information.

ACCEPTANCE OF CARS:

Upon delivery of cars to the authorized representative of Buyer at place designated for delivery by Buyer, Buyer or its authorized representative will execute and deliver to Seller a certificate of acceptance and counterparts as requested.

TERMS OF PAYMENT:

Seller will determine the number of cars to be included in each closing based upon the total number of cars included in an order and upon the rate of delivery of such cars to Buyer. After such determination has been made, Seller will submit to Buyer its invoice for the purchase price, determined in accordance with this proposal, of the cars to be included in each closing accompanied by a bill of sale and such other documents as may be reasonably requested by Buyer. Buyer shall wire transfer federal funds to Seller for the full amount of purchase price of the cars covered by each such invoice within ten (10) business days after the date of such invoice. The term "business days" means calendar days excluding Saturdays, Sundays and legal holidays.

TAXES:

In addition to the price of the cars, Buyer shall pay Seller in cash, on demand, for any local, State or Federal Taxes (other than net income, excess profits and similar taxes) or licenses, including penalties, interest, and expenses in connection therewith, levied or imposed upon and paid by Seller with respect to, or measured by the sale of, use, payment, shipment, delivery or transfer of title to the cars under any law, rule, regulation, or order of any governmental authority.

PATENTS:

Seller will protect and defend Buyer against all liabilities that may arise from any claim that the use of any patented article or design in the manufacture of these cars constitutes an infringement of any patent, except that with respect to any article or design specified by Buyer and not manufactured by Seller or which is furnished or supplied by Buyer, the Buyer will in like manner protect and defend the Seller from all liabilities.

FORM I - GENERAL CONDITIONS

WARRANTY:

○ Seller guarantees to build the cars in accordance with the applicable specifications, and that the cars will be free from defects in material and workmanship under normal use and service. Seller's obligation under this warranty shall be limited to making good at its plant any part or parts of any car which shall be returned to the Seller within one year after delivery of such car, with transportation charges prepaid and which Seller's examination shall disclose with satisfaction such part or parts to have been thus defective; provided, however, this warranty shall be subject to the following exclusions and conditions:

1. Items or specialties, specified or supplied by the Buyer and not manufactured by the Seller, are excluded from this warranty.
2. Warranty coverage on car running gear and contact points to car structure is limited to one (1) year or 25,000 miles, whichever first occurs. (Car running gear and contact points to car structure utilize components to A.A.R. specifications to provide maximum car service life. The direct relationship between car mileage and service life limits the coverage of these components as specified in this item 2.)
3. Normal use and service may require inspection, adjustment, maintenance, and compliance with all regulatory agencies' known or pending requirements and/or Seller's instructions. This obligation is the Buyer's responsibility and such performance is necessary to preserve stated warranty coverage.

○ This warranty is expressly in lieu of all other warranties, expressed or implied, including any implied warranties of merchantability or fitness for a particular purpose and of all other obligations or liability on the part of the Seller. The Seller shall not be liable for indirect, consequential or special damages of any kind.

○

EXHIBIT B

Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, NJ 07636

March 9, 1979

McDonnell Douglas Finance Corporation
3855 Lakewood Boulevard
Long Beach, California

Gentlemen:

Reference is made to that certain letter dated April 20, 1978, from PULLMAN STANDARD DIVISION of PULLMAN INCORPORATED (hereinafter "Builder") to REX RAILWAYS, INC. (hereinafter "Rex"), which letter has been acknowledged and accepted by Rex and Rex-Noreco, Inc., pursuant to which Builder acknowledged receipt of Rex's telex order dated April 18, 1978, covering Two Hundred (200) 70-ton, 50'6" Box Cars in accordance with Builder's proposal dated April 13, 1978, and bidding specification No. 3722 dated September 15, 1977 (such letter of April 20, 1978, and all documents referred to therein being hereinafter referred to as the "Purchase Order").

In connection with the financing arrangements made between Rex and McDonnell Douglas Finance Corporation (hereinafter the "Assignee") relating to certain of the Box Cars covered by the Purchase Order, namely the 151st through and including the 200th Box Cars delivered thereunder and more fully described in Annex A to a certain Conditional Sale Agreement dated as of March 9, 1979 (the "Conditional Sale Agreement") between Rex and the Assignee (such Box Cars or any Cars which may be substituted therefor with the consent of the Assignee, hereinafter called the "Units"), it is hereby agreed as follows:

1. Rex hereby sells, assigns, transfers and sets over unto the Assignee all of Rex's right, title and interest in and to the Purchase Order, to the extent the same relate to the Units, including without limitation, in such assignment (a) the right upon valid tender by the Builder

to purchase the Units pursuant to the Purchase Order, and the right to take title to such Units and to be named the purchaser in the bill of sale to be delivered by the Builder for such Units pursuant to the Purchase Order, (b) all claims for damages in respect of such Units arising as a result of any default by the Builder under the Purchase Order, and (c) any and all rights of Rex to compel performance of the terms of the Purchase order in respect of the Units. Nothing herein shall in any way limit or affect Rex's rights and interests under the Purchase Order relating to Box Cars other than the Units.

2. Anything herein contained to the contrary notwithstanding: (a) Rex shall at all times remain liable to the Builder under the Purchase Order to perform all the duties and obligations of the buyer thereunder to the same extent as if this Assignment had not been executed; (b) the exercise by Assignee of any of the rights assigned hereunder shall not release Rex from any of its duties or obligations to the Builder under the Purchase Order except to the extent that such exercise by Assignee shall constitute performance of such duties and obligations; and (c) Assignee shall have no obligation or liability under the Purchase Order by reason of, or arising out of, this Assignment or be obligated to perform any of the obligations or duties of Rex under the Purchase Order or to make any payment (other than payment of the purchase price for the Units on the terms and conditions contemplated by the Conditional Sale Agreement) or to make any inquiry or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder.

Nothing contained herein shall in any way diminish or limit Rex's indemnities contained in the Conditional Sale Agreement with respect to any liability of Assignee to the Builder or others in any way relating to or arising out of the Purchase Order.

Nothing contained herein shall subject the Builder to any liability to which it would not otherwise be subject under or pursuant to the Purchase Order or modify in any respect the Builder's contract rights thereunder or require the Builder to divest itself of title to or possession of the Units until payment therefor as provided therein.

3. On the date the Builder tenders delivery of the Units pursuant to the Purchase Order, the Assignee shall, subject to the satisfaction of the conditions pre-

cedent contained in the Conditional Sale Agreement, purchase the Units from the Builder and pay the Builder on the Closing Date under the Conditional Sale Agreement an amount equal to the purchase price payable to the Builder on such delivery date for the Units pursuant to the Purchase Order, as such purchase price may be adjusted in accordance with the terms of the Purchase Order and invoiced by the Builder to Assignee on the delivery date for the Units.

