

CONDITIONAL SALE AGREEMENT

Dated as of February 1, 1978

RECORDATION NO. 3004 Filed & Recorded  
MAR 15 1978 - 9 48 AM  
INTERSTATE COMMERCE COMMISSION

Between

EVANS TRANSPORTATION  
COMPANY

as Vendor

and

NATIONAL RAILWAY UTILIZATION CORPORATION

and

PICKENS RAILROAD COMPANY

as Joint and Several Vendees

Re:

\$2,150,000 Principal Amount  
10% Conditional Sale Indebtedness due 1979-1993

of

NATIONAL RAILWAY UTILIZATION CORPORATION

and

PICKENS RAILROAD COMPANY

Jointly and Severally

(Pickens Railroad 78-1)  
(79 50'6" 70-Ton Boxcars)

## TABLE OF CONTENTS

SECTION	HEADING	PAGE
Parties.....		1
1.	Construction and Sale.....	1
2.	Delivery.....	1
3.	Purchase Price and Payment.....	3
4.	Title to the Equipment.....	4
5.	Marking of Equipment.....	5
6.	Casualty Occurrences.....	6
7.	Taxes.....	9
8.	Reports and Inspections.....	10
9.	Possession, Use and Maintenance.....	10
10.	Prohibition Against Liens.....	11
11.	Rules, Laws and Regulations.....	12
12.	Indemnities.....	12
13.	Patent Indemnities.....	13
14.	Assignments.....	15
15.	Defaults.....	17
16.	Remedies.....	19
17.	Applicable State Laws.....	22
18.	Extension Not A Waiver.....	22
19.	Recording.....	22
20.	Notice.....	23
21.	Headings.....	23
22.	Effect and Modification of Agreements.....	23
23.	Law Governing.....	23
24.	Definitions.....	24
25.	Payment of Expenses.....	24
26.	Consolidation or Merger.....	24
27.	Execution.....	24

Attachments to Conditional Sale Agreement

Schedule A - Description of Equipment

## CONDITIONAL SALE AGREEMENT

CONDITIONAL SALE AGREEMENT dated as of February 1, 1978 between EVANS TRANSPORTATION COMPANY ("Manufacturer") and NATIONAL RAILWAY UTILIZATION CORPORATION ("NRUC") and PICKENS RAILROAD COMPANY ("Pickens"), as joint and several obligors hereunder (said Pickens and NRUC being hereinafter sometimes collectively referred to as the "Vendees").

WHEREAS, the Manufacturer is willing to sell and deliver to the Vendees, and the Vendees are jointly and severally willing to purchase, the railroad equipment described in Schedule A attached hereto (collectively the "Equipment" or "Items" and individually "Item of Equipment" or "Item"); and

WHEREAS, the Manufacturer and the Vendees have agreed that this Agreement shall exclusively and completely state the rights of the Manufacturer and the Vendees with respect to the Equipment and shall supersede all other agreements, oral or written, with respect to the Equipment;

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

### SECTION 1. CONSTRUCTION AND SALE.

The Manufacturer will sell and deliver to the Vendees and the Vendees will purchase from the Manufacturer and accept delivery of and pay for as hereinafter provided, the Equipment, each Item of which shall be constructed in accordance with the applicable specifications referred to in Schedule A hereto, with such modifications thereof as may be agreed upon in writing by the Vendees and the Manufacturer (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design and quality of equipment and material used in the manufacture of such Items shall conform to all Department of Transportation requirements and specifications for new equipment, and to all standards required by the Association of American Railroads, interpreted as being applicable to the new railroad equipment of the character of such Items as of the date of this Agreement.

### SECTION 2. DELIVERY.

2.1. The Manufacturer will deliver the various Items of Equipment to the Vendees in accordance with the delivery schedule set forth in Schedule A hereto; provided, however, that the Manufacturer shall have no obligation to deliver any Item of Equipment hereunder subsequent to the filing by or against either of the Vendees of a petition for reorganization under the Bankruptcy Act.

2.2. The Manufacturer's obligation as to time of delivery is subject, however, to delays resulting from causes beyond the Manufacturer's reasonable control, including, but not limited to, acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riots or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, or delays in receiving necessary materials.

2.3. Notwithstanding the foregoing provisions, any Equipment not delivered and accepted on or before the outside delivery date provided therefor in Schedule A hereto, shall be excluded from this Agreement and not included in the term "Equipment" as used in this Agreement. In the event of any such exclusion the Manufacturer shall remain obligated to construct, sell and deliver to the Vendees, and the Vendees shall remain obligated to purchase from the Manufacturer, accept delivery of and pay for, any of the Equipment thus excluded from this Agreement, and the Vendees and the Manufacturer shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not excluded herefrom, and the Manufacturer and the Vendees shall further execute a separate agreement providing for the sale of such excluded Equipment by the Manufacturer to the Vendees upon the same terms and conditions as those contained herein, modified only to the extent necessary to provide for payment in cash upon delivery of the Equipment, either directly or indirectly by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Vendees may determine and as may be reasonably satisfactory to the Manufacturer.

2.4. The Equipment during construction shall be subject to inspection by one or more inspectors or other authorized representatives of the Vendees. Upon completion of each Item of Equipment by the Manufacturer, it shall be presented to such inspectors or representatives for inspection at the place designated herein for delivery of such Item of Equipment, and, if such Item of Equipment conforms to the Specifications applicable thereto, such inspectors or representatives shall execute and deliver to the Manufacturer a certificate or certificates of acceptance (hereinafter called the Certificate of Acceptance) stating that such Item of Equipment has been inspected and is accepted by them on behalf of the Vendees and is marked in accordance with Section 5.1 hereof. Any Certificate of Acceptance may cover any number of Items of Equipment.

2.5. The Manufacturer shall bear the risk of loss of each Item of Equipment or damage thereto until delivery to and acceptance by the Vendees. Upon delivery and acceptance by the Vendees of each of such Items of Equipment the Vendees shall bear the risk of loss or damage to such Items.

SECTION 3. PURCHASE PRICE AND PAYMENT.

