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MORTGAGE OF RAILROAD ROLLING STOCK
(Security Agreement)

INTERSTATE COMMERCE COMMISSION

SOUTH-EAST COAL COMPANY, a corporation organized and existing under the laws of the State of Kentucky, located at Irvine (mailing, P.O. Box 332), Kentucky 40336 ("Mortgagor") and THE CITY NATIONAL BANK & TRUST COMPANY OF COLUMBUS, 100 East Broad Street, Columbus, Ohio 43215 ("Mortgagee"), in consideration of the mutual covenants and agreements contained herein, hereby Recite and Agree as follows:

Recitals

1. Acquisition of Units

Mortgagor has entered into an agreement of purchase ("the Purchase Agreement"), a copy of which will be furnished to Mortgagee simultaneously herewith, with Garrett Railroad Car & Equipment, Inc., a Pennsylvania corporation having its principal office and place of business in New Castle, Pennsylvania 16102, for the purchase of 297 railroad hopper cars specifically identified in Schedule 1 hereto and to be further identified, supplemented and added to from time to time by means of Supplemental Schedules in the form attached hereto as Schedule 2 (all of which cars and any other railroad rolling stock covered hereby, whenever acquired, together with all replacements, replacement parts, additions, repairs, repair parts, accessions and accessories incorporated therein and/or affixed thereto, all special tools and devices incorporated thereinto, and all replacements and substitutions thereof are hereinafter sometimes referred to collectively in the plural as "the Units" and in the singular as "Unit").

2. Agreement to Finance

Mortgagee has agreed, subject to and in compliance with the terms and conditions hereof and of a loan agreement of even date herewith ("the Loan Agreement") by and among Mortgagor, Mortgagee and South-East Coal Sales Company, a Kentucky corporation having its principal office and place of business at 88 East Broad Street, Columbus, Ohio 43215 ("Guarantor"), to make advancements to Mortgagor to finance its acquisition of the Units ("the Advancements").

3. Agreement to Secure Advances

Mortgagor and Guarantor have agreed to grant and have granted to Mortgagee security interests in certain collateral.

Executed in 6 counterparts, of which
this is counterpart number 2.

described in paragraph 5 hereto (all called collectively, including the Units, "the Collateral") to secure the Advancements previously made and to be made by Mortgagee.

4. Mortgagor's Obligations

Mortgagor's obligations hereunder shall include the total unpaid amount of the Advancements, together with any and all future obligations and indebtedness of whatever kind and whenever created of Mortgagor to Mortgagee, including interest, whether or not given pursuant to commitment, direct or indirect, absolute or contingent, now existing or hereafter arising, all of which are covered by this Mortgage and are herein collectively called "the Obligations."

Agreements

5. Mortgage (Security) Interests

To secure payment and performance of the Obligations, Mortgagor grants to Mortgagee a continuing security interest in the following, and, if moved, sold, leased or otherwise disposed of, the proceeds thereof:

Whether now in existence or hereafter acquired, all of the following: The railroad rolling stock specifically identified in Schedule 1 hereto (to be further identified, supplemented and added to from time to time); together with all replacements, replacement parts, additions, repairs, repair parts, accessions and accessories incorporated therein and/or affixed thereto, all special tools and devices incorporated thereto or used in connection therewith; and together with all products, replacements, additions, substitutions and proceeds (including insurance payable by reason of loss or damage to the collateral) thereof.

6. Inspection, Selection and Delivery of Units

Mortgagor will inspect and select the Units under the terms of the Purchase Agreement and will take delivery thereunder. By inspecting, selecting and taking delivery of the Units, Mortgagor shall and does warrant to Mortgagee that each delivered Unit is in the condition, repair and of a value to be fully suitable for all purposes hereunder. Mortgagor will transport each Unit of which it takes delivery to its repair shop at

Irvine, Kentucky ("the Shop") for further inspection and repair as necessary to insure compliance herewith, all at Mortgagor's cost and expense.

7. Repairs, Alterations, Additions, Improvements and Expenses

At the Shop, and prior to other use of each Unit under Section 8 hereof, Mortgagor will mark in compliance with Schedule 2 and repair such Unit as necessary to insure compliance herewith and with all applicable laws, rules and regulations to which reference is made in Section 8 hereof and will obtain from the Louisville and Nashville Railroad an appropriate certificate reciting and evidencing such compliance.

