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RECORDATION NO. 20125

JUN 7 1996 12:22 PM

June 7, 1996

RECORDATION NO. 20125 - A
FILED 1426

JUN 7 1996 12:30 PM

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

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Lease Agreement, dated May 13, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents, and Rental Rider No. 1, dated May 13, 1996, a secondary document related thereto.

The names and addresses of the parties to the enclosed documents are:

Lessor: First Union Rail Corporation
One O'Hare Center
6250 River Road, Suite 3005
Rosemont, Illinois 60018

Lessee: Railcar, Ltd.
1819 Peachtree Road, N.E.
Suite 315
Atlanta, Georgia 30309-1847

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

forty-eight (48) gondola cars bearing GNRR reporting marks and road numbers as set forth on Schedule I attached to Rental Rider No. 1.

RECEIVED
SURFACE TRANSPORTATION
BOARD

JUN 7 12 28 PM '96

Williams
Williams
Williams

Mr Vernon A. Williams
June 7, 1996
Page 2

Also enclosed is a check in the amount of \$42 00 payable to the order of the
Surface Transportation Board covering the required recordation fee

Kindly return stamped copies of the enclosed documents to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "Alvord", written in a cursive style.

Robert W Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

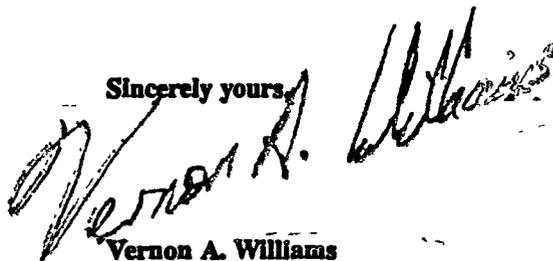
6/7/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/7/96 at 12:30PM, and assigned recordation number(s). 20125 and 20125-A.

Sincerely yours,

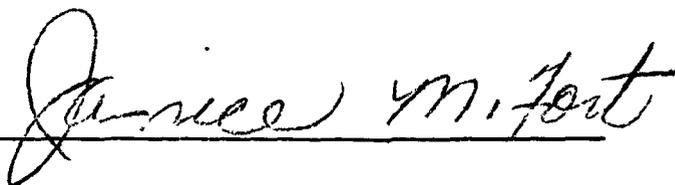


Vernon A. Williams
Secretary

Enclosure(s)

\$ 42.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



RECORDATION NO. **20125**

JUN 7 1996 - 12:00 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

BETWEEN

FIRST UNION RAIL CORPORATION

AND

RAILCAR, LTD.

LEASE AGREEMENT INDEX

Pursuant to LEASE AGREEMENT dated May 13, 1996, by and between FIRST UNION RAIL CORPORATION, a North Carolina corporation, and RAILCAR, LTD., a Georgia corporation.

CONTRACT NO. _____

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EXHIBIT A - CERTIFICATE OF ACCEPTANCE

RIDER(S)

FIRST UNION RAIL CORPORATION

LEASE AGREEMENT

This LEASE AGREEMENT (the "Lease") dated as of the 13th day of May, 1996 (the "Agreement"), by and between FIRST UNION RAIL CORPORATION, a North Carolina corporation ("Lessor"), and RAILCAR, LTD., a Georgia corporation, having its principal place of business at Suite 315, 1819 Peachtree Road, N.E., Atlanta, Georgia 30309-1847 ("Lessee").

Contract No. _____

WITNESSETH:

1. Lease. Lessor agrees to furnish and lease to Lessee, and Lessee agrees to accept and use upon the terms and conditions herein set forth, the railroad cars ("Cars") covered by the riders attached hereto and such additional riders as may be added hereto from time to time by agreement of the parties (each such rider, a "Rider") and any and all other Cars delivered to and accepted by Lessee and leased to Lessee by Lessor. Each Rider shall set forth the number of Cars, the rental rate, term of use (as set forth in the Lease or any Rider, the "Term"), Car numbers, and other pertinent information that may be desired by both parties. All Cars leased pursuant to such Riders, or otherwise delivered to and accepted by Lessee and leased to Lessee by Lessor, are subject to the terms of this Agreement.

2. Delivery. Lessor agrees to deliver the Cars (if made available to Lessor) to Lessee at Lessee's expense at the location designated in the appropriate Rider as mutually agreed as the point of delivery and Lessee agrees to accept such delivery. Lessor's obligations as to such delivery shall be subject to all delays resulting from causes beyond its control.

3. Inspection and Acceptance. Each Car shall be subject to Lessee's inspection upon delivery and Lessee shall execute promptly after delivery thereof a Certificate of Acceptance in the form set forth in Exhibit A hereto evidencing the fitness and suitability of each Car and Lessee's acceptance of such Car. In the alternative, the loading of any Car by Lessee or at its direction, or the failure by Lessee to report to Lessor any defect within seven (7) days from date of receipt at point of delivery shall constitute acceptance thereof by Lessee, and shall be conclusive evidence of the fit and suitable condition thereof for the purpose of transporting the commodities then and thereafter loaded therein or thereon. In the event any Car is acquired at the direction of Lessee from a manufacturer or other third party for purposes of this Agreement, then such Car shall be deemed to be accepted for all purposes of this Agreement upon the earlier of (i) delivery as provided in Section 2 above or (ii) payment by Lessor for such Car. In such case, Lessor shall assign to Lessee all warranties with respect to such Car to Lessee, who shall be entitled to assert any claims with

respect to any warranties on behalf of Lessor until the occurrence of a default as provided in Section 21 hereof, in which case the assignment shall automatically terminate.