3.1. The base price per Item of Equipment, including freight charges, if any, to place of delivery, and inspection and certification fees, but exclusive of interest, is as set forth in Schedule A hereto. The base price per Item of Equipment shall be subject to increase or decrease as may be agreed to in writing by the Manufacturer and the Vendees, and the term "Purchase Price" as used herein shall mean the base price as so increased or decreased; provided that the purchase price for each Item of Equipment shall not exceed the maximum price provided therefor in Schedule A hereto.

3.2. For the purpose of making settlement for the Equipment, the Equipment shall be treated as not more than two groups of Items of Equipment (each such group of Items being hereinafter called a "Group").

3.3. The Vendees hereby jointly and severally acknowledge themselves to be indebted to the Manufacturer in the amount of, and hereby promise to pay to the Manufacturer, at such bank or trust company in the United States as the Manufacturer or its assignee shall designate for payment to it in funds immediately available at such place of payment, the Purchase Price of the Items of Equipment as follows:

(a) on the Closing Date with respect to any Group, in immediately available funds, an amount equal to 20% of the aggregate Purchase Price for all Items of Equipment in such Group; and

(b) an amount equal to the difference between the aggregate Purchase Price of all Items of Equipment in such Group and the aggregate amount paid pursuant to subparagraph (a) of this Section 3.3 (hereinafter sometimes referred to as the "Conditional Sale Indebtedness") payable in fifteen (15) equal installments on February 15, 1979 and on each February 15 thereafter to and including February 15, 1993, to bear interest at the rate of 10% per annum prior to maturity on the from time to time unpaid balance of the Conditional Sale Indebtedness, payable in one (1) installment for the period, if any, from and including the Closing Date in respect of a Group to, but not including May 15, 1978, payable on May 15, 1978, followed by fifty-nine (59) quarterly installments payable on August 15, 1978 and on the fifteenth day of each November, February, May and August thereafter to and including February 15, 1993.

3.4. The term "Closing Date" with respect to each Group shall mean such date not later than May 15, 1978 which is

not more than seven business days following presentation by the Manufacturer to the Vendees of the invoice, or invoices, and the Certificate or Certificates of Acceptance with respect to the Group, as shall be fixed by the Vendees by written or telegraphic notice delivered to the Manufacturer and any assignee thereof at least five business days prior to the Closing Date designated therein.

3.5. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois are authorized or required to close.

3.6. Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months.

3.7. The Vendees will pay interest at the rate of 11% per annum upon all unpaid balances of indebtedness and (to the extent legally enforceable) upon interest, after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

3.8. All payments provided for in this Agreement shall be made by the Vendees in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

3.9. Except as provided in Section 6 hereof, the Vendees shall not have the privilege of prepaying any installment of the indebtedness prior to the date it becomes due hereunder.

#### SECTION 4. TITLE TO THE EQUIPMENT.

4.1. The Manufacturer shall and hereby does retain the full security title to and property in the Equipment until the Vendees shall have made all of the payments hereunder and shall have kept and performed all their agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendees as herein provided. Any and all additions to the Equipment and any and all replacements of the Equipment and of parts thereof and additions thereto shall constitute accessions to the Equipment and shall be subject to all terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

4.2. When and only when the Manufacturer shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided and all the Vendees' other 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 Vendees without further transfer or action on the part of the Manufacturer, except that the Manufacturer, if requested by the Vendees so to do, will execute a bill or bills of sale of the Equipment releasing its security title thereto and property therein to the Vendees or upon its order free of all liens and encumbrances created or retained hereby and deliver such bill or bills of sale to the

Vendees c/o NRUC at its address specified in Section 20 hereof, and will execute in the same manner and deliver at the same place, for filing, registering, recording or depositing in all necessary public offices, 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 Vendees to the Equipment, and will pay to the Vendees any money paid to the Manufacturer, pursuant to Section 6 hereof and not therefore applied as therein provided. The Manufacturer 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 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 to file such certificate within a reasonable time after written demand by the Vendees.

#### SECTION 5. MARKING OF EQUIPMENT.

5.1. The Vendees will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon both sides of each Item of Equipment in letters not less than one inch in height, the words "Ownership subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c", with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the security title of the Manufacturer to such Item of Equipment, its rights under this Agreement and the rights of any assignee under Section 14 hereof. The Vendees will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Vendees will not change the road number of any Item of Equipment except with the consent of the Manufacturer and any assignee pursuant to Section 14 hereof and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Manufacturer by the Vendees and filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited.

5.2. Except as above provided, the Vendees will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Vendees may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Vendees or their affiliates on railroad equip-

ment used by them of the same or a similar type for convenience of identification of the right of the Vendees to use the Equipment under this Agreement.

## SECTION 6. CASUALTY OCCURRENCES.

6.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise (each such occurrence, except for any requisition which by its terms is indefinite or does not exceed the original term of this Agreement, being hereinafter called a "Casualty Occurrence"), prior to the payment of the indebtedness in respect of the Purchase Price of such Item, together with interest thereon and all other payments required hereby, the Vendees or either of them shall, within ten days after they shall determine that such Item of Equipment has suffered a Casualty Occurrence, fully inform the Manufacturer in regard thereto. When the total value of Items of Equipment which have suffered a Casualty Occurrence (exclusive of Items of Equipment having suffered a Casualty Occurrence with respect to which payments shall have been made to the Manufacturer pursuant to this Section 6) shall exceed \$100,000 (or such lesser amount as the Vendees shall elect), the Vendees shall, within 30 days of such event pay to the Manufacturer a sum equal to the aggregate Casualty Payment (as defined in Section 6.3 hereof) of such Items of Equipment as of the date of such payment and shall file with the Manufacturer a certificate of a Vice President or other chief accounting officer of each of the Vendees setting forth the Casualty Payment of each Item of Equipment suffering a Casualty Occurrence.