4. Rex agrees that at any time and from time to time, upon the written request of Assignee, Rex will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Assignee may reasonably request in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

5. Rex hereby represents and warrants that the Purchase Order is in full force and effect and is enforceable in accordance with its terms and Rex is not in default thereunder. Rex further represents and warrants that Rex has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment shall remain in effect, the whole or any part of the rights hereby assigned, to anyone other than Assignee.

6. Rex agrees that it will not enter into any agreement with the Builder which would amend, modify, supplement, rescind, cancel or terminate the Purchase Order in respect of the Units without the prior written consent of Assignee.

7. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first above written.

MCDONNELL DOUGLAS FINANCE CORPORATION

Witness:

By: _____

REX RAILWAYS, INC.

Witness:

By: _____

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

On this 9th day of March, 1979, before me personally appeared Robert W. Gruber, to me personally known, who being by me duly sworn, says he is the President of Rex Railways, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[seal]

(Title of officer)

My commission expires _____

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

On this 9th day of March, 1979, before me personally appeared Jerome Botkow, to me personally known, who being by me duly sworn, says he is the duly authorized agent of McDonnell Douglas Finance Corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[seal]

(Title of officer)

My commission expires _____

The undersigned, Pullman Standard Division of Pullman, Incorporated (herein called "Builder") hereby acknowledges notice of and consents to the foregoing Letter of Assignment (herein called the "Assignment," the defined terms therein being herein used with the same meanings) subject to all the terms and conditions thereof and hereby confirms to Assignee that:

1. All representations, warranties, indemnities (including without limitation patent indemnities) and agreements of Builder under the Purchase Order shall inure to the benefit of Assignee to the same extent as if originally named the buyer therein;

2. Except as otherwise expressly provided in the Assignment, Assignee shall not be liable for any of the obligations or duties of Assignor under the Purchase Order nor shall the Assignment give rise to any duties or obligations whatsoever on the part of Assignee owing to Builder;

3. Builder has not and will not enter into or agree to any change order or any other amendment or supplement to or modification of the Purchase Order except as expressly set forth therein or permitted by the Assignment;

4. Upon delivery and acceptance of the Units in accordance with the terms of the Conditional Sale Agreement, title thereto shall vest in Assignee and Builder will execute and deliver to Assignee a bill of sale in favor of the Assignee in a form reasonably satisfactory to Assignee, and furnish such other evidence of title vesting in the Assignee as may be reasonably required by Assignee;

5. All deliveries of Units shall be in the manner required by the provisions of the Conditional Sale Agreement and the Purchase Order.

IN WITNESS WHEREOF, Builder has caused the Builder's Consent and Agreement to be executed and delivered by its duly authorized officer as of the date first set forth in the Assignment.

PULLMAN STANDARD DIVISION
PULLMAN INCORPORATED

By _____
Title:

EXHIBIT C

GUARANTY

In order to induce McDonnell Douglas Finance Corporation (hereinafter "Vendor") to consummate the transactions contemplated by the Conditional Sale Agreement (hereinafter the "Agreement") dated as of March 9, 1979 between the Vendor and a wholly-owned subsidiary of the undersigned, namely Rex Railways, Inc. (hereinafter "Vendee"), the undersigned (hereinafter "Guarantor") hereby irrevocably and unconditionally guarantees to the Vendor and its successors and assigns, payment by the Vendee of all sums to be paid by the Vendee under the terms of the Agreement, including, without limitation, the Conditional Sale Indebtedness evidenced by the Note (as those terms are defined in the Agreement), when and as such sums become due (whether as stated, by acceleration or otherwise), without offset, deduction, defense or counterclaim, and further guarantees full and timely performance of all other obligations and acts by the Vendee to be performed under the Agreement. This Guaranty is an absolute, continuing and unlimited guarantee of payment and not of collection, and Vendor, its successors and assigns, shall not be required to proceed first against the Vendee, or against any other person, firm or corporation, or against any collateral or security held by the Vendor, before resorting to and claiming against the Guarantor for payment or performance. The obligations of the Guarantor hereunder shall not be affected, impaired or relieved by reason of the invalidity or unenforceability of any obligation or indebtedness of the Vendee guaranteed by the Guarantor under this Guaranty.

The Guarantor hereby waives notice of acceptance hereof, diligence, presentment, demand of payment or otherwise, filing of claims in the event of receivership or bankruptcy of the Vendee, any right to require a proceeding first against the Vendee or any other person or any collateral or security held by the Vendor, and notice with respect to any obligations of the Vendee under the Agreement or the Note or otherwise.

The Guarantor agrees that it shall not assert any right of subrogation or contribution in respect of the Note or the Agreement unless and until Vendor shall have received payment in full of all amounts due or which may become due under this Guaranty, the Note or the Agreement. The Guarantor further agrees that if any payment made by the Vendee or any other person with respect to the principal of, premium, if any, or interest on the Note is subsequently recovered from or repaid by the recipient thereof,

in whole or in part, in any bankruptcy, reorganization, insolvency or similar proceeding instituted by or against the Vendee or any other such person or otherwise, this Guaranty shall continue to be fully applicable to the same extent as though the payment so recovered or repaid had not been originally made.

The Guarantor hereby represents and warrants that the Guaranty contained herein is within its corporate power and authority; does not violate any provisions of law, rule, regulation or decree or its Articles of Incorporation or By-Laws currently in force or of any mortgage, indenture, loan agreement or other instrument to which the Guarantor is a party or binding upon it or any of its properties; will not result in or give rise to any lien, encumbrance, security interest or charge upon any property of the Guarantor; and is a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms. The Guarantor hereby consents to the forbearance by Vendor against the Vendee or any renewal, extension, or acceleration of the Conditional Sale Indebtedness or the Note, and further consents to the granting of consent by Vendor to any modifications of the Agreement or the Note which do not increase the principal amounts payable thereunder.

The Vendor may settle, release on terms satisfactory to the Vendor or by operation of law or otherwise, or compromise, collect or otherwise liquidate any indebtedness of the Vendee and/or any collateral security therefor in any manner deemed advisable by the Vendor, all without in any way diminishing, releasing or discharging the Guarantor's liability hereunder. Further, the Guarantor hereby waives notice of, and consents to, the release, substitution, withdrawal, waiver, exchange or any other application or alteration, of any collateral security by Vendor. The rights of the Vendor hereunder are cumulative and this Guaranty shall be governed by the laws of the State of New Jersey and shall be binding upon the successors and assigns of the Guarantor and shall inure for the benefit of the successors and assigns of the Vendor.