4. Usage. None of the Cars shall be shipped beyond the boundaries of Canada, Mexico or the United States except with the prior written consent of Lessor. Further, the Cars shall be used in accordance with manufacturer's specifications and so as not to void any warranties, in accordance with insurance policies required to be maintained and so as not to discriminate against the Cars as to other cars owned or used by Lessee.

5. Rent.

(a) Rental Charge. Lessee agrees to pay the rental charge ("Rental") set forth in the appropriate Rider with respect to each of the Cars from the date of delivery thereof for the term of the Lease set forth in the Rider and thereafter until such Car is returned to and accepted by Lessor. Each Rental shall be paid in arrears as set forth in the appropriate Rider, prorating, however, any period which is less than a full quarter. Except as expressly provided herein, the Rental shall be payable without deduction, reduction, set-off or counterclaim of any kind, for any reason, whether or not related to this Agreement. Such Rental shall be paid to Lessor at the address set forth in the appropriate Rider.

(b) [Intentionally Omitted]

(c) Late Charges. In the event any Rental or other payments due Lessor hereunder are not paid within ten (10) days after their respective due dates, Lessee shall also pay to Lessor from date due interest on such amount at the prime rate of First Union National Bank of North Carolina as announced from time to time, plus 2% until such rental or such other payments shall be paid. Lessee acknowledges that the prime rate of First Union National Bank of North Carolina may not be the best or lowest rate offered to its borrowers.

(d) Depreciation. Except as expressly permitted in Section 20 hereof, Lessee will not enter into any agreement or contract to depreciate or otherwise alter the earning capacity or method which compensation is paid for the Cars without the express written consent of Lessor.

6. No Lessor Warranties. LESSEE ACKNOWLEDGES THAT THE CARS ARE OF THE TYPE, DESIGN, SIZE AND CAPACITY AND HAVE BEEN MANUFACTURED BY MANUFACTURERS SELECTED BY LESSEE; THAT LESSOR IS NOT A MANUFACTURER OR REPRESENTATIVE THEREOF OR, MERCHANT IN, OR DEALER IN, THE CARS; THAT LESSOR HAS NO DUTY TO ENFORCE ANY MANUFACTURER'S WARRANTIES ON BEHALF OF LESSEE; THAT LESSOR WILL NOT, AND HAS NO OBLIGATION TO, INSPECT THE CARS PRIOR TO DELIVERY TO LESSEE AND THAT LESSOR HAS NOT MADE AND WILL NOT MAKE ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, ON WHICH LESSEE MAY RELY, WITH RESPECT TO: THE MERCHANTABILITY, FITNESS, SAFETY, CONDITION, QUALITY, DURABILITY OR SUITABILITY FOR LESSEE'S PURPOSES OF THE CARS IN ANY RESPECT, THE CAR'S COMPLIANCE

WITH ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, LATENT DEFECTS, PATENT OR TRADEMARK INFRINGEMENT OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED. LESSOR SHALL NOT BE LIABLE TO LESSEE FOR ANY LIABILITY, LOSS OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY THE CARS OR BY ANY DELAY IN THE DELIVERY THEREOF OR BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN, WHETHER DIRECT, INDIRECT, EXEMPLARY OR PUNITIVE, WHETHER OR NOT LESSGR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

7. Records and Mileage Allowance. Lessee agrees to keep records pertaining to the movement of the Cars, and Lessee agrees to promptly furnish Lessor with information available to it reporting on the Car movements, including (to the extent available) dates received, loaded and shipped, commodity, destination and full junction routing, and all other information which Lessee may receive from railroads or other sources which may be of use to Lessor. Lessor, in its discretion, may collect the mileage allowance earned by the Cars, and, subject to all rules of the tariffs of the railroads, Lessor, on a quarterly basis, shall credit to Lessee's rental account such mileage allowance as and when received from the railroads, but in no event (except if a default hereunder shall have occurred and be continuing) shall the aggregate amount of mileage allowance retained and credited by Lessor exceed the aggregate Rental owing for such quarter, and (except if a default shall have occurred hereunder and be continuing) any excess shall be paid to Lessee.

8. Railroad Charges. Lessee agrees to reimburse Lessor for any payment Lessor may be required to make to any railroad due to mileage equalization, where applicable, resulting from excess empty mileage incurred by the Cars on such railroad. For the purpose of this paragraph, the railroad mileage and junction reports shall be prima facie evidence of the facts reported therein.

9. Loss, Destruction and Repairs. Lessee shall notify Lessor of the loss or destruction of, or damage to, any Car as soon as possible, but no later than within five (5) days of receipt by Lessee of the knowledge of such event.