During the effectiveness hereof, Mortgagor will make such repairs, alterations, additions and improvements as are or may be required from time to time to insure compliance herewith and with all laws, rules and regulations to which reference is made in Section 8 hereof. Without the prior written consent of Mortgagee, Mortgagor shall make no other alterations, additions or improvements to any Unit, unless such may be made without reduction of the value of that Unit below the amount which it would have been had no such alteration, addition or improvement been made, and without impairment to the condition and working order required hereby.

Mortgagor will keep each Unit in good repair, condition and working order and will furnish all parts, mechanisms and devices required to keep each Unit in good mechanical and working order and in compliance with the laws to which reference is made in Section 8 hereof. Mortgagee shall have no responsibility for any cost arising under this Section or for any expense arising out of or necessary for the operation and use of the Units, including but not limited to maintenance, repairs and replacement parts, storage, tolls, tariffs, fines, registration and insurance fees for all insurance required hereby.

8. Use and Standards of Use and Repair

Mortgagor will repair, keep in repair and use the Units in a careful and proper manner and will comply with and conform to and with all current and future federal, state, municipal, police and other laws, ordinances and regulations relating to the possession, use or maintenance of the Units. Mortgagor will comply and insure compliance with all rules, interpretations, codes and orders governing use, hire, condition, repair and all other matters interpreted as being applicable to the Units during the effectiveness hereof by and of the American Association of Railroads ("AAR") and any other organization, association, agency

or governmental authority, including the Interstate Commerce Commission and the Department of Transportation, which may during the effectiveness hereof be responsible for or have authority to promulgate such rules, interpretations, codes and orders. Mortgagor agrees to indemnify and hold Mortgagee safe and harmless from and against any and all claims, costs, expenses (including without limitation attorneys' fees), damages and liabilities claimed, arising from or pertaining to such laws, ordinances, regulations, rules interpretations, codes and orders.

It is understood that Mortgagor will use the Units in shipping its coal to various of its customers and that the Units, for that purpose, will be transported in interstate commerce by and upon property of various railroads and other entities operating in the continental United States only. Mortgagor will use the Units, and will require their use by any such railroads and other entities, only in whole trains or units thereof of not less than 20 Units each and will not permit separate use of the Units or use thereof for any purpose other than the carrying of Mortgagor's coal to its customers.

9. Supplemental Schedules and Identification

In compliance with the Loan Agreement, Mortgagor will prepare and submit to Mortgagee Supplemental Schedules in the form of Schedule 2 hereto. In addition, Mortgagor will affix to each Unit and maintain throughout the effectiveness hereof, labels, plates or other markings identifying the Units and Mortgagee's interest therein, including without limitation the marks and stencils recited in the Supplemental Schedules. Mortgagor agrees to join with Mortgagee in the execution of any documents and to pay all recording costs, fees and taxes associated therewith which Mortgagee may request to give evidence of Mortgagee's interest in the Units and Mortgagor agrees that Mortgagee may give notice of such interest to any and all of Mortgagor's creditors.

Notwithstanding the use of the Supplemental Schedules to better identify the Units, it is the intent of the parties hereto that Mortgagee's interests attach at the earliest time permitted by law.

10. Mortgagor's Additional Obligations

With respect to all of the Collateral (except only to the extent that the provisions of this Section are inconsistent with other sections hereof in respect of the Units), Mortgagor warrants and covenants:

(a) That Mortgagor will keep an accurate and complete record of the Collateral, separate and distinct from those of Mortgagor's other property, its disposition and the proceeds thereof and will permit Secured Party at any time and wherever located to examine and inspect such records and the Collateral;

(b) That, except for the security interest granted hereby and except for prior security interests granted to Mortgagee, Mortgagor is, and as to the Collateral acquired after the date hereof shall be, the owner of the Collateral, free and clear of any prior lien, security interest or encumbrance; that Mortgagor will defend the Collateral against the claims and demands of all persons at any time claiming the same or any interest therein; and that no mortgage, financing statement or agreement is on file in any public office pertaining to the Collateral, except for financing statements to Mortgagee;

