

**WHITEHEAD & KALES COMPANY**

July 30, 1981

RECORDATION NO. 13205

JUL 30 1981 - 1 30 PM

INTERSTATE COMMERCE COMMISSION

1-211AC19

No.

Date JUL 30 1981

Fax \$

ICC, Washington, D. C.

Secretary  
Interstate Commerce Commission  
Washington, D. C. 20423

Dear Sir:

Please record the attached Security Agreement evidencing the conditional sale of certain auto rack railroad equipment which is described below:

Vendor/Seller/Secured Party: Whitehead & Kales Company

Purchaser/Buyer/Debtor: Consolidated Rail Corporation

Equipment: One hundred twenty (120) enclosed bi-level automobile racks with radial doors applied to railroad flat cars, which racks bear Buyer/Debtor's serial numbers CR 1700 through 1819, inclusive, and Seller/Secured Party's serial numbers 73437 through 73676, inclusive.

Very truly yours,

WHITEHEAD & KALES COMPANY

John Perry, Vice President  
Corporate Development

JP:ah

STATE OF MICHIGAN  
COUNTY OF WAYNE

I, Ardis W. Hall, a Notary Public in and for said County in the State aforesaid, do hereby certify that John Perry known to me to be the same person whose name is subscribed to the above letter, appeared before me this day and signed said letter. Given under my hand and seal this 30th day of July, 1981.

ARDIS W. HALL

My Commission expires  
June 18, 1985

Notary Public, Wayne County MI  
My Commission Expires June 18 1985

Counterpart - Clark T. Starnes

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SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

This Security Agreement dated as of July 24, 1981, between Whitehead & Kales, a Michigan corporation (hereinafter called the "Seller/Secured Party") and Consolidated Rail Corporation, a Pennsylvania corporation (hereinafter called "Buyer/Debtor") relates to and supplements and modifies that certain Purchase Agreement between the same parties dated as of May 1, 1981.

1. Buyer/Debtor hereby grants to Seller/Secured Party a purchase money security interest in the One Hundred Twenty (120) enclosed bi-level automobile racks with radial doors applied to railroad flat cars, which racks bear or will bear Buyer/Debtor's serial numbers CR 1700 through 1819 inclusive, and Seller/Secured Party's serial numbers 73437 through 73676 inclusive, and in any and all additions and accessions thereto, and replacements thereof, said equipment and collateral being hereinafter called the Equipment; such security interest being intended to secure the payment by Buyer/Debtor to Seller/Secured Party of the Purchase Price (as defined in the aforesaid Purchase Agreement) of such Equipment.

2. Buyer/Debtor shall pay to Seller/Secured Party, in coin or currency of the United State of America, the full Purchase Price for the Equipment no later than November 2, 1981, as provided in the Purchase Agreement; and the failure of Buyer/Debtor to pay in full on or before November 2, 1981 shall constitute a default hereunder.

3. For and during any period in which Buyer/Debtor shall

be in default hereunder (for failure to pay the Purchase Price in full by November 2, 1981), interest on any such unpaid balance of such Purchase Price shall accrue at an annual rate which is four percent (4%) higher than the prime rate being charged on November 2, 1981 by the Manufacturers National Bank of Detroit (Michigan); and any such interest shall be paid in cash by Buyer/Debtor to Seller/Secured Party in addition to the Purchase Price of the Equipment.

4. If Buyer/Debtor shall default in payment of the Purchase Price, or interest due thereon, and such default shall continue for a period of ninety (90) days from and after November 2, 1981, Buyer/Debtor shall thereafter, forthwith on demand from Seller/Secured Party, surrender possession of the Equipment to Seller/Secured Party and deliver the same over (at the sole expense of Buyer/Debtor) in any reasonable manner and at any reasonable place that Seller/Secured Party shall specify, including but not limited to one or more of the following:

a. Delivery of all or any number of the units of Equipment to Seller/Secured Party at its River Rouge, Michigan facility detached and removed from the flat cars to which the same were applied;

b. Delivery of all or any number of the units of Equipment to Seller/Secured Party at its River Rouge, Michigan facility for removal by Seller/Secured Party, at the expense of Buyer/Debtor, of such units from the flat cars to which the same were applied;

c. Delivery of all or any number of the units of Equipment to a point or to points on the premises or on the lines of Buyer/Debtor reasonably designated by Seller/Secured Party and reasonably convenient to Buyer/Debtor; such units to have been, or to thereupon be, at the expense of Buyer/Debtor, detached from the flat cars to which the same were applied; such units of Equipment to be kept and stored without charge to Seller/Secured Party on such lines and premises of Buyer/Debtor until leased, sold or otherwise disposed of by Seller/Secured Party.

5. Upon taking delivery or possession of the Equipment, or any unit thereof, by reason of the default of Buyer/Debtor, as provided in the immediately preceding paragraph, Seller/Secured Party shall be under no obligation to return to Buyer/Debtor any sums theretofore paid, nor shall Buyer/Debtor have any claim against Seller/Secured Party therefor.

6. Until such time as Seller/Secured Party shall have been paid in full, Buyer/Debtor shall keep and maintain, plainly, distinctly and conspicuously marked on each side of each unit of the Equipment, in letters not less than one (1) inch in height, the words "Ownership Subject to a Security Interest".