(a) Repairs. Lessee will preserve the Cars in good order, condition and repair at all times and will not in any way alter the physical structure of the Cars. Lessee will, at its sole cost and expense, maintain, repair and make modifications to the Cars to be in compliance with all requirements of the Association of American Railroads' rules for interchange and Transport Canada regulations (and any applicable rules and regulations in Mexico) governing interchange (as amended or replaced, together "Interchange Rules"), and all requirements of the United States Department of Transportation and other United States, Mexican and Canadian governmental authorities (and any other governmental authority having jurisdiction over the Lessee, any sublessee or other user or the Cars). Notwithstanding any provision herein to the contrary, Lessee's obligations under this Section 9(a) for any calendar quarter during the Term ("Quarterly Repair Expenses") shall not exceed \$368.00 per month for any Car for such calendar quarter. In the event that Quarterly Repair Expenses exceed \$368.00 ("Excess Quarterly Repair Expenses") per month during any calendar quarter for any Car, Lessee shall provide notice to Lessor prior to (and with respect to running repairs referred to below, promptly upon obtaining knowledge thereof) incurring any Excess Quarterly Repair Expenses (other than running repairs, the expense of

which were incurred prior to Lessee's knowledge of such running repairs), and Lessor shall elect either to (i) incur and pay such Excess Quarterly Repair Expenses or (ii) withdraw the subject Car from service pursuant to Section 9(b) (in which case this Lease with respect to such Car shall terminate).

(b) Loss or Destruction. If any Car shall be lost, destroyed, or damaged (including without limitation loss of or damage to any Car while on any private siding or track or on any private or industrial railroad or in the custody of any carrier not subject to the Interchange Rules) to the extent that the physical condition is, in Lessor's opinion, such that it cannot be operated in railroad service, Lessee shall promptly pay to Lessor an amount ("Loss Value") equal to the amount payable by a railroad subscribing to the Interchange Rules as if the Car were in the service of such railroad. Any Loss Value payable by Lessee to Lessor pursuant to this Section 9(b) shall be reduced by any amounts received by Lessor from any party responsible for such loss, destruction or damage. Upon receipt of said Loss Value upon a total casualty to a Car, Lessor shall convey all of Lessor's right, title and interest in the Car to Lessee, as is and where as, without any representation or warranty, other than a warranty against liens arising through Lessor.

Upon occurrence of an event giving rise to the obligation of Lessee to pay the Loss Value due for a lost, destroyed, or damaged Car, rental payments for that Car will cease. Lessor shall have the right, but shall not be obligated, to substitute for any such Car another car of the same type and capacity and the rental with respect to such substituted Car shall commence upon delivery of such substituted Car to Lessee. Lessee shall pay to Lessor interest on any Loss Value not paid within sixty (60) days after the occurrence of the event giving rise to the obligation on the part of Lessee to pay same at the rate set forth in Section 5(c) from said sixtieth day until paid.

10. Rules, Laws and Regulations, Etc. Lessee agrees to comply with all applicable governmental laws, regulations, requirements and rules (including the rules of the United States Department of Transportation and the Surface Transportation Board) and the Interchange Rules with respect to the use, maintenance and operation of the Cars subject to the Agreement.

Lessee shall not, without the prior written consent of Lessor, affix or install any accessory, part, equipment, or device on any Car if such addition will (i) adversely affect the timing or amount of Lessor's anticipated depreciation deductions regarding such Car or (ii) impair the originally intended function, use or value of such Car. All additions, repairs, parts, supplies, accessories, equipment and devices furnished, attached or affixed to any Car shall thereupon become the property of Lessor (except for such as may be removed without in any way affecting or impairing the originally intended function or diminishing the value of the Car or use thereof or materially damaging the Car, and provided further that any damage caused by such removal is repaired by Lessee forthwith).

11. Lessee Responsibility Lessee shall be responsible for and shall indemnify and defend Lessor and hold Lessor harmless and does hereby release Lessor from the loss or destruction of, or damage to, the Cars or any parts thereof, or any commodities loaded or shipped therein or thereon, or any liability, loss or claim in connection therewith, during the term of this Agreement; provided, however, Lessee shall not be responsible for loss or destruction of the Cars to the extent the then-prevailing Interchange Rules place responsibility

upon a railroad subscribing to the Interchange Rules and such railroad pays to Lessor the Loss Value determined in accordance with such rules; and provided, further, that Lessee shall not be responsible and Lessor shall not be released if such loss, destruction, or damage to the Cars or parts thereof was caused by the gross negligence or willful misconduct of Lessor.

12. Indemnities. Except as provided in Section 33 with respect to obligations arising under Sections 9(b) or 11 hereof, Lessee agrees to defend, indemnify and hold Lessor and its affiliates, and their directors, officers, employees and agents harmless from and against any loss, liability, claim, suit, damage or expense (including without limitation relating to environmental matters) of whatsoever nature and regardless of the cause thereof arising out of this Agreement or in connection with or resulting from the possession, ownership, leasing, condition, use, loss of use, maintenance or operation of the Cars during the term of this Agreement, excepting, however, any loss, liability, claim, suit, damage, or expense which accrues with respect to any of the Cars to the extent attributable to the gross negligence or willful misconduct of Lessor, its agents or employees. The indemnities set forth in this section shall survive the termination or expiration of this Agreement. Notwithstanding any provision herein to the contrary, to the extent the indemnities set forth in this section extend to matters or obligations already addressed in Section 9(b) or 11 hereof, then Lessee's liability under this Section 12 for such matters or obligations shall be limited under Section 33 in the same manner as it is limited with respect to Section 9(b) or 11.

