

11712-B

LAW OFFICES

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ALVORD AND ALVORD

11712

OF COUNSEL
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CHARLES T. KAPPLER
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MILTON C. GRACE
GEORGE JOHN KETO
RICHARD N. BAGENSTOS

APR 23 1980 10:20 AM

200 WORLD CENTER BUILDING
918 SIXTEENTH STREET, N.W.
WASHINGTON, D.C.

RECORDATION NO. 11712

APR 23 1980 10:20 AM

CABLE ADDRESS
"ALVORD"

20006

INTERSTATE COMMERCE COMMISSION

TELEPHONE
AREA CODE 202
393-2266

* NOT A MEMBER OF D.C. BAR
** ALSO A MEMBER OF OHIO BAR

April 23, 1980

TELEX
440348 CDA4 UI

Secretary
Interstate Commerce Commission
Washington, D.C.

11712-A

APR 23 1980

11712-A

100.06

RECORDATION NO. 11712

APR 23 1980 10:20 AM

Dear Madam:

ICB Washington INTERSTATE COMMERCE COMMISSION

Enclosed for recordation pursuant to the provisions of Section 11303(a) of Title 49 of the United States Code and the regulations thereunder are three counterparts each of

- 1) Chattel Mortgage and Security Agreement dated April 18, 1980;
- 2) Lease of Railroad Equipment dated as of March 1, 1980;
- 3) Assignment and Subordination Agreement dated April 18, 1980.

A general description of the railroad equipment covered by the enclosed documents is, as follows:

Eighty-four (84) 52'6" 100-ton rigid underframe railroad gondola cars with fixed ends bearing reporting marks and numbers MPA 20000 through MPA 20083, both inclusive.

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

Chattel Mortgage and Security Agreement

Mortgagor:

Emons Industries, Inc.
490 East Market Street
York, Pennsylvania 17403

RECEIVED
APR 23 10 14 AM '80
I.C.C.
FEE OPERATION BR.

C. J. Kappeler

C. J. Kappeler

Secretary
Interstate Commerce Commission

Mortgagee(Bank): Central Penn National Bank
Five Penn Center Plaza
Philadelphia, Pennsylvania 19103

Lease of Railroad Equipment

Lessor: Emons Industries, Inc.
(Address- see above)

Lessee: Maryland and Pennsylvania Railroad
Company
490 East Market Street
York, Pennsylvania 17403

Assignment and Subordination Agreement

Mortgagor(Borrower): Emons Industries, Inc.
(Address- see above)

Lessee: Maryland and Pennsylvania Railroad
Company
(Address- see above)

Mortgagee(Bank) Central Penn National Bank
(Address- see above)

The undersigned is agent for Emons Industries, Inc. for the purpose of recording the enclosed documents and has knowledge of the matters set forth therein.

Please return the counterparts of the enclosed documents not needed for recordation purposes to Charles T. Kappler, Esq., Alvord and Alvord, 200 World Center Building, Washington, D.C. 20006.

Also enclosed is a remittance in the amount of \$100 in payment of the required recordation fees.

Very truly yours,

ALVORD AND ALVORD

By Charles T. Kappler
Charles T. Kappler

Interstate Commerce Commission
Washington, D.C. 20423

4/23/80

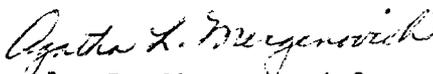
OFFICE OF THE SECRETARY

Charles T Kappler, Esq
Alvord & Alvord
200 World Center Building
Washington, D.C. 20006

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/23/80 at 10:20am , and assigned re-
recording number (s) . 11712, 11712-A, 11712-B

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

NEW NO.

RECORDATION NO. **11712** Filed 1425

APR 23 1980 10 27 AM

INTERSTATE COMMERCE COMMISSION

CHATTEL MORTGAGE AND SECURITY AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that EMONS INDUSTRIES, INC. ("Mortgagor"), in consideration of \$3,500,000. to be paid to it by CENTRAL PENN NATIONAL BANK ("Bank"), does hereby bargain, sell and convey to Bank, its successors and assigns, and does hereby grant to Bank a security interest in and lien upon (under Section 11303(a) of the Interstate Commerce Act, the Uniform Commercial Code, as amended, or other appropriate law) all those certain railroad gondola cars listed in Exhibit A attached hereto, and the proceeds (including the proceeds of insurance) thereon.

TO HAVE AND TO HOLD the said railroad gondola cars so bargained, sold and conveyed, or intended to be, unto the said Bank, its successors and assigns.