6.2. Any money paid to the Manufacturer pursuant to Section 6.1 hereof shall, so long as no Event of Default shall have occurred and be continuing, be applied, in whole or in part, as the Vendees shall direct in a written instrument filed with the Manufacturer, to prepay indebtedness in respect of the Purchase Price of the Equipment hereunder or to or toward the cost of an Item or Items of Equipment of new standard gauge railroad equipment which shall be of the same character as the Equipment described in Schedule A hereto to replace such Item of Equipment having suffered a Casualty Occurrence and which new Item or Items of Equipment shall be of a quality and have a value and utility at least equal to such Item of Equipment having suffered a Casualty Occurrence, as the Vendees shall direct in such written instrument. In case any such money shall be applied to prepay indebtedness, it shall be so applied, on the first installment date for the payment of interest due and owing on the Purchase Price of the Equipment next following receipt by the Manufacturer of such written direction, to prepay the installments of the Purchase Price of the Equipment thereafter falling due ratably in accordance with the unpaid balance of each installment, whether or not such amount shall be sufficient to prepay the entire amount of the Purchase Price. In case of replacement the amount to be paid by the Manufacturer in respect of any replacing Item shall not exceed the lesser of the cost of such

Item or the amount which such Item would have cost if acquired on the earliest date when any of such money was paid to the Manufacturer, and the Vendees shall pay any additional cost of such Item. Under no circumstance shall the Manufacturer be required under this Section 6.2 to make prepayments or to pay for replacements except out of funds paid to the Manufacturer pursuant to Section 6.1 hereof. In the case of any replacement, the Purchase Price of such replacing Item shall for the purpose of this Agreement be the amount of money advanced by the Manufacturer in payment therefor, but shall not include any portion of the cost thereof paid by the Vendees. The amount which any such replacing Item would have cost if acquired on the earliest date when any of such money was paid to the Manufacturer shall be conclusively determined by the certificate of a Vice President or other chief accounting officer of each of the Vendees to be filed as hereinafter provided.

6.3. The payment to be made to the Manufacturer in respect of each Item of Equipment having suffered a Casualty Occurrence (the "Casualty Payment") shall be deemed to be that portion of the original Purchase Price thereof remaining unpaid on the date as of which such Casualty Payment shall be determined, plus interest accrued thereon but unpaid as of such date.

6.4. So long as no Event of Default shall have occurred and be continuing, any money paid to the Manufacturer pursuant to this Section 6 shall, if the Vendees shall in writing so direct, be invested, pending their application as hereinabove provided, in (a) such direct obligations of the United States of America or obligations for which the faith of the United States is pledged to provide for the payment of principal and interest or, (b) commercial paper rated "A-1" or "P-1" or their equivalent by Standard & Poor's Corporation or a comparable national rating agency or, (c) obligations issued or guaranteed by any state of the United States or the District of Columbia or any political subdivision of any such state or district rated "AA" or better by a national rating service, or (d) in certificates of deposit issued by commercial banks in the United States of America which are members of the federal reserve system having capital and surplus aggregating at least \$100,000,000, in each case maturing in not more than one year from the date of such investment (all such investments being hereinafter called "Investments"), as may be specified in such written direction. Any such obligations shall from time to time be sold and the proceeds reinvested in such Investments as the Vendees may in writing direct. Any interest or earned discount received by the Manufacturer on any Investments shall be held by the Manufacturer and applied as herein provided. Upon any sale or the maturity of any Investments, the proceeds thereof, plus any interest received by the Manufacturer thereon, up to the cost (including accrued interest or earned discount) thereof, shall be held by the Manufacturer for application pursuant to this Section 6, and any excess shall be paid to the Vendees. If such proceeds (plus such interest or earned discount) shall be less than such cost, the Vendees Manufacturer in connection with the purchase and sale of Investments.

will promptly pay to the Manufacturer an amount equal to such deficiency. The Vendees will pay all expenses incurred by the

6.5. The Vendees will cause any replacing Item to be plated or marked as provided in Section 5.1 hereof. Any and all such replacements of Equipment shall constitute accessions to the Equipment and shall be subject to all of the terms and conditions of this Agreement as though part of the original Equipment delivered hereunder and shall be included in the term "Equipment" as used in this Agreement. Title to all such replacements shall be free and clear of all liens and encumbrances and shall be taken initially and shall remain in the name of the Manufacturer subject to the provisions hereof, and the Vendees shall promptly execute, acknowledge, deliver, file and record all such documents (including the filing with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act of an appropriate supplemental agreement describing such replacements) and do any and all such acts as may be necessary to cause such replacements to come under and be subject to this Agreement and to protect the title of the Manufacturer to such replacements. All such replacements shall be warranted in like manner as the Items replaced, and the vendor of the replacements shall, if other than the Manufacturer, duly consent to the subjection thereof to this Agreement and agree to be bound by all the terms and provisions contained herein in respect of such replacements in like manner as the Manufacturer is in respect of the original Equipment delivered hereunder.

6.6. Whenever the Vendees shall file with the Manufacturer, pursuant to the foregoing provisions of this Section 6, a written direction to apply money to or toward the cost of a replacing Item of new standard gauge railroad equipment, the Vendees shall file therewith in such number of counterparts as may reasonably be requested:

(a) a certificate of a Vice President or other chief accounting officer of each of the Vendees certifying that such replacing Item is new standard gauge railroad equipment (other than work or passenger equipment) and has been plated or marked as required by the provisions of this Section 6 and certifying the cost of such replacing Item or Items, the amount which such replacing Item would have cost if acquired on the earliest date when any such money was paid to the Manufacturer and that the cost thereof does not exceed the fair value of such Item and that such replacing Item or Items have a quality and value and utility at least equal to the Item or Items replaced; and

(b) an opinion of counsel for one of the Vendees that title to each replacing Item is vested in the Manufacturer free and clear of all liens and encumbrances,

and that such Item has come under and become subject to this Agreement.

6.7. In the event that any moneys paid to, or held by, the Manufacturer pursuant to this Section 6 are applied to the prepayment of indebtedness in respect of the Purchase Price, the Vendees will pay to the Manufacturer on the date of such application interest then accrued and unpaid on the indebtedness so prepaid.

If an Event of Default shall have occurred and be continuing, then so long as such Event of Default shall continue all money then held by the Manufacturer pursuant to this Section 6 shall be applied by the Manufacturer as if such money were money received upon the sale of Equipment pursuant to Section 16 hereof.