13. Loss or Damage to Lading. Lessor shall not be liable for any loss or damage to commodities, or any part thereof, loaded or shipped in or on the Cars, and Lessee agrees to assume all risk of loss and responsibility for, and to defend and indemnify and defend Lessor against, and to save Lessor harmless from any such loss or damage, except to the extent caused by the gross negligence or willful misconduct of Lessor.

14. Replacement of Loading or Unloading Appliances. If any loading or unloading appliance or removable part thereof is destroyed, damaged, lost, removed or stolen, ordinary wear and tear excepted, Lessee shall, at its own expense, either replace or reimburse Lessor for the cost of replacing any such appliance or removable part, unless the railroad transporting the Cars shall have assumed (and in Lessor's reasonable opinion shall have responsibility to assume) full responsibility for such loss, damage, or destruction; provided that Lessee shall have no responsibility for any such loss, damage or destruction to the extent arising from Lessor's gross negligence or willful misconduct.

15. Linings. The application, maintenance, and removal of interior protective lining in any of the Cars is to be performed by and at the sole cost and expense of Lessee unless otherwise specifically provided for in the applicable Rider.

16. Marks. Except for stenciled reporting marks of the Georgia Northeastern Railroad Company, Inc. on the Cars, no lettering or marking of any kind shall be placed upon any of the Cars by Lessee except with the prior written consent of Lessor (other than the restoration of Lessor's reporting marks on the Cars).

17. Load Limits. Lessee agrees not to load any of the Cars in excess of the load limit stenciled thereon.

18. Lessor's Inspection Rights. Lessor and its authorized representative shall have the right from time to time to inspect the Cars and photocopy Lessee's records with respect thereto.

19. Charges. Lessee shall be liable for any demurrage, track storage or detention charge imposed in connection with any of the Cars.

20. Sublease and Assignment. Lessor acknowledges that Lessee intends to enter into subleases and/or assignments with the entity(ies) identified in the Rider hereto (the "Permitted Sublessees") and consents to such subleases and/or assignments; provided, however, that:

(i) each such sublease/assignment shall in all respects be subject and subordinate to the terms and conditions of this Lease and the rights of Lessor in and to the Cars, and the sublease/assignment shall make written acknowledgment of such facts; and

(ii) Lessee shall assign and grant to Lessor a security interest in the sublease/assignment, and the sublessee shall consent in writing to such assignment and the grant of a security interest to Lessor and, upon notification from Lessor, shall, to the extent practicable, agree to make payments to such place as directed by Lessor from time-to-time.

For these purposes, Lessee hereby assigns, conveys and transfers to Lessor all of its rights, benefits and privileges (but not its obligations) in, to and under the sublease(s)/assignment(s) and the proceeds therefrom and agrees to take such further action as is required by Lessor in its sole discretion to perfect and protect the interest in the sublease(s)/assignment(s) hereby granted, conveyed and assigned, including without limitation (i) executing and filing financing statements in such jurisdictions as Lessor may require and (ii) (to the extent practicable) establishing one or more bank accounts in the name of and for the benefit of Lessor for the receipt of proceeds under the sublease(s) and disbursement of funds for the operation of the Cars on which Lessor or its designee shall be a signatory and at its election shall be the sole signatory. Except if a default shall have occurred and be continuing hereunder, Lessor agrees that it shall remit to Lessee any proceeds received from any sublessee/assignee to the extent such proceeds exceed any amounts then due Lessor hereunder and such proceeds are not reasonably believed by Lessor to be the property of any other party.

Except as specifically provided above, Lessee may not sublease or assign any of the Cars and shall make no transfer or assignment of its interest under this Agreement in and to the Cars without Lessor's prior written consent, and any attempted sublease, transfer or assignment without such consent shall be void. No right, title, or interest in any of the Cars shall vest in Lessee by reason of this Agreement or by reason of the delivery to or use by Lessee of the Cars, except the right to use the Cars in accordance with the terms of this Agreement. Lessee shall keep the Cars free and clear of any lien or encumbrance (other than arising by or through Lessor) and agrees to indemnify and defend Lessor and hold Lessor harmless from any cost or expense, including attorneys' fees, with respect to such a lien or encumbrance.

Lessor shall have the right to assign this Agreement and/or any of Lessor's rights hereunder, including the right to receive rentals, and Lessee hereby consents to and accepts any such assignment. Except for obligations existing at the time of any assignment, upon such assignment (and acceptance of such assignment and assumption of Lessor's obligations), Lessor shall be released from its obligations hereunder.