(c) That without the prior written consent of Mortgagee, Mortgagor shall not part with the possession or control of the Collateral or sell, pledge, mortgage, encumber or otherwise transfer or dispose of, or attempt to sell, pledge, mortgage, encumber or otherwise transfer or dispose of any interest in all or any part of the Collateral and that Mortgagee's security interest in the proceeds of the Collateral, and/or notification of its interest in such proceeds in financing statements or otherwise, shall not be construed as modifying this Mortgage or as Mortgagee's consent to disposition of the Collateral other than as set forth herein; and

(d) That Mortgagor will keep the Collateral free from all claims, liens and legal process of creditors of Mortgagor, will pay all costs, expenses, fees, taxes and charges of any kind whatsoever arising by virtue of its ownership, possession or use of the Collateral; that Mortgagor shall keep the tangible items of the Collateral insured, at its own cost and expense, against all risk of loss or damage as are covered by endorsement commonly known as supplemental or extended coverage for an amount equal to the full replacement value thereof, but in no event less than the full amount of the Obligations; that such insurance shall name both Mortgagor and Mortgagee as insureds thereunder as their respective interests may appear, shall be placed with a company or companies satisfactory to Mortgagee, shall provide that all losses shall be adjusted with and paid to both Mortgagor and Mortgagee and shall be subject to alteration or cancellation only after 30 days' written notice to Mortgagor and Mortgagee; that Mortgagor will deliver to Mortgagee certificates or memoranda of such insurance within 10 days of the date hereof and renewals of such policy or policies at least 15 days prior to the expiration date(s) thereof, said renewals to be marked "paid" by the issuing

company or agent; that receipt by Mortgagee of any information under this Section shall not be construed as an acceptance of the adequacy of the insurance required hereby; and, that any insurance payable by reason of loss or damage to the Collateral is proceeds hereunder; and

(e) That at Mortgagee's request, Mortgagor will join with Mortgagee in executing such documents, including financing statements or amendments thereto, as Mortgagee in its discretion may from time to time deem necessary or desirable in order to comply with applicable law or to preserve and protect the security interest provided for hereby; that Mortgagor will pay all costs and expenses, including recording fees and taxes, of filing all documents and instruments required and requested by Mortgagee hereunder; that in the event that any of the Collateral is subject to the claim of another security interest, if requested by Mortgagee at any time prior to the termination hereof, Mortgagor will obtain at its expense and deliver to Mortgagee a statement of account or a list of the Collateral approved or corrected by the person claiming such other security interest; and that, in order to perfect and protect purchase money security interests in the Collateral, Mortgagee may, and hereby is authorized by Mortgagor to, give such notice to other creditors of Mortgagor as may be necessary under applicable law or deemed desirable by Mortgagee; and,

(f) That Mortgagor will indemnify and save harmless Mortgagee from any charge, claim, proceeding, judgment, loss, expense (including attorneys' fees) or liability which in any manner or from any cause arises in respect or on account of the repair, possession, operation or other use of any of the Collateral and Mortgagee will give Mortgagor prompt notice of any event contemplated by this Section and known to it to have occurred.

11. Loss or Damage

In the event of damage to or loss of any of the Collateral, with respect to that Collateral, Mortgagor will place the Collateral in the repair, condition and working order required hereby or replace the same with like equipment in the repair, condition and working order which the replaced Collateral was prior to the damage or loss. If the loss or damaged Collateral was one or more of the Units, the substituted Unit(s) will be described in a Supplemental Schedule to be delivered to Mortgagee under the provisions of Section 9 hereof.

All proceeds of insurance payable for any such damage or loss, and any and all payments for such damage or loss payable to Mortgagor by any third party (for example, a railroad) or its insurer, shall be proceeds of the Collateral and shall be used only for replacement or repair of the Collateral, except that, if Mortgagor is in default hereunder, Mortgagee may, and hereby is authorized by Mortgagor to, direct any party owning such payment to make the same to Mortgagee directly, to be applied against the Obligations in compliance herewith.

12. Assignment

Mortgagor will not sell, assign, sublet, pledge, hypothecate or otherwise encumber or suffer a lien upon or against any interest in this Mortgage without Mortgagee's prior written consent. Mortgagee may assign this Mortgage or any right and title it has hereunder upon written notice thereof to Mortgagor and such assignment shall be on terms and conditions not inconsistent herewith.