7. Until such time as Seller/Secured Party shall have been paid in full the Purchase Price, and all interest, if any, due hereunder, Buyer/Debtor shall:

- a. Maintain the Equipment, or cause the Equipment to be maintained, in good order and repair at its own expense;
- b. Insure the Equipment, at its own expense, in amounts

and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by Buyer/Debtor on similar equipment owned or leased by it;

c. Comply in all respects with all applicable laws, rules and regulations of the jurisdictions in which its operations involving the Equipment may extend; and

d. Maintain the Equipment free of all liens, charges or interests which if imposed, or allowed to attach, would be equal or superior to the security interest of Seller/Secured Party, after delivery to Buyer/Debtor.

8. If any unit of the Equipment shall be lost, stolen, condemned, destroyed, irreparably damaged or otherwise rendered permanently unfit for use from any cause whatsoever, prior to payment of the entire Purchase Price (and interest, if any) for the Equipment (all units), Buyer/Debtor shall, immediately upon the occurrence of such loss or casualty, pay Seller/Secured Party the full purchase price of such lost or destroyed unit, even if such loss or casualty shall occur prior to November 2, 1981.

9. Buyer/Debtor hereby agrees to indemnify, protect and hold harmless the Seller/Secured Party from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, and expenses in connection therewith, including attorney fees, arising out of the retention by Seller/Secured Party of a security interest in the Equipment, and the use and operation of the Equipment by the Buyer/Debtor during the period in which such security interest remains in the Seller/Secured Party. This covenant of indemnity shall continue

in full force and effect notwithstanding full payment of all sums due under the Purchase Agreement or this Security Agreement, or the satisfaction, discharge or termination of either or both of such agreements in any manner whatsoever.

10. Each and every power and remedy hereby specifically given to the Seller/Secured Party shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, including any and all remedies available under the Uniform Commercial Code in force in the Commonwealth of Pennsylvania on the effective date of this agreement; 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 Seller/Secured Party. 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; and no delay or omission of the Seller/Secured Party in the exercise of any such power or remedy, and no renewal or extension of any payment due hereunder, shall impair any other power or remedy or shall be construed to be a waiver of any default or an acquiescence therein.

11. Buyer/Debtor hereby warrants that its principal offices are located in Philadelphia, Pennsylvania.

12. This document, which supplements and modifies that certain Purchase Agreement dated as of May 1, 1981 by and between the same parties, may be executed in any number of counterparts, but the counterpart delivered to and retained by Seller/Secured

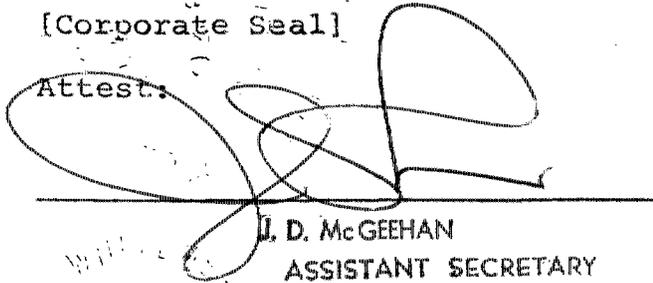
Party shall be deemed to be the original, and all other counterparts shall be deemed to be duplicates thereof. Although this document is dated, for convenience, as of July 24, 1981, the actual date or dates of execution hereof by the parties hereto is or are that or those stated in the acknowledgments attached hereto.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereon impressed, duly attested, all as of July 24, 1981.

CONSOLIDATED RAIL CORPORATION

[Corporate Seal]

Attest:



J. D. McGEEHAN  
ASSISTANT SECRETARY

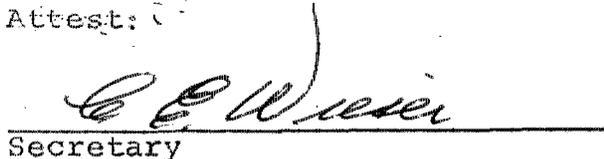
By:

  
Vice President - Materials & Purchasing

WHITEHEAD & KALES COMPANY

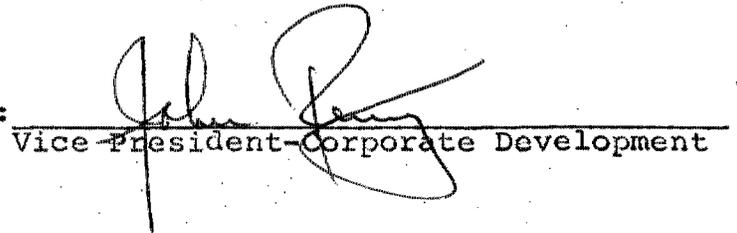
[Corporate Seal]

Attest:



Secretary

By:

  
Vice President - Corporate Development

COMMONWEALTH OF PENNSYLVANIA )  
COUNTY OF *Philadelphia* ) SS.

On this *28th* day of July, 1981, before me personally appeared *J. W. Whatmough*, to me personally known, who, being by me duly sworn, says that he is Vice President-Materials Purchasing of CONSOLIDATED RAIL 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.

*Catherine Aldinger*  
Notary Public

[Notarial Seal]

My commission expires: CATHERINE ALDINGER  
Notary Public, Phila., Phila. Co.  
My Commission Expires Aug. 3, 1981

STATE OF MICHIGAN )  
COUNTY OF WAYNE ) SS.

On this \_\_\_\_\_ day of July, 1981, before me personally appeared John Perry, to me personally known, who, being by me duly sworn, says that he is a Vice President-Corporate Development of WHITEHEAD & KALES 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.

*Josephine Tironi*  
Notary Public

[Notarial Seal]

My commission expires:

JOSEPHINE TIRONI  
Notary Public, Wayne County, Mich.  
My Commission Expires July 17, 1983