The Guarantor agrees to pay to the Vendor any and all costs and expenses incurred by the Vendor in the enforcement of or the collection of amounts due under this

Guaranty, including reasonable attorneys' fees and disbursements and other expenses of collection.

IN WITNESS WHEREOF, the undersigned hereunto has caused this Guaranty to be executed as of the 9th day of March, 1979.

REX-NORECO, INC.

(Seal)

Attest:

By _____
Title:



BM 79050-79099

Ex D

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 30th. day of November, 1978, between REX RAILWAYS, INC., a N. J. corporation, 616 Palisade Ave., Englewood Cliffs, N.J. as principal alone, or with any partner, joint venture, or assignee ("Rex") as Lessor and Robert W. Meserve and Benjamin H. Lacy, Trustees of the Property of Boston and Maine Corporation, Debtor, a Delaware Corporation (the "Lessee"), as Lessee.

RECITALS

Lessee desires to lease from Rex as Lessor certain railroad cars, hereinafter specifically designated, all upon the rentals, terms and conditions set forth in this Lease.

AGREEMENT

It is Agreed:

1. *Lease of Cars.* Rex agrees to lease to Lessee and Lessee agrees to and does hereby lease from Rex railroad cars of the number of units, model, type, construction and such other description (hereinafter referred to as the "Cars") as is set forth in Schedule 1 attached hereto and by this reference made a part hereof and as set forth in Schedules which may from time to time be added to this Lease and thereby made a part hereof. The Lease shall become effective as to any Car immediately upon its delivery to and acceptance by Lessee pursuant to Paragraph 3.

2. *Delivery of Cars.* Rex shall deliver the Cars as promptly as is reasonably possible. Rex' obligations with respect to delivery of all or any of the Cars are hereby made expressly subject to, and Rex shall not be responsible for, failure to deliver or delays in delivering Cars due to labor difficulties, fire, delays and defaults of carriers and material suppliers or Car manufacturers, acts of God, governmental acts, regulations and restrictions or any other causes, casualties or contingencies beyond Rex' control. Initial delivery shall be at the point specified in the applicable Schedule. From and after acceptance of a Car, Lessee shall be liable for, and shall pay or reimburse Rex for the payment of all costs, charges and expenses of any kind whatsoever on account of or relating to switching, demurrage, detention, storage, transportation or movement of a Car, including specifically, but not exclusively, freight and switching charges for movement at any time and from time to time to and from repair shops, storage or terminal facilities.

3. *Condition of Cars — Acceptance.* All Cars delivered hereunder shall be in satisfactory condition for movement in the normal interchange of rail traffic and shall otherwise comply with the description and specifications contained in the applicable Schedule; but Lessee shall be solely responsible for determining that Cars are in proper condition for loading and shipment. Within five days after Rex shall give Lessee notice that some or all Cars are ready for delivery, Lessee may have its authorized representative inspect such Cars at the point specified in the notice and accept or reject them as to condition. Cars so inspected and accepted and any Cars which Lessee does not elect to inspect shall upon delivery thereof to Lessee as above provided be conclusively deemed to be accepted and subject to this Lease and to meet all requirements of this Lease. At Rex' request, Lessee shall deliver to Rex an executed Certificate of Acceptance in the form of Exhibit A with respect to all accepted cars.

4. *Use and Possession.* Throughout the continuance of this Lease so long as Lessee is not in default hereunder, Lessee shall be entitled to possession of each Car from the date the Lease becomes effective as to such Car and shall use such Car on its own property or lines or in the usual interchange of traffic; provided, however, that Lessee agrees that the Cars shall at all times be used (i) in conformity with Interchange Rules; (ii) in compliance with the terms and provisions of this Lease; (iii) in a careful and prudent manner, solely in the use, service and manner for which they were designed; (iv) only within the continental limits of the United States of America or in temporary or incidental use in Canada.

5. *Term.* This Lease shall be effective as to any Car on the date of delivery by Rex of such Car, as provided in Paragraph 2 hereof. The lease term shall commence on the Average Date of Delivery and shall terminate upon expiration of the lease term specified in the applicable Schedule unless sooner terminated in accordance with the provisions of this Lease.

6. *Rental.* (a) Per Car. During the term of this Lease, Lessee shall pay to Rex for each Car, commencing on the date of delivery thereof, the monthly rental specified in the applicable Schedule.

(b) Mileage Credits. If the Cars bear Rex' reporting marks and numbers, any time and mileage payments paid or allowed by railroads on the Cars shall be the property of Rex, but Rex shall credit time and mileage payments actually received by it (less taxes, other than income taxes, due or to become due on account thereof) against rental then or thereafter due under this Lease; provided, however, that in no event shall the aggregate time and mileage payments credited exceed the total rental payable by Lessee.

7. *Payment.* Lessee shall make payment of all sums due hereunder to Rex in immediately available funds at the address provided in Paragraph 21 hereof, or such other place as Rex may direct. Rental payments shall be made monthly in advance on or before the 1st day of each month for which such rental is due, except that the first full month's payment shall, in addition, include rental covering any prior period of less than one month.

8. *Title.* Lessee shall not by reason of this Lease or any action taken hereunder acquire or have any right or title in the Cars except the rights herein expressly granted to it as Lessee.

9. *Repairs.* Lessee shall perform or cause to be performed and shall pay all costs and expenses of all Repair Work without any abatement in rent or other loss, cost or expense to Rex. Any parts, replacements or additions made to any Car shall be accessions to such Car and title thereto shall immediately vest in Rex.

10. *Substitution of Cars.* Rex may, at any time and from time to time, replace any Casualty Cars with Replacement Cars and such Replacement Cars shall be deemed to be subject to all terms and conditions of this Lease as if the same had been originally delivered to Lessee at the time and in the place of Cars for which they are substituted. The parties shall execute amendments to this Lease and such other or further documents as may be required by either party hereto to evidence the withdrawal from and termination of this Lease with respect to Casualty Cars, or to include any Replacement Cars within the terms and provisions of this Lease and of any other document under which Rex has assigned its rights hereunder, as permitted in Paragraph 19 hereof.

11. *Abatement of Rent.* Rental payments on any Car shall not abate if such Car is out of service for Repair Work nor on account of any other reason whatsoever.