Except to the extent a default exists and is continuing hereunder or under any permitted sublease, rights and benefits of Lessee under this Lease shall inure to the benefit of a Permitted Sublessee; provided that Lessee shall not be permitted to bring, maintain, or participate in any action against Lessor arising under this Lease or in connection with the transactions contemplated hereto to the extent any sublessee/assignee has made or makes any similar claim against Lessor.

21. Default. If Lessee defaults in the payment when due of any sum of money under this Agreement and such default continues for a period of ten (10) days; or if Lessee fails to perform any covenant or condition required to be performed by Lessee which failure shall not be remedied within ten (10) days after written notice thereof from Lessor to Lessee or if any representation or warranty made by Lessee herein or any schedule hereto or otherwise delivered in connection herewith shall be untrue in any material respect; or if any proceeding under any bankruptcy, or insolvency statute or any laws relating to relief of debtors is commenced by Lessee, or if any such proceeding is commenced against Lessee and same shall not have been removed within sixty (60) days of the date of the filing thereof; or if a receiver, trustee, or liquidator is appointed for Lessee for all or a substantial part of Lessee's assets with Lessee's consent, or if without Lessee's consent the same shall not have been removed within sixty (60) days of the date of the appointment thereof; or if an order, judgment or decree for payment be entered by a court of competent jurisdiction and continue unpaid and in effect for any period of sixty (60) consecutive days without a stay of execution; or if a writ of attachment or execution is levied on any Car arising by, through or under Lessee or any sublessee and is not discharged within fifteen (15) days thereafter, Lessor may exercise one or more of the following remedies with respect to the Cars or if Lessee shall be in default under and have accelerated (to the extent acceleration is permitted) any lease, promissory note, loan agreement, installment contract or other credit facility (in each case, a "Loan Agreement") with Lessor or any affiliate of Lessor or any material Loan Agreement with any other party:

(a) Immediately terminate this Agreement and Lessee's rights hereunder;

(b) Require Lessee to return the Cars to one or more places designated by Lessor at Lessee's expense, provided if a permitted sublease/assignee is then in force and effect, the place of return shall, at the election of Lessor, be (i) on the line of such sublessee or (ii) at such other place as may be designated in the applicable sublease/assignment;

(c) Take possession of such Cars without demand or notice and without court order or legal process;

(d) Lease, sell, or otherwise dispose of the Cars to such persons, at such price, rental or other consideration and for such period of time as Lessor shall elect. Lessor shall apply the proceeds from such sale or other disposition or leasing, less all costs and expenses

incurred in the recovery, repair, storage, and renting of such Cars, toward the payment of Lessee's obligations hereunder. Lessee shall remain liable for any deficiency;

(e) Declare all rent and other amounts then accrued or thereafter accruing from Lessee to Lessor for the balance of the Term under any provision hereunder immediately due and payable; or

(f) Pursue any other remedy at law or in equity which Lessor may have.

Each remedy is cumulative and may be enforced separately or concurrently. If Lessee fails to perform any of its obligations hereunder, Lessor, at Lessee's expense, and without waiving any rights it may have against Lessee for such nonperformance, may itself render such performance. Further, Lessee shall reimburse Lessor for all costs and expenses including reasonable attorneys' fees expended by Lessor in the enforcement of its rights and remedies hereunder, and Lessee shall pay interest on any amount owing to Lessor from the time such amount becomes due hereunder at the late rate established pursuant to Section 5(c).

It is specifically intended by the parties hereto that Lessor shall be entitled to the remedies of a lessor under Section 1168 of the U.S. Bankruptcy Code.

22. Return Provisions. Lessee agrees, immediately upon the termination of the Term of each Rider, to return the Cars leased under such Rider to Lessor at the location indicated in such Rider, suitable for interchange service, empty and free from residue and in the same good condition as when each Car was delivered to Lessee by Lessor, ordinary wear and tear excepted. Lessee shall, on demand, reimburse Lessor for the cost of repairing of damage to any of the Cars or to the fittings appliances or appurtenances thereto, caused by the commodities transported therein or thereon to the extent such cost is expressly an obligation of Lessee hereunder without regard to this Section 22. If any Car is returned to Lessor (i) requiring repair or replacement of fittings or appurtenances, (ii) not free from accumulations or deposits, or (iii) unsuitable for interchange service, to the extent Lessee is expressly responsible therefor hereunder, the Car shall remain on rental until the condition is satisfied in accordance with the terms hereof.

In the event that any Car is not delivered to Lessor as provided in this Section 22 on or before the end of the Term specified for such Car in the appropriate Rider, all of the obligations of Lessee under this Agreement with respect to such Car shall remain in full force and effect until such Car is so delivered to Lessor.

Lessee agrees to the extent practicable, either directly or through any sublessee and upon request from Lessor, to provide free storage of any Car delivered to Lessor pursuant to this Section 22 for ninety (90) days after delivery of such Car to Lessor. Lessee shall not be deemed to be in default hereunder if such storage cannot be provided.

23. Taxes. Lessee agrees to report and pay, in addition to Rentals, all filing and registration fees and all property, sales, use, leasing, operating, excise, and any other similar taxes regardless of how such taxes are named or described, as may be levied or assessed with respect to the Cars, together with any penalties, fines, or interest thereon, and all duties, taxes, and similar charges arising out of use of the Cars outside the United States; provided that Lessee shall not be responsible for any taxes on the net income of Lessor.