6.8. In order to facilitate the sale, or other disposition of any Equipment suffering a Casualty Occurrence, the Manufacturer shall upon request of the Vendees, after deposit by the Vendees of a sum equal to the Casualty Payment of such Equipment, execute and deliver to the Vendees or the Vendees' vendee, assignee or nominee, a bill of sale (without warranties) for such Equipment, and such other documents as may be required to release such Equipment from the terms and scope of this Conditional Sale Agreement, in such form as may be reasonably requested by the Vendees.

6.9. In the event that prior to the expiration of the term of this Agreement, the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period ending on or before said date, the Vendees' duty to pay the indebtedness in respect of the Purchase Price thereof shall continue for the duration of such requisitioning or taking. The Vendees shall be entitled to receive and retain for their account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

## SECTION 7. TAXES.

All payments to be made by the Vendees hereunder will be free of expense to the Manufacturer for collection or other charges and will be free of expense to the Manufacturer in respect of the amount of any local, state or federal taxes, license and registration fees, assessments, charges, fines, penalties, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment, and other taxes, fees and governmental charges similar or dissimilar to the foregoing (other than net income, excess profits and similar taxes) hereafter levied or imposed upon, or measured by, this Agreement or any sale, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which expenses, taxes and licenses the Vendees assume and agree to pay on demand in addition to the indebtedness in respect of the

Purchase Price of the Equipment. The Vendees will also pay promptly all taxes and assessments which may be imposed upon the Equipment or for the use or operation thereof by the Vendees or upon the earnings arising therefrom or upon the Manufacturer solely by reason of its ownership thereof and will keep at all times all and every part of the Equipment free and clear of all taxes and assessments which might in any way affect the title of the Manufacturer or result in a lien upon any Item of Equipment; provided, however, that the Vendees shall be under no obligation to pay any taxes, assessments, licenses, charges, fines or penalties of any kind so long as they are contesting in good faith and by appropriate legal proceedings such taxes, assessments, licenses, charges, fines or penalties and the nonpayment thereof does not, in the opinion of the Manufacturer, adversely affect the property or rights of the Manufacturer hereunder. If any such expenses, taxes, assessments, licenses, charges, fines or penalties shall have been charged or levied against the Manufacturer directly and paid by the Manufacturer, the Vendees shall reimburse the Manufacturer on presentation of an invoice therefor; provided, however, that the Vendees shall not be obligated to reimburse the Manufacturer for any expenses, taxes, assessments, licenses, charges, fines or penalties so paid unless the Manufacturer shall have submitted notice in writing to the Vendees at least five business days in advance of payment thereof.

#### SECTION 8. REPORTS AND INSPECTIONS.

8.1. On or before April 1 in each year, commencing with the year 1979, the Vendees will furnish to the Manufacturer an accurate statement, as of the preceding December 31, (a) showing the amount, description and numbers of the Items of Equipment then subject to this Agreement, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Agreement, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Manufacturer may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 5.1 hereof shall have been preserved or replaced.

8.2. The Manufacturer shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Vendees' records with respect thereto, at such times as shall be reasonably necessary to confirm to the Manufacturer the existence and proper maintenance thereof during the continuance of this Agreement.

#### SECTION 9. POSSESSION, USE AND MAINTENANCE.

9.1. The Vendees, so long as they shall not be in default under this Agreement, shall be entitled, from and after delivery of

the Equipment by the Manufacturer to the Vendees, to the possession of the Equipment and the use thereof upon the railroad lines owned or operated by either of them alone or jointly with another and whether under lease or otherwise, or upon the railroad lines owned or operated by any railroad company controlled by, under common control with or controlling the Vendees, or over which either of them has trackage or other operating rights, or over which railroad equipment of the Vendees or their affiliates is regularly operated pursuant to contract, the Equipment may also be used upon connecting and other railroads in the usual interchange of traffic, from and after delivery of the Equipment by the Manufacturer to the Vendees and the Vendees may, with the prior written consent of the Manufacturer (which consent will not be unreasonably withheld) lease the Equipment to other companies incorporated under the laws of any state of the United States or the District of Columbia for use in connection with their operations; provided, however, that such use shall be subject to all the terms and conditions of this Agreement and that the Vendees shall not assign nor permit the assignment of any Item of Equipment to service involving the regular operation and maintenance thereof outside the continental United States.

9.2. The Vendees shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Vendees shall, at their own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Vendees shall not modify any Item of Equipment without the written authority and approval of the Manufacturer which shall not be unreasonably withheld, provided that no such approval shall be required if and to the extent such modification is required by Section 11 hereof. Any parts installed or replacements made by the Vendees upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Manufacturer, without cost or expense to the Manufacturer.

#### SECTION 10. PROHIBITION AGAINST LIENS.

10.1. The Vendees will pay or satisfy and discharge any and all sums claiming by, through or under the Vendees or their respective successors or assigns which, if unpaid, might become a lien or a charge upon any Item of Equipment equal or superior to the security title of the Manufacturer, and any liens, encumbrances or charges which might be levied against or imposed upon any Item of Equipment as a result of the failure of the Vendees to perform or observe any of their covenants or agreements under this Agreement, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested by the Vendees in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Manufacturer, adversely affect the property or rights of the Manufacturer hereunder.

10.2. 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 undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other liens arising in the ordinary course of business and, in each case, not delinquent (such liens being herein called "permitted liens").

#### SECTION 11. RULES, LAWS AND REGULATIONS.

During the term of this Agreement the Vendees will comply in all respects with all laws of the jurisdictions in which their operations involving the Equipment may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the operation or use of the Equipment; and in the event that such laws or rules require the alteration of the Equipment, the Vendees will conform therewith at their expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that the Vendees may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Manufacturer, adversely affect the property or rights of the Manufacturer hereunder.

#### SECTION 12. INDEMNITIES.

12.1. The Vendees agree to indemnify, protect and hold harmless the Manufacturer against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including claims for strict liability in tort and counsel fees, arising out of retention by the Manufacturer of security title to the Equipment, or out of the use and operation thereof during the period when security title thereto remains in the Manufacturer. 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 the Equipment and the conveyance of the Equipment, as provided in Section 4.2 hereof, or the termination of this Agreement in any manner whatsoever.