12. *Taxes.* Lessee shall be liable at all times for and shall pay or reimburse Rex for payment of all Federal, State or other governmental charges or taxes assessed or levied against the

Cars, including but not limited to (i) all Federal, State or other governmental property taxes assessed or levied against the Cars; (ii) all Federal, State or local sales or use taxes imposed upon or in connection with the Cars, this Lease, or use of the Cars for or under this Lease, (iii) all taxes, duties or imposts assessed or levied on the Cars or this Lease by a foreign country and/or any governmental subdivision thereof and (iv) all taxes or governmental charges assessed or levied upon its interest as Lessee of Cars. Lessee has no obligation for payment of any income taxes imposed on Rex resulting from rentals paid by Lessee.

13. *Liens.* Lessee shall keep the Cars free from any and all encumbrances or liens in favor of anyone claiming by, through or under Lessee which may be a cloud upon or otherwise affect Rex' title, including, but not limited to liens or encumbrances which arise out of any suit involving Lessee, or any act or omission of Lessee or Lessee's failure to comply with the provisions of this Lease, and Lessee shall promptly discharge any such lien, encumbrance or legal process.

14. *Indemnities — Patent Covenants.* Lessee agrees to indemnify Rex and hold it harmless from any loss, expense or liability which Rex may suffer or incur from any charge, claim, proceeding, suit or other event which in any manner or from any cause arises in connection with the use, possession or operation of a Car while subject to this Lease, excepting only any such loss, expense or liability which arises solely from Rex' negligence. Rex agrees to indemnify Lessee and save it harmless against any charge, loss, claim, suit, expense or liability arising out of or on account of the use or incorporation by Rex upon delivery of a Car or upon the making of repairs thereto by Rex, of any invention or the infringement of any patents, except if such invention was used or incorporated by reason of Lessee's specifications. The term "Rex" shall mean and include any subsidiary, parent or affiliated corporation for all purposes of this Paragraph 14. Lessee's indemnity shall not eliminate the rights given Lessee under any manufacturer's warranty assigned to it pursuant to Paragraph 22. The indemnities and assumptions of liability herein contained shall survive the termination of this Lease. Each party shall, upon learning of same, give the other prompt notice of any claim or liability hereby indemnified against.

15. *Lettering — Inventory.* At Rex' election all Cars may be marked to indicate the rights of Rex, or an assignee, mortgagee, trustee, pledgee or security holder of Rex' or a lessor to Rex, and may bear the following inscription: "Title to this Car subject to documents recorded under Section 20c of the Interstate Commerce Act." Except for renewal and maintenance of the aforesaid lettering or lettering indicating that the Car is leased to the Lessee or to a sublessee in accordance with demurrage tariffs, no lettering or marking shall be placed upon any of the Cars by Lessee and Lessee will not remove or change the reporting marks and numbers indicated on the applicable schedule except upon the written direction or consent of Rex. Rex may at its own cost and expense inspect the Cars from time to time wherever they may be, and Lessee shall, upon request of Rex, but no more than once every year, furnish to Rex its certified inventory of all Cars then covered by this Lease.

16. *Loss, Theft or Destruction of Cars.* In the event any Car is lost, stolen, destroyed or damaged beyond economic repair, Lessee shall, within five days of its knowledge thereof, by written notice, fully advise Rex of such occurrence. Except where Rex shall have received payment for such Casualty Car from a handling railroad or other party under and pursuant to Interchange Rules, Lessee shall, within 45 days after demand by Rex promptly make payment to Rex in the same amount as is prescribed in the Interchange Rules for the loss of such Car. This Lease shall continue in full force and effect with respect to any Casualty Car irrespective of the cause, place or extent of any casualty occurrence, the risk of which shall be borne by Lessee, provided, however, that this Lease shall terminate with respect to a Casualty Car on the date Rex shall receive all amounts and things granted it on account of such Car under this Paragraph 16, and thereafter Lessee shall have no further liability to Rex hereunder with respect thereto excepting accrued rent and liabilities arising or existing under Paragraphs 12, 13, and 14 hereof. Upon making the payment specified above, Title to the casualty car shall Vest in lessee.

17. *Return of Cars.* Upon the expiration or termination of this Lease with respect to any Car (other than pursuant to Paragraph 16 hereof), Lessee shall at its sole cost and expense forthwith surrender possession of such Car to Rex by delivering same to Rex at such repair shop, storage or terminal facility as Rex may designate by notice to Lessee. Each Car so surrendered shall be in the same or as good condition, order and repair as when delivered to Lessee, wear and tear from ordinary use and the passage of time excepted, shall be in need of no repairs, and shall be free from all accumulations or deposits from commodities transported in or on the Cars while in the service of Lessee. If any of the Cars do not bear Rex' reporting marks and numbers, Lessee shall place such reporting marks and numbers on any or all of the Cars as Rex shall designate in writing to Lessee prior to the end of the lease term. Until the delivery of possession to

east of
Mississip
River

Rex pursuant to this Paragraph 17, Lessee shall continue to be liable for and shall pay rental at the rate being paid immediately prior to termination or expiration, and Lessee shall in addition make all other payments and keep all obligations and undertakings required of Lessee under any and all provisions of this Lease as though such termination or expiration had not occurred. If Lessee is a railroad, Lessee agrees to provide storage at its expense, upon the request of Rex for any or all of the Cars for a period of ninety (90) days from the date of expiration or termination of this Lease. Nothing in this Paragraph 17 shall give Lessee the right to retain possession of any Car after expiration or termination of this Lease with respect to such Car.

at Rex's
risk,

18. *Default.* If Lessee shall fail to make any payment required hereunder within 20 days after same shall have become due or shall default or fail for a period of 20 days in the due observance or performance of any covenant, condition or agreement required to be observed or performed on its part hereunder, or if a proceeding shall have been commenced by or against Lessee under any bankruptcy laws, Federal or State, or for the appointment of a receiver, assignee or trustee of Lessee or its property, or if Lessee shall make a general assignment for the benefit of creditors, then and in any of said events Rex may at its election:

(a) terminate this Lease by written notice to such effect, and retake the Cars and thereafter recover as liquidated damages for loss of a bargain and not as a penalty, any and all damages sustained by reason of Lessee's default in addition to all rental unpaid as of said date; or

(b) without terminating the Lease repossess the Cars, and may relet the same or any part thereof to others upon such rental and other terms as it may see fit. The proceeds of any such reletting shall first be applied to the expenses (including reasonable attorneys' fees) of retaking and reletting of the Cars and delivery to the new lessee and then to the payment of rent due under this Lease. Lessee shall pay any deficiency remaining due after so applying the proceeds as the same shall accrue. Rex shall not be obligated to accept any lessee offered by Lessee, or to do any act or exercise any diligence whatsoever in the procuring of another lessee to mitigate the damages of Lessee or otherwise. The election by Rex to relet the Cars and the acceptance of a new lessee shall not operate to release Lessee from liability for any existing or future default in any other covenant or promise herein contained. The obligation to pay such deficiency or any sum or sums due and unpaid or any damages suffered by reason of Lessee's default hereunder shall survive the termination of the Lease and the retaking of the Cars.