In order to avoid loss, disallowance, recapture, or other diminution of any tax benefits claimed by Lessor with respect to the Cars, including, but not limited to any accelerated depreciation deduction allowable under Section 168 and related Sections of the Internal Revenue Code of 1986 (as amended, the "Code"), Lessee shall not use, or permit the use of, the Cars (i) to be deemed to be used predominantly outside the United States under Section 168(g)(1)(A) of the Code, or (ii) so as to be treated as tax-exempt use property within the meaning of Section 168(h) of the Code or "listed property" within the meaning of Section 280F(d)(4) of the Code.

If Lessor shall lose by disallowance, recapture or otherwise, any portion of said tax benefits as the result of any act committed by Lessee or any third party having control over the Cars (in breach of provisions of the preceding paragraph) or Lessee's or such third party's failure to take any action (in breach of provisions of the preceding paragraph), Lessee agrees to pay Lessor a sum which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof under the laws of the United States or any political subdivision thereof, shall be equal to on an after-tax basis (taking into account the present value of any benefits inuring to Lessor including without limitation recovery in the future of any lost tax benefits which are deferred) the amount of the tax benefits so lost by Lessor, which sum shall be payable on written demand made at any time after payment of the tax attributable to the portion of the tax benefits lost; provided, however, that Lessee shall be under no obligation to indemnify Lessor for the amount of any tax benefits lost with respect to any Car for which Lessee has paid to Lessor the Loss Value set forth in Section 9 hereof.

24. Insurance.

(a) Lessee shall procure and maintain, at its sole cost and expense: (i) comprehensive general liability insurance (and, if applicable, automobile liability insurance), including products liability and contractual coverage for the liabilities assumed herein, with reputable and financially responsible insurance underwriters properly insuring Lessee, without exclusion for punitive damages, hazardous materials transportation or otherwise, against liability and claims for injuries to persons (including injuries resulting in death), environmental restoration and property damage in a combined single limit of not less than \$5,000,000 per occurrence or such greater amount as Lessee maintains; (ii) property damage insurance relating to loss of or damage to the Cars in such amounts and with such deductibles as are reasonably satisfactory to Lessor; and (iii) any additional insurance as may be required by applicable laws, rules, and regulations.

(b) Lessee shall furnish to Lessor written certificates, and upon request, copies of insurance policies: (i) showing that the above-delineated insurance has been procured and is being properly maintained; (ii) showing the premiums therefor are paid; (iii) specifying the name of the insurance carrier, the policy number or numbers, and the expiration date or dates; and (iv) in the case of property damage insurance, naming Lessor as Loss Payee, and in the case of liability insurance, naming Lessor as Additional Insured. Insurance shall be suitably endorsed, naming Lessor and Lessor's assignee, if any, and shall provide for not less than thirty (30) days' prior written notice of any intended cancellation of or material change in such coverages, or any part thereof. Such insurance shall further provide that as to the interests of the Lessor or Lessor's assignee, this insurance shall be neither impaired nor invalidated by any act or neglect of the Named Insured or by failure of the Named Insured to comply with any warranty or condition. Insurance shall be primary of any

insurance maintained by Lessor. In the event any of the Cars shall not be adequately covered by such insurance at any time during the term of this Agreement, or should Lessor be given notice of an intended cancellation of such insurance, Lessor shall have the right, at its option, (1) to cover the Cars with the above-described types of insurance and to recover from the Lessee at the time the next Rental is due, the premiums expended by Lessor for such insurance; or (2) to declare this Agreement in default and proceed as provided in Section 21 hereof. Lessee shall fully cooperate with Lessor to prepare and file proofs of loss.

25. Representations and Warranties of Lessee. Lessee represents and warrants, that, as of the date of this Agreement and as of the date of each Rider entered into hereunder:

(a) Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and is duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of Lessee require such qualification (or would be materially adversely affected if not so qualified).

(b) Lessee has full corporate power to enter into this Agreement and perform its obligations hereunder.

(c) This Agreement has been duly authorized, executed, and delivered by Lessee, and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and proceedings affecting the enforcement of creditors' rights generally, by principles of equity and by public policy.

(d) No approval is required from any governmental or public body or authority with respect to the entering into or performance of this Agreement by Lessee.

(e) The entering into and performance of this Agreement will not conflict with, or result in a breach of, the terms or provisions of (i) any law or any regulation, order, injunction, permit, franchise, or decree of any court or governmental instrumentality, or (ii) any indenture, agreement, or other instrument to which Lessee is party or by which it or any of its property is bound

26. Modifications. In the event the United States Department of Transportation, or any other United States, Mexican or Canadian governmental agency, or the Association of American Railroads, or the Transport Canada, or Mexico or any other governmental or non-governmental organization having jurisdiction over the operation, safety or use of railroad equipment in the United States, Canada or Mexico, requires that Lessor add, modify, or in any manner adjust the Cars subject to this Agreement in order to qualify them for operation in railroad interchange, Lessor agrees (i) to pay for such additions, modifications or adjustment to the extent such adjustments are required to be made prior to the expiration of the Term or (ii) to remove from service the Cars requiring addition, modification or adjustment (in which case this Lease shall terminate with respect to such Cars) All such additions, modifications or attachments shall become property of the Lessor.