13. Opinion of Counsel

Prior to DECEMBER 24, 1975, and at any time or times thereafter upon Mortgagee's request, Mortgagor will deliver to Mortgagee an opinion of counsel making specific reference to this Mortgage and satisfactory to Mortgagee and to Mortgagee's counsel to the effect that:

(a) Mortgagor is a corporation duly organized, validly existing and in good standing under the laws of the State of Kentucky, has corporate and legal power and has taken all corporate and legal actions requisite to enter into this Mortgage; and

(b) This Mortgage has been duly executed by Mortgagor and constitutes the legal, valid and binding obligation of Mortgagor, enforceable in accordance herewith; and

(c) Neither Mortgagor nor its opining counsel know of any reason suggesting that any person other than Mortgagee may claim a lien, charge or encumbrance upon or title to any of the Units in Mortgagor's possession, when occurring; and

(d) Neither Mortgagor nor its opining counsel know of any requirement for recording, filing, or depositing this Mortgage, or any information hereon, other than with the Interstate Commerce Commission in compliance with 49 United States Code § 20c and regulations thereunder, which is necessary to preserve or protect Mortgagee's or its assignees' title to and interest in the Units; and

(e) Neither Mortgagor nor its opining counsel know of any requirement for recording, filing or depositing financing statements, in the form or forms to be approved in said opinion, to perfect Mortgagee's or its assignees' interests in the Collateral other than the Units except with the Secretary of State and the Recorders of Franklin and Cuyahoga Counties, Ohio, and except with the County Court Clerks of Estill, Letcher, Knott and Johnson Counties, Kentucky.

(f) No federal or state governmental, administrative or judicial authorization, consent or approval is requisite to Mortgagor's execution hereof or performance hereunder; and

(g) No litigation or administrative proceedings are pending or, to the knowledge of Mortgagor and its counsel, are threatened against Mortgagor, the adverse determination of which would affect the validity of this Mortgage or Mortgagee's rights hereunder.

In addition, each delivery to Mortgagee of a Supplemental Schedule hereunder shall be accompanied by an additional opinion of counsel in the form required by this Section stating that all previous opinions given hereunder remain valid and in effect and that filing under 49 U.S.C. § 20c of the accompanying Supplemental Schedule will perfect in Mortgagee a first and best lien in the Units identified therein.

If at any time or times when this Mortgage is in effect any opinion under this Section, or any item contained therein, or any fact upon which the same is based, changes, Mortgagor and its counsel will give Mortgagee immediate notice thereof.

14. Default

Mortgagor shall be deemed to be in default hereunder in the event that (a) Mortgagor shall fail to make any note payment within 10 days after notice from Mortgagee that such payment has not been made when due; or (b) Mortgagor shall fail to make any other payment or perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Loan Agreement and such failure shall continue unremedied for a period of 15 days after notice thereof by Mortgagee or (c) any representation, opinion or warranty made by Mortgagor herein or in any document or certificate furnished Mortgagee in connection herewith or with the Loan Agreement or pursuant hereto or thereto shall prove to be incorrect at any time in any material respect; or (d) Mortgagor shall become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or a receiver shall be appointed for Mortgagor or for a substantial part of its property without its consent and shall not be dismissed for a period of 30 days, or bankruptcy, reorganization or insolvency proceedings shall be instituted by or against Mortgagor and, if instituted against Mortgagor, shall not be dismissed for a period of 30 days.

15. Remedies of Mortgagee

In the event of default hereunder or at any time Mortgagee in good faith believes that the prospect of payment or performance owing to it hereunder or under the Loan Agreement is impaired, Mortgagee may then, or at any time thereafter (such default not having previously been cured), declare all of the Obligations secured hereby to be immediately due and payable, without notice

or demand therefor, and shall then have all the remedies of a secured party under the laws of the State of Ohio, or any other applicable laws, including, without limitation, the right to take possession of the Collateral, and for that purpose Mortgagee may require Mortgagor to make the Collateral available to Mortgagee at a place to be designated by Mortgagee reasonably convenient to both parties and may, so far as Mortgagor can give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom, and Mortgagor hereby waives and releases Mortgagee of and from any and all claims in connection with such removal.