The remedies provided in this Paragraph 18 in favor of Rex shall not be deemed exclusive but shall, where not by rule of law inconsistent with each other, be cumulative and may be availed of singly, in combination, or all together and in any order, and shall be in addition to all other remedies in Rex' favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law now or hereafter in effect which might limit or modify any of the remedies herein provided to the extent that such waiver is permitted by law.

19. *Sublease and Assignment.* The right to assign this Lease by either party and the Lessee's right to sublease shall exist only as follows:

(a) Lessee shall have no right to assign or sublease or loan any of the Cars without the prior written consent of Rex, provided, however, that Lessee shall have the right to sublease any of the Cars for single trips within the continental limits of the United States to its customers or suppliers where the sole purpose of such sublease is to obtain exemption from demurrage on the subleased Cars. Any such sublease shall be upon terms which are in compliance with all applicable Interchange Rules, tariffs, regulations and laws and all terms and conditions of this Lease;

(b) all rights of Rex hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to or consent of Lessee. This Lease and Lessee's rights hereunder are and shall be subject and subordinate to any lease to Rex chattel mortgage, security agreement or equipment trust or other security instrument covering the Cars heretofore or hereafter created by Rex provided only that so long as Lessee is not in default under the Lease, Lessee shall be entitled to the peaceful and quiet possession of the Cars. If Rex shall have given written notice to Lessee stating the identity and post office address of any assignee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall thereafter make such payments to the designated assignee.

The making of an assignment or sublease by Lessee or an assignment by Rex shall not serve to relieve such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or sublessee except as otherwise provided herein or unless expressly assumed in writing by such sublessee or assignee.

20. *Opinion of Counsel.* Upon the request of Rex or its assignee, Lessee will deliver to Rex an opinion of counsel for Lessee, addressed to Rex or its assignee in form and substance satisfactory to counsel for Rex or its assignee, which opinion shall be to the effect that:

(a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation, and has corporate power and has taken all corporate action necessary to enter into this Lease and carry out its obligations hereunder;

(b) this Lease has been duly executed on behalf of Lessee and constitutes the legal, valid and binding obligation of Lessee, enforceable in accordance with its terms;

(c) the Cars which are then subject to the Lease are held by Lessee under and subject to the provisions of this Lease prior to any lien, charge or encumbrance in favor of anyone claiming by, through or under Lessee; and

(d) no governmental, administrative or judicial authorization, permission, consent, or approval or recording is necessary on the part of Lessee in connection with this Lease or any action contemplated on its part hereunder, other than order of the U. S. District Court for the District of Massachusetts approving the entry of the Lessee into this Lease.

21. *Notice.* Any notice required or permitted to be given pursuant to the terms of this Lease shall be properly given when made in writing, deposited in the United States mail, registered or certified, postage prepaid, addressed to:

Rex at: P. O. Box 968
Englewood Cliffs, N.J. 07632

or at such other addresses as Rex may from time to time designate by such notice in writing and to Lessee at the address first above written or any such other address as Lessee may from time to time designate by notice in writing.

22. *Warranty.* Rex agrees to assign to Lessee such rights as it may have under warranties, if any, which it may have received from the manufacturer of any Cars or parts therefor and shall at

Lessee's expense cooperate with Lessee and take such action as may be reasonably requested to enable Lessee to enforce such rights. REX makes no warranty or representation of any kind, either express or implied, as to any matter whatsoever, including specifically but not exclusively, merchantability, fitness for a particular purpose extending beyond the description in the applicable Schedule, or the design, workmanship, condition or quality of the Cars or parts thereof which Cars have been accepted by Lessee hereunder; and REX shall have no liability hereunder for damages of any kind, including specifically but not exclusively, special, indirect, incidental, or consequential damages on account of any matter which might otherwise constitute a breach of warranty or representation. Lessee represents that all of the matters set forth in Paragraphs 20(a), (b) and (c) shall be and are true and correct at all times that any Car is subject to this Lease.

23. Governing Law — Writing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of N. J. The terms of this Lease and the rights and obligations of the parties hereto may not be changed or terminated orally, but only by agreement in writing signed by the party against whom enforcement of such change or termination is sought.

24. Counterparts. This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which may be evidenced by any such signed counterpart.

25. Severability — Waiver. If any term or provision of this Lease or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law. Failure of REX to exercise any rights hereunder shall not constitute a waiver of any such right upon the continuation or recurrence of the situation or contingency giving rise to such right.

26. Terminology. In construing any language contained in this Lease, no reference shall be made and no significance given to paragraph titles, such titles being used only for convenience of reference. Where the context so permits, the singular shall include the plural and vice versa.

27. Past Due Payments. Any nonpayment of rentals or other sums due hereunder, whether during the period within which a default may be cured or for a longer period, and whether or not deemed a default or violation of this Lease, shall result in the obligation on the part of the Lessee to pay also an amount equal to twelve per cent per annum (or if such rate may not lawfully be charged, then the highest rate which may lawfully be charged) of such overdue sum for the period of time from one week after the due date until such overdue sum is paid.

28. Definitions. For all purposes of this Lease the following terms shall have the following meaning:

(a) "Interchange Rules" — all codes, rules, interpretations, laws or orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the Association of American Railroads and any other organization, association, agency, or governmental authority, including the Interstate Commerce Commission and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

(b) "Average Date of Delivery" — that date which is determined by (i) multiplying the number of Cars delivered by REX on each day by the number of days elapsed between such day and the date of delivery of the first Car under the applicable Schedule, and (ii) adding all of the

products so obtained and dividing that sum by the total number of Cars delivered under the applicable Schedule and (iii) adding such quotient rounded out to the nearest whole number to the date of delivery of the first Car under the applicable Schedule. The date on which delivery of a Car shall be deemed to have been made will be the day following delivery of the Car to the Lessee. A Car shall be conclusively deemed delivered to the Lessee on the earliest date shown on any of the following: (i) Certificate of Acceptance or other writing accepting a Car signed by the Lessee; or (ii) a bill of lading showing delivery to Lessee or to a railroad for the account of Lessee.

(c) "Repair Work" — all repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in good working order and repair in accordance with and on the effective date of the requirements of all Interchange Rules and preventive maintenance necessary to keep and maintain the Cars in good working order and repair.