12.2. The Vendees, after delivery to and acceptance by the Vendees pursuant to Section 2.5 hereof, will bear the risk of, and shall not be released from their obligations hereunder in the event of, any damage to or the destruction or loss of any Item or of all the Equipment.

12.3. The Manufacturer warrants that when delivered the Items of Equipment will be built in accordance with the Specifications therefor and warrants that the Items of Equipment will be free from

defects in material (except as to items furnished or supplied by the Vendees or items specified by the Vendees which are not manufactured, supplied or performed by the Manufacturer, in respect of which the Manufacturer hereby appoints and constitutes the Vendees its agent and attorney-in-fact to assert and enforce from time to time in the name of the Manufacturer but for the account of the Vendees and in all cases at the sole cost and expense of the Vendees whatever claims and rights the Manufacturer may have against any manufacturer or supplier of any such item) or workmanship under normal use and service. The Manufacturer's sole obligation under this warranty shall be limited to repairing or replacing any part or parts of any such defective Item of Equipment, which shall, within one year after the delivery of such Item of Equipment to the Vendees, be returned to such place as the Manufacturer shall designate with transportation charges prepaid and which the Manufacturer's examination shall disclose to its reasonable satisfaction to have been thus defective in normal use and service; provided, however, that this warranty shall not apply to (a) any components which shall have been repaired or altered unless repaired or altered by the Manufacturer or its authorized service representatives, if, in its judgment, such repairs or alterations affect the stability of any such Item of Equipment or (b) any such Item of Equipment which has been subject to misuse, negligence or accident. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE EXTENDING BEYOND THE DESCRIPTION IN THE SPECIFICATIONS AND OF ALL OTHER OBLIGATIONS AND LIABILITIES ON THE PART OF THE MANUFACTURER, AND THE MANUFACTURER NEITHER ASSUMES NOR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID AND EXCEPT FOR PATENT INDEMNITIES CONTAINED IN SECTION 13 HEREOF. IN NO EVENT SHALL THE MANUFACTURER BE LIABLE FOR INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES OR COMMERCIAL LOSS. The Manufacturer reserves the right to make changes in the design of, or add any improvements to, any Items of Equipment to be built by it at any time with the approval of the Vendees. The Manufacturer further agrees with the Vendees that acceptance of any Items of Equipment under Section 2.4 hereof shall not be deemed a waiver by the Vendees of any of their rights under this Section 12.3.

### SECTION 13. PATENT INDEMNITIES.

13.1. Except in cases of designs, systems, processes, formulae or combinations specified by the Vendees and not developed or purported to be developed by the Manufacturer, and articles and materials specified by the Vendees and not manufactured by the Manufacturer, the Manufacturer agrees to indemnify, protect and hold harmless the Vendees from and against any and all liability,

claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendees because of the use in or about the construction or operation of any Item of Equipment, of any design, article or material which infringes or is claimed to infringe on or to constitute contributory infringement with respect to any patent or other right. The Vendees likewise will indemnify, protect and hold harmless the Manufacturer from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Manufacturer because of the use in or about the construction or operation of any Item of Equipment of any design, systems, processes, formula and combinations specified by the Vendees and not developed or purported to be developed by the Manufacturer, or article or material specified by the Vendees and not manufactured by the Manufacturer, which infringes or is claimed to infringe on or to constitute contributory infringement with respect to any patent or other right. In case any Item of Equipment is held to constitute infringement of any patent or any similar right in respect of which liability may be charged against the Manufacturer, and the use of any Item of Equipment is enjoined, the Manufacturer shall, at its own expense and at its option, either procure for the Vendees the right to continue using such Item of Equipment or replace the same with noninfringing equipment or modify it so that it becomes noninfringing, or remove the infringing portion of the Item of Equipment and refund the purchase price and the transportation and installation costs of such portion. Without intending any limitation of the foregoing, the Manufacturer agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Vendees every claim, right and cause of action which the Manufacturer has or hereafter shall have against the originator of any design or against the seller or sellers of any designs or articles or materials purchased or otherwise acquired by the Manufacturer for use in or about the construction or operation of the Items of Equipment on the ground that any such design, article or material or operation thereof infringes or is claimed to infringe on or to constitute contributory infringement with respect to any patent or other right and the Manufacturer further agrees to execute and deliver to the Vendees all and every such further assurance as may be reasonably requested by the Vendees, more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action. The Manufacturer will give notice to the Vendees of any claim known to the Manufacturer from which liability may be charged against the Vendees hereunder and the Vendees will give notice to the Manufacturer of any claim known to them from which liability may be charged against the Manufacturer hereunder.

13.2. The term "design" wherever used in this Agreement or in any assignment of this Agreement shall be deemed to include formula, systems, processes and combinations.

#### SECTION 14. ASSIGNMENTS.

14.1. The Vendees will not sell, assign, transfer or otherwise dispose of their rights under this Agreement or transfer the right to possession of any Item of Equipment without first obtaining the written consent of the Manufacturer. An assignment or transfer to a railroad company or other purchaser which shall acquire all or substantially all the assets of both of the Vendees and which by execution of an appropriate instrument satisfactory to the Manufacturer, shall assume and agree to perform each and all of the obligations and covenants of the Vendees hereunder, shall not be deemed a breach of this covenant.

14.2. All or any of the rights, benefits and advantages of the Manufacturer under this Agreement, including the right to receive the payments herein provided to be made by the Vendees may be assigned by the Manufacturer and reassigned by an assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Manufacturer from, any of the obligations of the Manufacturer to construct and deliver the Equipment in accordance with Sections 1 and 2.1 hereof, or to respond to its warranties and indemnities contained in Sections 12.3 and 13 hereof, or relieve the Vendees of their obligations to the Manufacturer hereunder.