After Mortgagee takes or receives possession of the Collateral following default hereunder, whether the same remains on premises of Mortgagor or otherwise, Mortgagee may sell, lease or otherwise dispose of the Collateral in any manner permitted by law, and if such notice is required by law, Mortgagee will give Mortgagor written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made, and at any such public or private sale Mortgagee may purchase all or any part of the Collateral. The parties hereto agree that notice under this paragraph shall not be unreasonable as to time if given in compliance herewith 20 days prior to sale or other disposition.

To the extent permitted by applicable law, Mortgagor hereby waives any rights for or hereafter conferred by statute or otherwise which may require Mortgagee to sell, lease or otherwise use any Collateral in mitigation of Mortgagee's damages as set forth in this Section or which may otherwise limit or modify any of Mortgagee's rights or remedies under this Section. However, in making the waivers of this paragraph, Mortgagor does not waive its right to any notice of sale of collateral and does not waive any claim or defense based upon the allegation that Mortgagee has failed to dispose of any collateral in a commercially reasonable manner.

Mortgagor shall pay to Mortgagee, on demand and as part of the Obligations hereunder, all costs and expenses, including court costs, legal expenses and reasonable attorneys' fees, incurred by Mortgagee in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions hereof.

16. Concurrent Remedies

No right or remedy of Mortgagee hereunder shall be exclusive of any other remedy herein or by law provided; each right or remedy shall be cumulative in addition to every other right or remedy and, in addition, the exercise of any remedy by Mortgagee

of all provisions hereof or of an intent by Mortgagee to terminate all the provisions hereof. Moreover, a failure of Mortgagee to insist upon strict compliance with the terms hereof or to assert any right or remedy hereunder shall not be a waiver of any default and shall not be determined to constitute a modification of the agreements of the parties hereto or the terms hereof or to establish any claim or defense. Any waiver of any right or remedy of Mortgagee hereunder must be contained in writing signed by Mortgagee.

17. Mortgagee's Payment -- Late Payment

In the event that Mortgagor should fail duly and promptly to perform any of the things required to be performed hereunder, Mortgagee may, at its option, immediately or at any time thereafter, perform the same for the account of Mortgagor without thereby waiving any default, and any amount paid or expenses or liability incurred by Mortgagee in such performance, together with interest thereon until paid at the rate of 15 percent per annum, or the highest lawful rate of interest, whichever is lesser, shall be payable to Mortgagee by Mortgagor on demand and shall be and become part of the Obligations secured hereunder.

In the event that any amount due and payable Mortgagee from Mortgagor remains overdue for more than 15 days, Mortgagor shall pay Mortgagee hereunder on demand and as part of the Obligations interest on such amount from the date payable to the date of actual payment at the rate of 15 percent per annum, or the highest lawful rate of interest, whichever is lesser.

18. Applicable Law

Mortgagee, Mortgagor and Guarantor agree that the law of the State of Ohio shall govern their rights and duties hereunder, excepting applicable federal law and except only to the extent precluded by other states' law of mandatory application. ANY ACTION, SUIT OR PROCEEDING IN RESPECT OF OR ARISING FROM OR OUT OF THIS MORTGAGE, ITS MAKING, VALIDITY OR PERFORMANCE, SHALL BE PROSECUTED AS TO ALL PARTIES AND THEIR SUCCESSORS AND ASSIGNS AT COLUMBUS, OHIO. EACH PARTY HERETO CONSENTS TO AND SUBMITS TO THE EXERCISE OF JURISDICTION OVER ITS PERSON BY ANY COURT SITUATED AT COLUMBUS, OHIO, AND HAVING JURISDICTION OVER THE SUBJECT MATTER. Mortgagor and Guarantor each hereby irrevocably appoints and designates E. George Bellows, whose address is 100 East Broad Street, Columbus, Ohio 43215, or any other person whom Mortgagee, after giving Mortgagor or Guarantor five days' written notice thereof may appoint, as its true and lawful attorney in fact and duly authorized agent for service of legal process and agrees that service of such process upon such party shall constitute personal service of such process upon Mortgagor or Guarantor, as the case may be. Such attorney in fact, within five days after receipt of such process, shall forward the same, by certified or registered mail, together with all papers

affixed thereto, to Mortgagor or Guarantor at its address as set forth herein.

19. Notices

Any notice, request or demand given or required to be given hereunder, shall, except as expressly otherwise provided herein, be in writing and shall be determined to have been given when mailed by United States registered or certified mail, return receipt requested, postage prepaid, to the other party hereto at the address of such party as stated herein. Either party hereto may at any time change its address for notification purposes by mailing, as aforesaid, a notice stating the change and setting forth the new address.