(d) "Casualty Cars" — Cars which are lost, stolen, destroyed or damaged beyond economic repair.

(e) "Replacement Cars" — Cars of substantially similar description and specification to that set forth in the applicable Schedule which are substituted for Casualty Cars.

29. *Benefit.* Except as otherwise provided herein the covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the parties and (to the extent permitted in Paragraph 19 hereof) their successors and assigns. Without limiting the generality of the foregoing, the indemnities of the Lessee contained in Paragraph 14 hereof shall apply to and inure to the benefit of any assignee of Rex and if such assignee is a trustee or secured party under an indenture under which evidence of indebtedness has been issued in connection with the financing of the Cars, then also to the benefit of any holder of such evidence of indebtedness.

IN WITNESS WHEREOF, Rex and Lessee have duly executed this Lease as of the day and year first above written.

REX RAILWAYS, INC.

By _____
President

[CORPORATE SEAL]

ATTEST:

Secretary

Robert W. Meserve and Benjamin H. La
Trustees of the Property of Boston a
Maine Corporation, Debtor.

a() Delaware corporation

By _____
as Trustee, not individually

By _____
as Trustee, not individually

RIDER 1

Page 1 of Rider 1 consisting of 2 pages attached to and made a part of Lease dated November 30, 1978 by and between Rex Railways, Inc. ("Rex") and Robert W. Meserve and Benjamin H. Lacy, Trustees of the Property of Boston and Maine Corporation, Debtor, ("Lessee").

1. It is understood that the Lessee is a railroad in reorganization under Sec. 77 of the Bankruptcy Act and that notwithstanding anything herein to the contrary, the following provisions shall apply:

(i) No termination of this agreement by reason of any default shall be final except after delivery of written notice from the lessor to the Lessee, and the continuance uncured of the default or defaults specified in such notice for 30 days;

(ii) The Lessee's interests under this agreement shall be deemed assigned to and its obligations assumed by the reorganized debtor issuing from the reorganization proceedings upon approval and implementation of a Plan of Reorganization of the Lessee under Sec. 77 of the Bankruptcy Act;

(iii) If the reorganization proceedings are dismissed under Sec. 77 (g) of the Bankruptcy Act or otherwise and liquidation of the Lessee is instituted, the Lessee shall select one of the following options in order to fulfill its obligations under this Lease:

(a) The Trustees of the Lessee shall continue to perform this Lease in accordance with its terms and provisions; or

(b) This Lease may be assigned to a sub-lessee with the consent of the Lessor which shall not be withheld unreasonably and upon such assignment, the obligations of the Lessee hereunder shall terminate without further liability; or

(c) Lessee may cancel this lease after the effective date of the order of liquidation of the Lessee, provided however, that it be responsible and shall pay the next 12 monthly installments of rent for the railroad cars under this Lease. If Rex finds a new lessee within the aforesaid 12 month period in the place and stead of the Lessee, the Lessee shall be relieved of the remaining balance of said term upon the payment by the replacement lessee of the monthly installments of rent, provided however, that the Lessee shall pay all costs of repainting, restenciling and transportation of the railroad cars subject to this Lease to the replacement lessee. If this option shall be elected by the Lessee, the Lessee shall provide storage free of cost, and at a risk of the Lessee, during the 12 month period next following the effective date of order of liquidation of the Lessee.

2. Purchase Option. The Lessee shall have the right to purchase the cars if Lessee is not then in default hereunder at the expiration of the term of the Lease. By serving written notice on Rex at any time within the last year of such term, at least ninety (90) days prior to the last day of such term, the purchase price shall be the greater of:

Page 2 of Rider 1 consisting of 2 pages attached to and made a part of Lease dated November 30, 1978 by and between Rex Railways, Inc. ("Rex") and Robert W. Meserve and Benjamin H. Lacy, Trustees of the Property of Boston and Maine Corporation, Debtor, ("Lessee").

(i) the depreciated value of the Cars on reproduction costs basis as provided under the Interchange Rules as of the end of the lease term, whichever is applicable, or

(ii) the fair market value to be agreed upon by Rex and Lessee.

In the event that the parties cannot agree on fair market value, it shall be determined by three (3) arbitrators, one to be selected by Lessee, one by Rex and the third selected by the two arbitrators selected by the parties. Fair market value for the purposes hereof shall mean the value which would be obtained in an arm's length transaction between an informed and willing buyer other than a buyer currently in possession and an informed and willing seller under no compulsion to sell without deducting from such value costs or removal of the Cars from their location in current use.

3. The Lessor and Lessee agree that this Lease shall be of no force and effect and the Lessor shall be under no obligation to advance funds for payment of any item unless and until this Lease obligation shall have been expressly approved by the court having jurisdiction over Lessee's reorganization and the Lessee furnishes the Lessor with appropriate evidence satisfactory to the Lessor, that the obligations of the Lessee under the Lease will constitute a cost of administration entitled to priority with all other costs of administration.

Lessee _____
as Trustee, not invididually

Rex _____

Lessee _____
as Trustee, not individually

EXHIBIT A

Schedule..1..to Lease dated Nov..30.,1978.. by and between
Rex Railways, Inc. as principal alone, or with any partner, joint
venture, or assignee ("Rex") as Lessor and Robert W. Meserve and
Benjamin H. Lacy, Trustees of the Property of Boston and Maine
Corporation, Debtor, a Delaware Corporation (the "Lessee"), as Less

CERTIFICATE OF ACCEPTANCE

_____, 19____

Rex Railways, Inc.
P.O. Box 968
Englewood Cliffs, New Jersey 07632

Gentlemen:

The undersigned, being a duly authorized representative
of Lessee, hereby accepts _____
(_____) Cars bearing numbers as follows:

for the Lessee pursuant to the Lease and certifies that each of
said Cars is plainly marked in stencil on both sides of each Car
with the words

Title to this Car subject to documents
recorded under Section 20c of Interstate
Commerce Act

in readily visible letters not less than one inch (1") in height, and that
each of said Cars conforms to, and fully complies with the terms of said
Lease and is in condition satisfactory to the Lessee. If the Lessee is a
railroad, Lessee hereby certifies that it is an interstate carrier by rail
and that the Cars are intended for actual use and movement in interstate
commerce.

By

Schedule 2

Page 1 of Schedule 2 dated November 30, 1978 to Lease dated November 30, 1978 by and between REX RAILWAYS, INC. as principal alone, or with any partner, joint venture, or assignee ("Rex") as Lessor and Robert W. Meserve and Benjamin H. Lacy, Trustees of the Property of Boston and Maine Corporation, Debtor, as Lessee.