14.3. Upon any such assignment either the assignor or the assignee shall give written notice to the Vendees, 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 of the Manufacturer's right, security title and interest in and to the Equipment subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendees of the notification of any such assignment, all payments thereafter to be made by the Vendees hereunder shall, to the extent so assigned, be made to the assignee at the address of the assignee specified in the aforesaid notice.

14.4. The Vendees hereby acknowledge that, concurrently with the execution and delivery of this Agreement and in accordance with the custom of railroad equipment manufacturers, the Vendees have made arrangements for and the Manufacturer is executing and delivering an Agreement and Assignment dated as of February 1, 1978 (the "Agreement and Assignment") between the Manufacturer and Continental Illinois National Bank and Trust Company of Chicago, as Agent, as assignee (the "Agent") pursuant to which the Manufacturer is assigning certain of its rights and interests hereunder. The Vendees expressly acknowledge and agree with the Agent and its successors and assigns, for the purpose of inducing the execution and delivery of the Agreement and Assignment by the Agent

and its advance to the Manufacturer in consideration therefor of an amount equal to the Purchase Price of the Equipment, that the rights of the Agent and its successors and assigns to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or any part thereof as so assigned, together with interest thereon, as well as all other rights hereunder so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether by reason of any breach of any obligation of the Manufacturer with respect to the Equipment or the delivery or warranty thereof or with respect to any indemnity herein contained or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, at any time owing to the Vendees by the Manufacturer or to any other person, firm or corporation or to any governmental authority, or for any cause whatsoever, it being the intent hereof that the Vendees shall be unconditionally and absolutely obligated to pay the Agent the entire unpaid indebtedness in respect of the Purchase Price of the Equipment as so assigned, together with interest thereon, all in the manner and upon the dates set forth in Section 3.3(b) hereof. Any and all such obligations, if any and howsoever arising, shall be and remain enforceable by the Vendees against and only against the Manufacturer.

14.5. In the event of any such assignment or successive assignment by the Manufacturer of security title to the Equipment and of the Manufacturer's rights hereunder with respect thereto, the Vendees will, whenever requested by such assignee, change the names and word or words to be marked on each side of each Item of Equipment so as to indicate the security title of such assignee to the Equipment with such names and word or words as shall be specified by such assignee, subject to the requirements of the laws of the jurisdictions in which the Equipment shall be operated relating to such names and word or words for use on equipment covered by conditional sale agreements with respect to railroad equipment. The cost of marking such names and word or words with respect to the first assignee of this Agreement (or to any successor assignee in case the first assignee is an agent or trustee) shall be borne by the Vendees. The cost of marking such names and word or words in connection with any subsequent assignment (other than to a successor agent or trustee if the first assignee is an agent or trustee) will be borne by the subsequent assignee.

14.6. In the event of any such assignment prior to the completion of delivery of the Equipment, the Vendees will, in connection with settlement for the Group subsequent to such assignment, deliver to the assignee, at the time of delivery by the Vendees of notice fixing the Closing Date with respect to the Group, all documents reasonably required by the terms of such assignment to be delivered by the Vendees to the assignee in connection with such settlement, in such number or counterparts as may reasonably be requested.

14.7. If this Agreement shall have been assigned by the Manufacturer and the assignee shall not make payment to the Manufacturer on the Closing Date with respect to the Group of an amount equal to that portion of the Purchase Price of such Items of Equipment included in the Group as provided in the instrument of assignment, the Manufacturer will promptly notify the Vendees of such event, such Items of Equipment included in the Group shall be excluded therefrom but fully preserving the Manufacturer's security interest in such Items in a manner acceptable to the Manufacturer and the Vendees shall not later than 60 days after the Closing Date pay or cause to be paid to the Manufacturer the Purchase Price of all such Items of Equipment, or the portion thereof unpaid by the assignee, such payment to be in cash or if the Manufacturer and the Vendees shall mutually agree, by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Vendees shall determine and as may be reasonably satisfactory to the Manufacturer.

#### SECTION 15. DEFAULTS.

15.1. In the event that any one or more of the following events of default ("Events of Default") shall occur and be continuing, to-wit:

(a) The Vendees shall fail to pay in full any sum payable by the Vendees when payment thereof shall be due under Section 3 or 6 hereof and such default shall continue for ten days; or

(b) The Vendees shall fail or refuse to comply with any covenant, agreement, term or provision of this Agreement on their part to be kept and performed or to make provision satisfactory to the Manufacturer for such compliance for more than 30 days after written notice from the Manufacturer specifying the default and demanding the same to be remedied; or

(c) Any representation or warranty made by the Vendees herein or in any statement or certificate furnished to the Manufacturer or any assignee of the Manufacturer pursuant to or in connection with this Agreement, the Agreement and Assignment or the Finance Agreement dated as of February 1, 1978 between the Vendees, the Agent and various institutional investors therein named; or

(d) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against either of the Vendees and (unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of Pickens under this Agreement shall not have been duly assumed

in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees within 30 days after such appointment or 60 days after such petition shall have been filed, whichever shall be earlier; or

(e) Any other proceedings shall be commenced by or against either of the Vendees for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, re-organizations, arrangements, compositions or extensions and if instituted against either such Vendee or allowed against either such Vendee are consented to or are not dismissed within 90 days after such institution; or

(f) The Vendees or either of them 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 Item of the Equipment;

then at any time after the occurrence and during the continuance of such an Event of Default the Manufacturer may, upon written notice to the Vendees and upon compliance with any legal requirements then in force and applicable to such action by the Manufacturer, declare the entire indebtedness in respect of the Purchase Price of the Equipment, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such declaration at the rate of 11% per annum, to the extent legally enforceable, and the Manufacturer shall thereupon be entitled to recover judgment for the entire unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendees wherever situated.

15.2. The Manufacturer may waive any such Event of Default and its consequences and rescind and annul any such declaration by notice to the Vendees in writing to that effect. Upon any such waiver the respective rights of the parties shall be as they would have been if no such default had existed and no such declaration had been made. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendees 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.

SECTION 16. REMEDIES.