27. Notices. With regard to any Car or any matter arising hereunder, any notice, demand or request required or permitted to be made, given or served by either party to or upon the other hereunder, shall be in writing and shall be deemed to have been made when deposited in the United States mail, certified or registered mail, postage prepaid and addressed to Lessor or Lessee to the address set forth in the appropriate Rider or when sent properly addressed by facsimile transmission to the respective facsimile numbers set forth for each party in the appropriate Rider (and confirmed received or followed by certified or registered mail as set forth above), or such other address or number as is provided by notice in accordance with this Section by either party to the other party.

28. Successors. This Agreement shall be binding upon the parties hereto, their respective successors, assigns and legal representatives; and shall remain in full force and effect from the date hereof until the completion of the leasing arrangement shown on each and every Rider and all Cars the lease for which shall not have been earlier terminated are returned to Lessor.

29. Waiver of Jury Trial. Any action by Lessee against Lessor for any default by Lessor under this Lease, including breach of warranty or indemnity shall be commenced within one (1) year after any such cause of action accrues. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, LESSOR AND LESSEE EACH WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY LITIGATION ARISING HEREFROM OR IN RELATION HERETO.**

30. Additional Provisions. Additional provisions of this Agreement, if any, will be set forth in the Riders.

31. Captions. Captions to any provision of this Agreement are for ease of reference only and are not to be construed to be part of this Agreement.

32. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of North Carolina. For purposes hereof, Lessee agrees to accept service of process out of any aforementioned courts in accordance with Section 27 hereof, and the parties hereto agree to submit to the nonexclusive jurisdiction of appropriate state or federal courts located in Mecklenburg County, North Carolina, and agree to waive objections to venue, inconvenient forum and similar defenses regarding any action brought in or removed to any state or federal court in Mecklenburg County, North Carolina.

33. Limitation of Liability. Notwithstanding any provision in this Lease to the contrary, the liability of the Lessee with respect to any obligation to pay rental pursuant to Section 5 (or otherwise pursuant to the Lease), perform its obligations under Section 11 and pay an amount under Section 9(b), or any interest, late charges, costs or expenses (including, without limitation, attorneys' fees) related thereto, or damages, costs, expenses or other amounts in default thereof (collectively, the "Limited Recourse Obligations"), shall not exceed an amount equal to, and shall be payable only out of, "income and proceeds from the Cars," where such term means all amounts of operating revenues, rents, equipment hire payments, insurance proceeds, rebates, load fees, casualty or loss value proceeds, stipulated loss value proceeds or similar payments received in respect of the Cars from any source (including without limitation sublessees and assignees) in connection with the ownership, use, lease or operation of or damage to or destruction of the Cars, and Lessor shall otherwise

'have no recourse against the properties and assets of Lessee. The preceding sentence shall not apply (and Lessee's obligations shall be fully recourse) with respect to any Limited Recourse Obligations (in excess of income and proceeds from the Cars received for the same period in which such Limited Recourse Obligation was incurred), to the extent arising from the negligence or misconduct of Lessee in (i) collecting, handling or disbursing income and proceeds from the Cars, or (ii) performing its obligations hereunder; provided, however, that it shall not constitute negligence or misconduct on the part of Lessee to fail to make any payment in a period in excess of the income and proceeds from the Cars received for that period.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement (such execution may be by two or more counterparts, each of which shall be deemed an original) as of the date and year first above written. This Lease constitutes the entire agreement of the parties with respect to the subject matter hereof, and supersedes and replaces any prior or contradictory representations, warranties or agreements by Lessor and Lessee.

LESSEE: RAILCAR, LTD.

ATTEST:

BY: 
TITLE: Executive Vice President

Nadean C. Shumbe



LESSOR: FIRST UNION RAIL CORPORATION

ATTEST:

BY: _____
TITLE: _____

[CORPORATE SEAL]

State of Georgia

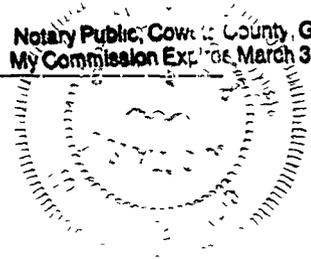
County of Fulton

I, Joy F. Hardin, a Notary Public in and for said state and county, do hereby certify that Eugene N. Martini personally appeared before me this day and acknowledged his due execution of the foregoing Lease Agreement.

Witness my hand and official seal this ____ day of _____, 19__.

Joy F. Hardin
Notary Public

My commission expires: _____
Notary Public, Cow... County, Georgia
My Commission Expires March 30 1999



State of _____

County of _____

I, _____, a Notary Public in and for said state and county, do hereby certify that _____ personally appeared before me this day and acknowledged his due execution of the foregoing Lease Agreement.

Witness my hand and official seal this ____ day of _____, 19__.