20. Miscellaneous Provisions

Unless otherwise specifically provided herein, the Obligations of Mortgagor hereunder shall not be contingent or executory and shall continue notwithstanding termination hereof or the exercise by Mortgagee of any right or remedy hereunder.

Upon satisfaction of all the Obligations and after receiving Mortgagor's written request, Mortgagee shall have 20 working days in which to furnish any termination statement required by law.

The titles to the various sections of this Mortgage are solely for convenience and are not a part of the Mortgage for purposes of interpreting the provisions hereof.

Unless otherwise specified, the terms "herein," "hereunder," "hereto," "herewith" and words of similar import refer to this entire Mortgage.

This written Mortgage is exclusive as to its subject matter and no inconsistent oral agreement shall be binding.

IN WITNESS WHEREOF, the parties hereto have caused this Mortgage to be executed by their duly authorized representatives at Columbus, Ohio, as of the 23rd day of DECEMBER, 1975.

(SEAL)

SOUTH-EAST COAL COMPANY

Signed and acknowledged in the presence of:

Kay + Toy
Kay L. Sanders

By *D. Swanson*
Its *V. Pres.*

MORTGAGOR

Signed and acknowledged in
the presence of:

Ray T. O'J
Ray T. Sanders

(SEAL)

Ray T. O'J
Ray T. Sanders

THE CITY NATIONAL BANK & TRUST
COMPANY OF COLUMBUS

By Philip C. Fisher

Its Loan Office

MORTGAGEE

SOUTH-EAST COAL SALES COMPANY

By Frank T. Womack

Its PRESIDENT

GUARANTOR

GUARANTY

(Of Obligations Under Mortgage of Railroad Rolling Stock)

THIS GUARANTY is made this 23rd day of DECEMBER, 1975, by the undersigned, hereinafter called "Guarantor," to and for the benefit of The City National Bank & Trust Company of Columbus, a national banking association organized and existing by virtue of the laws of the United States and having its principal office and place of business at 100 East Broad Street, Columbus, Ohio 43215, hereinafter called "Mortgagee."

IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, including without limitation loans made and to be made by Mortgagee and indebtedness to Mortgagee of South-East Coal Company, a Kentucky corporation having its principal office and place of business in Irvine, Kentucky 40336, hereinafter called "Mortgagor," evidenced and to be evidenced in part by promissory note or notes made by Mortgagor from time to time, hereinafter individually and collectively called "the Note," pursuant to a Loan Agreement of even date herewith by and among Mortgagee, Mortgagor and the undersigned and secured by a Mortgage of even date herewith by and between Mortgagor and Mortgagee hereinafter called "the Mortgage," Guarantor, for the purpose of inducing Mortgagee to make the loans aforesaid, hereby warrants, covenants and agrees as follows:

1. Guarantor hereby agrees to enter into the Mortgage together with Mortgagor and, to the extent of its possession or control of any of the Collateral (as defined therein), as a mortgagor or debtor thereunder.

2. Guarantor unconditionally and absolutely guarantees the due and punctual payment of the Note, any interest thereon and any other monies due or which may become due thereon, and the due and punctual performance and observance by Mortgagor of all the other terms, covenants and conditions of the Note, the Mortgage, the said Loan Agreement and all other documents executed in connection with said loans, whether according to the present terms thereof, at any earlier or accelerated date or dates as provided therein, or pursuant to any extension of time or to any change or changes in the terms, covenants and conditions thereof now, or at any time hereafter, made or granted.

3. Guarantor hereby waives diligence, presentment, protest, notice of dishonor, demand for payment, extension of time for payment, notice of acceptance of this guaranty, notice of nonpayment at maturity or otherwise, notice of indulgences and notices of every kind, and consents to any and all forbearances and extensions of the time of payment of the Note, and to any and all

changes in the terms, covenants and conditions thereof hereafter made or granted and to any and all substitutions, exchanges or releases of all or any part of the collateral therefor; it being the intention hereof that Guarantor shall remain liable until such amount of principal of the Note, with interest, and any other sums due or to become due thereon or under the Mortgage or any other agreement, shall have been fully paid and the terms, covenants and conditions shall have been fully performed and observed by Mortgagor, notwithstanding any act, commission or thing which might otherwise operate as a legal or equitable discharge of Guarantor.