16.1. If an Event of Default shall have occurred and be continuing as hereinbefore provided, then at any time after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable as hereinbefore provided and during the continuance of such default, the Manufacturer may, upon such further notice, if any, as may be required for compliance with any mandatory requirements of law then in force and applicable to the action to be taken by the Manufacturer, take or cause to be taken by its agent or agents immediate possession of the Equipment, or any Item thereof, without liability to return to the Vendees any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Section 16 expressly provided, and may remove the same from possession and use of the Vendees and for such purpose may enter upon the premises of the Vendees or 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 Vendees, with or without process of law.

16.2. If the Manufacturer shall demand possession of the Equipment in pursuance of this Agreement, the Vendees shall at their cost, expense and risk:

(a) Forthwith place such Equipment in such reasonable storage place as the Manufacturer may reasonably designate or, in the absence of such designation, as either of the Vendees may reasonably select;

(b) Provide storage at the risk of the Vendees for such Equipment on such storage tracks for a period not exceeding 90 days after written notice to the Vendees specifying the place of storage and the car numbers of the Items to be so stored, such storage to be at the risk of the Vendees;

(c) Transport any Items of Equipment, at any time within such 90-day period, to any place on the lines of a railroad, all as the Manufacturer may reasonably direct upon not less than 10 days' written notice to the Vendees.

The agreement to deliver the Equipment as hereinbefore provided is of the essence of this Agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Manufacturer shall be entitled to a decree against the Vendees requiring specific performance hereof. The Vendees hereby expressly waive any and all claims against the Manufacturer and its agent or agents for damages of whatever nature in connection with any retaking of any Item of Equipment in any reasonable manner.

16.3. If an Event of Default shall have occurred and be continuing as hereinbefore provided, then at any time thereafter during the continuance of such default and after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable as hereinbefore provided (unless such declaration has been rescinded and annulled as provided in Section 15.2 hereof), the Manufacturer (after retaking possession of the Equipment as hereinbefore in this Section 16 provided) may at its election and upon such notice as is herein-after set forth retain the Equipment in satisfaction of the entire unpaid indebtedness in respect of the Purchase Price thereof, together with interest thereon and all other payments due hereunder and make such disposition thereof as the Manufacturer shall deem fit. Written notice of the Manufacturer's election to retain the Equipment shall be given to the Vendees by telegram or registered mail, addressed as provided in Section 20 hereof, and to any other persons to whom the law may require notice, within 90 days after the indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable by the Manufacturer as above provided. In the event that the Manufacturer should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all of the Vendees' rights in the Equipment shall thereupon terminate and all payments made by the Vendees may be retained by the Manufacturer as compensation for the use of the Equipment; provided, however, that if the Vendees, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Manufacturer the total unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendees; provided, further, that if the Vendees or any other persons notified under the terms of this Section 16.3 object in writing to the Manufacturer within 30 days from the receipt of notice of the Manufacturer's election to retain the Equipment, then the Manufacturer may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold the Equipment pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Manufacturer shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Section 16.

16.4. Any sale hereunder may be held or conducted at such place or places and at such time or times as the Manufacturer may specify, in one lot and as an entirety, or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Manufacturer may determine, provided that the Vendees shall be given written notice of such sale not less than 30 days prior thereto, by mail addressed as provided herein. If such sale shall

be a private sale, it shall be subject to the rights of the Vendees to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered in writing by the intending purchaser or a better price. The Manufacturer may bid for and become the purchaser of the Equipment, or any Item thereof, so offered for sale without accountability to the Vendees (except to the extent of surplus money received as hereinafter provided in this Section 16), and in payment of the Purchase Price therefor the Manufacturer shall be entitled to have credited on account thereof all sums due to the Manufacturer from the Vendees hereunder.

16.5. Each and every power and remedy hereby specifically given to the Manufacturer 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 Manufacturer. 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 Manufacturer 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.

16.6. All sums of money realized by the Manufacturer under the remedies herein provided shall be applied, first to the payment of the expenses and liabilities of the Manufacturer herein undertaken to be paid, second to the payment of interest on the indebtedness in respect of the Purchase Price of the Equipment and third to the payment, ratably in accordance with the unpaid balance of each installment, of the installments of indebtedness in respect of the Purchase Price of the Equipment accrued and unpaid. If, after applying as aforesaid all sums of money realized by the Manufacturer, there shall remain any amount due to it under the provisions of this Agreement, the Manufacturer may bring suit therefor and shall be entitled to recover a judgment therefor against the Vendees. If, after applying as aforesaid all sums realized by the Manufacturer, there shall remain a surplus in the possession of the Manufacturer, such surplus shall be paid to the Vendees.

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

16.8. The foregoing provisions of this Section are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 17. APPLICABLE STATE LAWS.

17.1. Any provision of this Agreement prohibited by any applicable law of any state, or which by any applicable law of any state would convert this Agreement into any instrument other than an agreement of conditional sale, shall as to such state be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any applicable state law may be waived, they are hereby waived by the Vendees to the full extent permitted by law, to the end that this Agreement shall be deemed to be a conditional sale agreement and enforced as such.

17.2. Except as otherwise provided in this Agreement, the Vendees, to the full extent permitted by law, hereby waive all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell the Equipment, or any Item thereof, and any other requirements as to the time, place and terms of sale thereof, and other requirements with respect to the enforcement of the Manufacturer's rights hereunder and any and all rights of redemption.

SECTION 18. EXTENSION NOT A WAIVER.

No delay or omission in the exercise of any power or remedy herein provided or otherwise available to the Manufacturer shall impair or affect the Manufacturer's right thereafter to exercise the same. Any extension of time for payment hereunder or other indulgence duly granted to the Vendees shall not otherwise alter or affect the Manufacturer's rights or the obligations of the Vendees hereunder. The Manufacturer's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendees obligations or the Manufacturer's rights hereunder with respect to any subsequent payments or defaults therein.

SECTION 19. RECORDING.

The Vendees will cause this Agreement, any assignment hereof and any supplements hereto and thereto to be filed, recorded or deposited and re-filed, re-recorded or re-deposited if necessary, with the Interstate Commerce Commission, and otherwise as may be required by law or reasonably requested by the Manufacturer for the purpose of proper protection, to the satisfaction of counsel for the Manufacturer of its security title to the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendees will promptly furnish to the Manufacturer certificates or other evidences

of such filing, recording or depositing, and an opinion or opinions of counsel for the Vendees with respect thereto, satisfactory to the Manufacturer.