TYPE AND DESCRIPTION OF CAR:

New 50'6" inside length XM Box Car equipped with 10' sliding doors, 70 ton trucks, nailable steel floors and interior lading strap anchors.

NUMBER OF CARS:

Fifty (50)

INTERIOR EQUIPMENT:

None

SPECIAL LININGS:

None

PERMITTED LADING USE:

General Commodities

*REPORTING MARKS AND NUMBERS:

BM _____ to _____ inclusive.

SPECIFICATIONS DESIGNATED BY LESSEE:

Boston and Maine Corporation paint and stencil requirements.

INITIAL F.O.T..DELIVERY POINT:

Manufacturing plant, Bessemer, Alabama

*When Rex reporting marks are specified, this lease is subject to the granting of all necessary consents to such use by carrier or any other approval now or hereafter required by tariff, Interchange Rules or other applicable laws and regulations.

Page 2 of Schedule 2 dated November 30, 1978 to Lease dated

November 30, 1978, by and between REX RAILWAYS, INC. as principal alone, or with any partner, joint venture, or assignee ("Rex") as Lessor and Robert W. Meserve and Benjamin H. Lacy, Trustees of the Property of Boston and Maine Corporation, Debtor, as Lessee.

LEASE TERM:

Fifteen Years (15)

MONTHLY RENTAL:

\$365.00 per car per month

SPECIAL TERMS:

See Rider Number 1

Robert W. Messerve and Benjamin H. Lacy
Trustees of the Property of Boston and
Maine Corporation, Debtor.

a() Delaware corporation

By _____
as Trustee, not individually

By _____
as Trustee, not individually

REX RAILWAYS, INC.

[CORPORATE SEAL]
ATTEST:

By _____

President

Secretary

STATE OF New Jersey }
COUNTY OF Bergen } ss

On this.....day of....., 19....., before me personally
appeared.....
to me personally known, who being by me duly sworn, says that he is..... President of
REX RAILWAYS, INC., and....., to me personally
known to be the..... Secretary of said corporation, that the seal affixed
to the foregoing instrument is the corporate seal of said corporation, that said instrument was
signed and sealed on behalf of said corporation by authority of its Board of Directors, and they
acknowledged that the execution of the foregoing instrument was the free act and deed of said
corporation.

.....
Notary Public

STATE OF
COUNTY OF } ss

On this.....day of....., 19....., before me personally
appeared..... Robert W. Meserve and Benjamin H. Lacy
to me personally known, who being by me duly sworn, says that they are Trustees
of the Property of Boston and Maine Corporation, Debtor
.....

..... and that said instru-
ment was signed..... on behalf of said debtor by authority of the U. S. District Court for
the District of Massachusetts and they acknowledged that the execution of the
foregoing instrument was the free act and deed of said trustees.

.....
Notary Public

EXHIBIT E

LEASE AGREEMENT ASSIGNMENT

DATED AS OF MARCH 9, 1979

FROM

REX RAILWAYS, INC., as ASSIGNOR

TO

MCDONNELL DOUGLAS FINANCE CORPORATION,
as ASSIGNEE

(COVERING 50 GENERAL PURPOSE BOX CARS)

Filed and recorded with the Interstate Commerce
Commission pursuant to 49 U.S.C. 11303 on _____,
1979 at _____, recordation number _____.

LEASE AGREEMENT ASSIGNMENT dated as of March 9, 1979 given by REX RAILWAYS, INC., a New Jersey corporation (hereinafter called the "Assignor"), to MCDONNELL DOUGLAS FINANCE CORPORATION, a Delaware corporation (hereinafter called the "Vendor" or "Assignee").

WHEREAS the Vendor and the Assignor have entered into a conditional sale agreement dated as of the date hereof (hereinafter the "Conditional Sale Agreement") covering the sale and delivery, on the conditions therein set forth, by the Vendor and the purchase by the Assignor of the railroad equipment described in the Conditional Sale Agreement (said equipment being hereinafter called collectively the "Equipment" or "Units" and individually a "Unit"), the obligations of the Assignor under the Conditional Sale Agreement being guaranteed by Rex-Noreco, Inc., a New Jersey corporation (hereinafter the "Guarantor"); and the Assignor is entering into a lease agreement dated as of November 30, 1978 with Robert W. Meserve and Benjamin H. Lacy, as Trustees of the Property of the Boston and Maine Corporation, Debtor, a Delaware corporation, providing for the Lease of the Equipment on the terms and conditions therein set forth (hereinafter the "Lease Agreement"); and

WHEREAS, it is a condition to the obligations of the Vendor under the Conditional Sale Agreement that the Vendor shall have executed and delivered this Assignment in order to assign and transfer to the Assignee, as collateral security, the security title, rights, and interests of the Vendee as lessor under the Lease Agreement in the Units, all upon and subject to the terms and conditions more fully set forth herein:

NOW, THEREFORE, WITNESSETH:

That in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration paid by the Assignee to the Assignor, the receipt of which is hereby acknowledged, and the mutual covenants herein contained:

1. The Assignor hereby assigns, transfers and sets over unto the Assignee, as collateral security for the payment and performance of the obligations of the Assignor under the Conditional Sale Agreement, all the Assignor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits, proceeds and other sums payable to or receivable by

the lessor under or pursuant to the provisions of the Lease whether as rent, mileage credits, purchase prices, casualty payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of a default specified in the Lease, and to do any and all other things whatsoever which the lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Assignor hereby irrevocably authorizes and empowers the Assignee in its own name, or in the name of its nominee, or in the name of the Assignor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Assignee agrees to accept any Payments for the account of the lessor pursuant to the Lease. To the extent received, the Assignor will apply such Payments to satisfy the obligations of the Assignor under the Conditional Sale Agreement and remit any balance to the Assignor in the manner and subject to the terms and conditions set forth in the Conditional Sale Agreement.

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

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

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

5. Upon the full discharge and satisfaction of all sums due from the Assignor to the Assignee under the Conditional Sale Agreement, this Assignment and all rights herein assigned to the Assignee shall terminate, and all estate, right, title and interest of the Assignee in and to the Lease shall revert to the Assignor.

6. The Assignor will pay and discharge any and all claims, liens, charges or security interests (other than those created by the Conditional Sale Agreement or this Assignment) on the Lease or the Payments due or to become due thereunder claimed by any party from, through or under the Assignor, or its successors and assigns (other than the Assignee), including tax liens arising out of the receipt of the income and proceeds from the Units, which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such Payments, but the Assignor shall not be required to pay or discharge any such claims, liens, charges or security interests so long as it is contesting the same in good faith by appropriate proceedings and the nonpayment thereof does not, in the opinion of the Assignee, adversely affect such interests of the Assignee.