4. Guarantor agrees that it shall have no right of subrogation whatsoever with respect to the aforesaid indebtedness, or to any monies due or paid thereon or any collateral securing the same unless and until Mortgagee shall have received full payment of all sums at any time evidenced by the Note and/or secured by the Mortgage.

5. Guarantor agrees that this Guaranty may be enforced by Mortgagee without first resorting to or exhausting any other security or collateral or without first having recourse to the Notes or any of the property covered by the Mortgage through foreclosure proceedings or otherwise; however, nothing contained herein shall prevent Mortgagee from instituting and maintaining suit on the Notes, or any one of them, foreclosing or causing to be foreclosed the lien(s) of the Mortgage or from exercising any other rights hereunder, and if such foreclosure or other remedy is availed of only the net proceeds therefrom, after deduction of all charges and expenses of every kind and nature whatsoever, shall be applied for reduction of the amount due on the Notes or under the Mortgage, and Mortgagee shall not be required to institute or prosecute proceedings to recover any deficiency as a condition of payment hereunder or of enforcement hereof. At any sale of the security or collateral for the indebtedness of Mortgagor or any part thereof, whether by trustee's sale, sale by a court of competent jurisdiction, foreclosure or otherwise, Mortgagee may at its discretion purchase all or any part of such collateral so sold or offered for sale for its own account and may apply the amount bid therefor against the balance due it pursuant to the terms of the Notes and the Mortgage.

6. Guarantor agrees that this Guaranty shall inure to the benefit of and may be enforced by Mortgagee and any subsequent holder or holders of the Notes, and the Mortgage and shall be binding upon and enforceable against Guarantor and Guarantor's legal representatives, successors and assigns.

7. Any one or more successive and/or concurrent actions may be brought hereon against Guarantor, or any one of them if more than one, either in the same action, if any, brought against Mortgagor, the then owner of the collateral securing the Notes, and/or any other party, or in separate actions, as often as the legal holder or holders of the Notes, in its or their sole discretion may deem advisable.

IN WITNESS WHEREOF, SOUTH-EAST COAL SALES COMPANY, Guarantor, has caused this Guaranty to be executed by its duly authorized representative on the day and year first aforesaid.

(SEAL)

SOUTH-EAST COAL SALES COMPANY

Signed and acknowledged
in the presence of:

R. J. + J. J.
Ray L. Sanders

By *Cliff F. Howard*
Its *PRESIDENT*

SCHEDULE 1

To Mortgage of Railroad Rolling Stock
 Dated DECEMBER 23, 1975

Description of Equipment (Units):

<u>Type</u>	<u>ARR Mechanical Designation</u>	<u>Number of Units</u>	<u>Identifying Marks</u>	<u>Road or Serial Numbers</u>
41'8"-70 ton hopper cars	HT	234*	P&LE	Various within series numbered 68,000 thru 74,050*

*Included in the property covered by the aforesaid mortgage is rolling stock used or intended for use in connection with inter-state commerce, or interests therein, owned by South-East Coal Company at the date of said mortgage or thereafter acquired by it or its successors and to be remarked with its reporting marks, "SECX."

41'8"-70 ton hopper cars	HT	60	SECX	773306	772913
				773385	768421
				772937	773542
				769583	773909
				773666	768416
				773997	770567
				768808	771990
				772488	772244
				772759	772751
				773231	772947
				773362	771093
				773777	772122
				774012	772344
				772501	768726
				772852	773497
				774041	769579
				773397	771127
				773787	772190
				774010	772422
				772532	772921
768007	771992				
768953	771996				
768780	772194				
769718	772465				
769805	772997				
769888	773380				
770279	773710				
770882	773888				
770941	773975				
771980	773993				

<u>Type</u>	<u>ARR Mechanical Designation</u>	<u>Number of Units</u>	<u>Identifying Marks</u>	<u>Road or Serial Numbers</u>
41'8"-70 ton hopper cars	HT	61	SECX**	668535 773005 669059 773032 770150 773092 771188 773207 771214 773255 771302 773275 771312 773312 771376 773407 771399 773437 771423 773477 771481 773546 771714 773586 771725 773597 771759 773679 771878 773704 771930 773709 772029 773726 772065 773730 772133 773733 772262 773757 772289 773867 772496 773879 772499 773889 772654 773920 772670 773944 772708 773951 772781 774043 772789 774044 772836 772839 772851 772902 772948

**Each Unit will have marked or stenciled on each side in letters not less than one inch in height the following:

THE CITY NATIONAL BANK & TRUST COMPANY OF
COLUMBUS, MORTGAGEE. MORTGAGE RECORDED UNDER
SECTION 20c OF THE INTERSTATE COMMERCE ACT.