#### SECTION 20. NOTICE.

Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at the following specified addresses:

(a) To NRUC: 860 Suburban Station, 1617 John F. Kennedy Blvd., Philadelphia, Pennsylvania 19103, Attention: Vice President - Finance,

(b) To Pickens: 402 Cedar Rock Street, Pickens, South Carolina 29671, Attention: President,

(c) To the Manufacturer: Evans Transportation Company, 2200 East Devon Avenue, Des Plaines, Illinois 60618, Attention: Vice President-Administration,

(d) To any assignee of the Manufacturer, or of the Vendees, at such address as may have been furnished in writing to the Vendees or the Manufacturer, as the case may be, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

#### SECTION 21. HEADINGS.

All section headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

#### SECTION 22. EFFECT AND MODIFICATION OF AGREEMENTS.

This Agreement and the Schedule relating hereto, exclusively and completely state the rights and agreements of the Manufacturer and the Vendees with respect to the Equipment and supersede all other agreements, oral or written, with respect to the Equipment. No variation of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and duly executed on behalf of the Manufacturer and the Vendees.

#### SECTION 23. LAW GOVERNING.

The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or depositing

hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

#### SECTION 24. DEFINITIONS.

The term "Manufacturer", whenever used in this Agreement, means, before any assignment of any of its rights hereunder, Evans Transportation Company, and any successor or successors for the time being to the properties and business thereof, and, after any such assignment, any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained and excluded from any assignment.

#### SECTION 25. PAYMENT OF EXPENSES.

The Vendees will pay all stamp or other taxes, if any, incident to, and the reasonable cost and expense of, the printing or other duplicating, execution, acknowledgment, delivery, filing or recording of any amendment to or supplement of this Agreement or the Agreement and Assignment, and of any certificate of the payment in full of the indebtedness in respect of the Purchase Price due hereunder.

#### SECTION 26. CONSOLIDATION OR MERGER.

In case of any consolidation or merger to which either of the Vendees or the Manufacturer shall be a party, or in case of any sale of all or substantially all the assets of either of the Vendees or the Manufacturer, the corporation resulting from such consolidation or merger (if other than a Vendee or the Manufacturer) or the corporation which shall acquire such assets, shall expressly assume all obligations hereunder not then performed by such Vendee or the Manufacturer, as the case may be, and shall become entitled to all rights hereunder of such Vendee or the Manufacturer, as the case may be.

#### SECTION 27. EXECUTION.

This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument. It shall not be necessary that any counterpart be signed by all of the parties hereto so long as at least one counterpart is signed by each party hereto. Although this Agreement is dated for convenience 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 acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by their officers or representatives, duly authorized, and their respective corporate seals to be hereunto affixed and duly attested, all as of the day, month and year first above written.

EVANS TRANSPORTATION COMPANY

(Corporate Seal)

By

Its

*[Signature]*  
Vice President

Attest:

*[Signature]*  
Secretary

NATIONAL RAILWAY UTILIZATION CORPORATION

(Corporate Seal)

By

Its

*[Signature]*  
General Manager

Attest:

*[Signature]*  
Secretary

PICKENS RAILROAD COMPANY

(Corporate Seal)

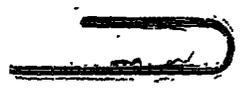
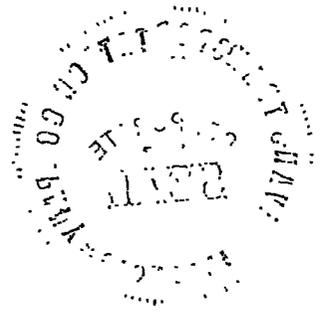
By

Its

*[Signature]*  
General Manager

Attest:

*[Signature]*  
Secretary



STATE OF ILLINOIS     )  
                                  )   SS  
COUNTY OF COOK        )

On this 30 day of March, 1978, before me personally appeared Paul K. Lee, to me personally known, who, being by me duly sworn, says that he is a Vice Pres. of EVANS TRANSPORTATION COMPANY, that one of the seals 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.

James Purdy  
Notary Public

(Seal)

My Commission expires: 4-21-81

COMMONWEALTH OF PENNSYLVANIA )  
COUNTY OF *Philadelphia* ) SS

On this *8th* day of *March*, 1978, before me personally appeared *John A. Harcourt*, to me personally known, who being by me duly sworn, says that he is the *Executive Vice President* of NATIONAL RAILWAY UTILIZATION CORPORATION, that one of the seals 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.

*Rene' Cobb*  
\_\_\_\_\_  
Notary Public

(Seal)

My Commission expires:

*NOTARY PUBLIC*  
*RENE' COBB*  
*COMMISSION EXPIRES JANUARY 1, 1981*

COMMONWEALTH OF PENNSYLVANIA )  
COUNTY OF Philadelphia ) SS

On this 8th day of March, 1978, before me personally appeared John A. Mauer to me personally known, who being by me duly sworn, says that he is the Vice President of PICKENS RAILROAD COMPANY, that one of the seals 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.

Rene Cobe  
Notary Public

(Seal)

My Commission expires:  
Public Notary

SCHEDULE A  
to Conditional Sale Agreement

MANUFACTURER.....	Evans Transportation Company
DESCRIPTION OF EQUIPMENT.....	50'6" 70-ton boxcars bearing identifying numbers NSL 101494 through NSL 101572, both inclusive
SPECIFICATIONS.....	Per Sale Agreement dated May 10, 1977 between Manufacturer and NRUC
BASE PRICE.....	\$33,800 per Item (\$2,670,200 for 79 Items)
MAXIMUM PRICE.....	\$34,018.98 per Item (\$2,687,500 for 79 Items)
DELIVER TO.....	Chamblee, Georgia
PLACE OF DELIVERY.....	Chamblee, Georgia
ESTIMATED DELIVERY DATES.....	February - April 15, 1978
OUTSIDE DELIVERY DATE.....	May 15, 1978