Notary Public

My commission expires: _____

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement (such execution may be by two or more counterparts, each of which shall be deemed an original) as of the date and year first above written. This Lease constitutes the entire agreement of the parties with respect to the subject matter hereof, and supersedes and replaces any prior or contradictory representations, warranties or agreements by Lessor and Lessee.

LESSEE: RAILCAR, LTD.

ATTEST:

BY: _____
TITLE: _____

[CORPORATE SEAL]

LESSOR: FIRST UNION RAIL
CORPORATION

ATTEST:

BY: 
TITLE: Mrs. Dent

Michelle Berg

[CORPORATE SEAL]

State of _____

County of _____

I, _____, a Notary Public in and for said state and county, do hereby certify that _____ personally appeared before me this day and acknowledged his due execution of the foregoing Lease Agreement.

Witness my hand and official seal this ____ day of _____, 19__.

Notary Public

My commission expires: _____

State of Illinois

County of Cook

I, Michelle Berg, a Notary Public in and for said state and county, do hereby certify that John J. Thomas personally appeared before me this day and acknowledged his due execution of the foregoing Lease Agreement.

Witness my hand and official seal this 14th day of March, 1996.

Michelle Berg
Notary Public

My commission expires: 7/18/98



EXHIBIT A

Pursuant to LEASE AGREEMENT Dated May 13, 1996, by and between FIRST UNION RAIL CORPORATION and RAILCAR, LTD.

Contract # _____

CERTIFICATE OF ACCEPTANCE OF
RAILROAD CARS

This Certificate related to the railroad Cars listed below leased by FIRST UNION RAIL CORPORATION to RAILCAR, LTD., under a Lease Agreement dated _____, 19____, (the "Agreement"), into which this Certificate is incorporated by Section 3 thereof.

DESCRIPTION OF CARS:

CAR NUMBERS:

Lessee hereby certifies the fitness and suitability and its unconditional acceptance of the railroad Cars listed herein as of the date below written and hereby subjects said railroad Cars to the Agreement.

Lessee hereby certifies that the representations and warranties of Lessee contained in the Agreement are true and correct as of the date below written and, to the best of its knowledge, that no event of default exists or with the passage of time would exist with regard to the Agreement.

Lessee hereby certifies that the undersigned officer signing on behalf of Lessee is duly authorized to execute and deliver this Certificate.

LESSEE: RAILCAR, LTD.

By: _____

Title: _____

Signature: _____

Date: _____

RENTAL RIDER No. 1

For purposes of the Lease Agreement between FIRST UNION RAIL CORPORATION and RAILCAR, LTD., such Lease being dated May 13, 1996,

- A. Description of Cars: 52' 6" 100-ton high-side gondola railcars
- B. Car Numbers:
- C. Term: From the date of the Lease until five (5) years from the Commencement Date. The Commencement Date shall be the first day of the month following the month in which the last Car is delivered and accepted under the Lease.
- D. Stipulated Loss Value: See Section 9(b)
- E. Rental shall equal \$368.00 per Car per month and Rental shall be payable in arrears promptly upon receipt from any Permitted Sublessee, but in no event later than 30 days after the end of any calendar quarter.
- F. Permitted Sublessees shall include:
 - 1. Georgia Northeastern Railroad Company, Inc., whose reporting marks shall be stenciled on the Cars.
 - 2. Consolidated Rail Corporation
- G Notice Addresses
 - Lessor:

First Union Rail Corporation
One O'Hare Centre
6250 River Road, Suite 3005
Rosemont, Illinois 60018
Attention: Carmen M. Palka
 - Lessee:

Railcar, Ltd.
1819 Peachtree Road, N.E.
Suite 315
Atlanta, Georgia 30309-1847
- H Assignment: Lessee hereby assigns and grants to Lessor a security interest in each sublease/assignment identified on Schedule I attached hereto.

LESSEE:RAILCAR, LTD.

BY: _____

TITLE: _____

SIGNATURE: _____

ATTEST: _____

LESSOR:FIRST UNION RAIL CORPORATION

BY: _____

TITLE: _____

SIGNATURE: _____

ATTEST: _____

State of _____

County of _____

I, _____, a Notary Public in and for said state and county, do hereby certify that _____ personally appeared before me this day and acknowledged his due execution of the foregoing Rider No. 1.

Witness my hand and official seal this ____ day of _____, 19__.

Notary Public

My commission expires: _____

State of _____

County of _____

I, _____, a Notary Public in and for said state and county, do hereby certify that _____ personally appeared before me this day and acknowledged his due execution of the foregoing Rider No. 1.

Witness my hand and official seal this ____ day of _____, 19__.

Notary Public

My commission expires: _____

SCHEDULE I

1. That certain Letter Agreement dated January 18, 1996 ("Letter Agreement No. 1") among Seller, Georgia Northeastern Railroad Company, Inc ("GNRR") and Consolidated Rail Corporation ("Conrail") with respect to the Cars bearing GNRR reporting marks 5700-5899.

2. That certain Letter Agreement dated February 22, 1996 ("Letter Agreement No. 2") among GNRR, Seller and Conrail with respect to the Cars bearing GNRR reporting marks 5900-5949.