SUPPLEMENTAL SCHEDULE NO. _____

Referenced Document: Mortgage of Railroad Rolling Stock dated _____, 1975, recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. §20c on _____, 1975, Recordation No. _____.

Mortgagor: South-East Coal Company
Irvine, Kentucky 40336

Guarantor: South-East Coal Sales Company
88 East Broad Street
Columbus, Ohio 43215

Mortgagee: The City National Bank & Trust Company
of Columbus
100 East Broad Street
Columbus, Ohio 43215

A D D

Description of Equipment (Units):

<u>Type</u>	<u>AAR Mechanical Designation</u>	<u>Number of Units</u>	<u>Identifying Marks*</u>	<u>Road or Serial Numbers</u>
41'8"-70 ton hopper cars	HT		SECX	

*Each Unit will have marked or stenciled on each side in letters not less than one inch in height the following:

THE CITY NATIONAL BANK & TRUST COMPANY
OF COLUMBUS, MORTGAGE ~~RECORDED~~ MORTGAGE RECORDED
UNDER SECTION 20c OF THE INTERSTATE COMMERCE
ACT.

Approved and agreed to this _____ day of _____,
197___, as a Supplemental Schedule to the Mortgage by and among THE
CITY NATIONAL BANK & TRUST COMPANY OF COLUMBUS, SOUTH-EAST COAL
COMPANY AND SOUTH-EAST COAL SALES COMPANY (as Guarantor) dated the
_____ day of _____, 1975, and hereby made a part of that
Mortgage.

Signed and acknowledged in
in the presence of:

(SEAL)

(SEAL)

THE CITY NATIONAL BANK & TRUST
COMPANY OF COLUMBUS

By _____

Its _____

MORTGAGEE

SOUTH-EAST COAL COMPANY

By _____

Its _____

MORTGAGOR

SOUTH-EAST COAL SALES COMPANY

By _____

Its _____

GUARANTOR

STATE OF OHIO,
COUNTY OF FRANKLIN, ss:

I do hereby certify that on the 23rd day of DECEMBER, 1975, before me, the subscriber, a notary public in and for said County, personally appeared PHILIP C. PARKER, to me personally known, who being duly sworn, says that he is the Loan Officer of The City National Bank & Trust Company of Columbus, that said instrument was signed on behalf of said association 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 association for the purposes therein stated.

(SEAL)

Kay L. Sanders
Notary Public

My commission expires KAY L. SANDERS
NOTARY PUBLIC, FRANKLIN COUNTY, OHIO
MY COMMISSION EXPIRES APRIL 17, 1979

STATE OF OHIO,
COUNTY OF FRANKLIN, ss:

I do hereby certify that on the 23rd day of DECEMBER, 1975, before me, the subscriber, a notary public in and for said County, personally appeared DAVID H. SWANSON, to me personally known, who being duly sworn, says that he is the Vice President of South-East Coal Company, 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 he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation for the purposes therein stated.

(SEAL)

Kay L. Sanders
Notary Public

My commission expires KAY L. SANDERS
NOTARY PUBLIC, FRANKLIN COUNTY, OHIO
MY COMMISSION EXPIRES APRIL 17, 1979

STATE OF OHIO,
COUNTY OF FRANKLIN, ss:

I do hereby certify that on the 23rd day of DECEMBER, 1975, before me, the subscriber, a notary public in and for said County, personally appeared KEITH F. MERRICK, to me personally known, who being duly sworn, says that he is the President of South-East Coal Sales Company, 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 he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation for the purposes therein stated.

(SEAL)

Kay L. Sanders
Notary Public

My commission expires KAY L. SANDERS
NOTARY PUBLIC, FRANKLIN COUNTY, OHIO
MY COMMISSION EXPIRES APRIL 17, 1979