7. The Assignor represents to the Assignee that the Lease is in full force and effect without default by the Assignor thereunder or to the best of the Assignor's knowledge, by the Lessee thereunder, and the Assignor further represents to the Assignee that the Assignor has not executed, made or consented to any other assignment, pledge, encumbrance of or security interest on, the subject matter of the assignment hereby made to the Assignee. The Assignor will, from time to time, execute, acknowledge and deliver any and all further instruments and assurances required by law or reasonably requested by the Assignee in order to confirm or further assure the interest of the Assignee hereunder.

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

9. This Assignment shall be governed by the laws of the State of New Jersey, but the parties shall be entitled to all rights conferred by 49 U.S.C. 11303.

10. The Assignor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Assignee at its address set forth in Article 24 of the Conditional Sale Agreement or at such other address as the Assignee shall designate.

11. The Assignee hereby agrees with the Assignor that the Assignee will not, so long as no default under the Conditional Sale Agreement has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or remedies conferred by Paragraph 18 of the Lease upon the occurrence of a default by the Lessee thereunder, without the prior consent of the Assignor.

IN WITNESS WHEREOF, the parties hereto, pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officials, all as of the date first above written.

REX RAILWAYS, INC., as Assignor

Witness:

By _____
Title:

MCDONNELL DOUGLAS FINANCE
CORPORATION, as Assignee

Witness:

By _____
Title

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

On this 9th day of March, 1979, before me personally appeared Robert W. Gruber, to me personally known, who being by me duly sworn, says he is the President of Rex Railways, Inc., that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[seal]

(Title of officer)

My commission expires _____

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

On this 9th day of March, 1979, before me personally appeared Jerome Botkow, to me personally known, who being by me duly sworn, says he is the duly authorized agent of McDonnell Douglas Finance Corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[seal]

(Title of officer)

My commission expires _____

CONSENT AND AGREEMENT

The undersigned, Robert W. Meserve and Benjamin H. Lacy, as Trustees of the Property of the Boston and Maine Corporation, Debtor, a Delaware corporation (hereinafter called the Lessee), the lessee named in the Lease Agreement (hereinafter called the Lease) referred to in the foregoing Lease Agreement Assignment (hereinafter called the Lease Assignment), hereby (a) acknowledge receipt of a copy of the Lease Assignment and (b) consent to all the terms and conditions of the Lease Assignment, and agree that:

(1) the Lessee will pay all rentals, casualty payments, purchase prices, liquidated damages, indemnities and other moneys provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Units leased thereunder, without any set-off, abatement, counterclaim, deduction or defense whatsoever, directly to McDonnell Douglas Finance Corporation (hereinafter called the Assignee), the assignee named in the Lease Assignment, at the Assignee's address referred to in the Lease Assignment (or at such other address as may be furnished in writing to the Lessee by the Assignee);

(2) the Assignee shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Assignee were named therein as the Lessor;

(3) the Assignee shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Assignee, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Assignee by signing the acceptance at the foot hereof, shall be deemed to be a contract, effective as of the date of acceptance, under the laws of the State of New Jersey and, for all purposes, shall be construed in accordance with the laws of said State.

_____, as
Trustee, not individually

_____, as
Trustee, not individually

Accepted as of the 9th day of March, 1979.

McDONNELL DOUGLAS FINANCE CORPORATION, Assignee

By: _____
Title:

STATE OF)
 : ss.:
COUNTY OF)

On this _____ day of March, 1979, personally ap-
peared before me ROBERT W. MESERVE and BENJAMIN H. LACY,
to me known to be the persons named in and who executed
the foregoing instrument and each of whom acknowledged
that he executed the same as his free act and deed as
trustee as aforesaid.

(seal)

Notary Public in and
for said County and State

My commission expires _____

EXHIBIT F

PROMISSORY NOTE

\$ _____, 1979

FOR VALUE RECEIVED, REX RAILWAYS, INC. ("Borrower") promises to pay to the order of MCDONNELL DOUGLAS FINANCE CORPORATION ("Lender"), at the office of The Chase Manhattan Bank, N.A., New York, NY 10015 (at the Lender's account # 910-1-30-412) or at such other office and/or account as the Lender shall hereafter specify in a written notice given to the Borrower, in lawful money of the United States of America and in immediately available funds, the principal amount of _____ Dollars (\$ _____) and to pay interest at such office in like money and funds from the date hereof on the unpaid principal amount hereof, until payment in full of such unpaid principal amount at the rate of 12.90% per annum until maturity (whether as stated, by acceleration or otherwise).

The principal amount hereof and interest thereon shall be paid as follows: (i) 11 equal monthly installments of principal and interest, each such installment to be in an amount equal to 1.25867% of the original principal amount hereof, shall be payable on the fifteenth day of each month (or if such day is not a business day as defined in the Conditional Sale Agreement hereinafter mentioned, then on the first such day thereafter) commencing with April 15, 1979 and ending with February 15, 1980, and (ii) a final installment of principal and interest in an amount equal to 98.91954% of the original principal amount hereof shall be payable on March 15, 1980; the aggregate of such installments being intended fully to amortize the principal amount hereof and to pay all interest accrued thereon by and as of March 15, 1980.

This Note is the Note referred to in a Conditional Sale Agreement dated as of March 9, 1979, between the undersigned and the Lender and is entitled to the benefits thereof is secured as provided therein and may be prepaid in whole or in part at any time without prepayment premium as provided therein.

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

Interest shall accrue, to the extent legally enforceable, at the rate of 15% per annum, or at such lesser rate as may be legally enforceable, on all overdue payments of principal hereof (whether such payments are due at stated maturity, by acceleration or otherwise). Each monthly payment made hereunder by Borrower shall be deemed to have been applied first to the payment of all interest accrued hereon and unpaid as of the date such monthly payment is required to have been made and thereafter to the outstanding principal amount hereof.

The Borrower hereby waives diligence, presentment, demand for payment, notice of dishonor or other notice in connection with the Note, or any right to require a proceeding first against any collateral or security held by the Lender under the Conditional Sale Agreement or otherwise.

This Note shall be governed by and construed under the laws of the State of New Jersey.

Should the indebtedness represented by this Note be collected in any legal proceeding or placed in the hands of attorneys for collection after default, the undersigned agrees to pay, in addition to all other amounts due hereunder, reasonable attorneys' fees and expenses of collection.

REX RAILWAYS, INC.

Witness:

By _____

Title: _____