The condition of this Chattel Mortgage and Security Agreement is that, if the Mortgagor shall pay or cause to be paid to Bank the aforementioned sum or such other sums as Borrower shall have borrowed from Bank under that certain Loan Agreement between Borrower and Bank dated as of the 18th day of April, 1980, a copy of which is attached hereto and incorporated herein as Exhibit B, and fully and faithfully perform all of Mortgagor's obligations herein and therein contained, then this Chattel Mortgage and Security Agreement shall be released and terminated; otherwise, it shall remain in full force and effect.

Mortgagor warrants to Bank that on the date hereof Mortgagor is the absolute owner of the said railroad gondola cars, free and clear of all liens, encumbrances and adverse claims, other than the interest herein bargained, sold and granted to Bank.

Unless and until Mortgagor shall fail or refuse to perform any of the foregoing covenants and agreements or an event of default shall occur under the said Loan Agreement, Mortgagor hereby lets and demises from Bank the right of possession and use of the said railroad gondola cars.

Mortgagor hereby promises to keep the said railroad gondola cars in good condition and repair.

Should Mortgagor fail or refuse to perform any of the foregoing covenants and agreements, or upon the happening of an event of default as defined in the aforesaid Loan Agreement, Bank may exercise all its rights and remedies set forth in the Loan Agreement, including the right to take possession of the railroad gondola cars hereby mortgaged, and may exercise any of its rights under the Uniform Commercial Code, as amended, and other applicable laws.

This Chattel Mortgage and Security Agreement shall be binding upon and inure to the benefit of the successors and assigns of Mortgagor and Bank.

Executed this 18th day of April, 1980.

Attest:


Esther Nowakovic

EMONS INDUSTRIES, INC.

By: Robert G.

Quantity

Description of Units

Serial Numbers

84

52'6" 100-ton rigid under-
frame railroad gondola cars
with fixed ends.

MPA 20000 through
MPA 20083, inclu-
sive.

LOAN AND SECURITY AGREEMENT

AGREEMENT made as of the day of April, 1980, by and between EMONS INDUSTRIES, INC., a New York corporation, with its principal office at 490 East Market Street, York, Pennsylvania, 17403 (the "Borrower") and CENTRAL PENN NATIONAL BANK, a national banking association with offices at Five Penn Center Plaza, Philadelphia, Pennsylvania, 19103 (the "Bank").

The Borrower and the Bank, intending to be legally bound, agree as follows:

1. The Credit. Subject to the terms and conditions set forth herein, the Bank agrees to lend to Borrower and Borrower agrees to borrow from Bank a sum equal to the lesser of (i) \$3,500,000; or (ii) the purchase price of the Cars paid by Borrower (the "Loan"). The Loan will be evidenced by a promissory note (the "Note"), substantially in the form attached hereto as Exhibit A, in a principal sum equal to the Loan.

(a) Interest Rate. The unpaid principal amount of the Loan shall bear interest at the rate (charged on a 365/360 day basis) of one and one-quarter percent (1-1/4%) per annum in excess of Bank's prime rate in effect from time to time for 90-day unsecured loans to Bank's most creditworthy customers, but in no event less than ten and one-half percent (10-1/2%) per annum, nor more than fourteen percent (14%) per annum.

(b) Repayment. The principal of the Loan shall be repaid monthly on the first business day of each month in one hundred nineteen (119) consecutive equal monthly installments

in the amount of \$19,444.44 each, commencing the first business day of the second calendar month following the date of initial funding of the Loan proceeds (the date of such first payment is hereinafter referred to as the "First Payment Date"), together with a final payment of the full outstanding principal sum on the first business day of the one hundred twentieth (120th) calendar month following the First Payment Date. Interest, at the rate as aforesaid, shall be paid monthly, as accrued, on the first business day of each calendar month following the date of the advance of the Loan proceeds.

(c) Use and Disbursement of Loan Proceeds. The proceeds of the Loan shall be advanced to Borrower (in a single advance) upon Borrower's request (but no later than June 30, 1980) to finance its acquisition of the eighty-four (84) 52 foot, 6 inch, 100 ton rigid underframe gondola freight cars with fixed ends, with identifying marks as listed on Exhibit B hereto (the "Cars"), for a price not less than the amount of the Loan.

(d) Prepayment. So long as no Event of Default (as hereinafter defined) has occurred and remains uncured, Borrower shall have the right to prepay the Loan, in whole or in part, subject to the following:

(1) Any such prepayment shall be made on regular installment dates; shall be in multiples of regular installments; and shall be applied to payments due in the inverse order of their maturity.

(2) Borrower shall pay a prepayment charge during the first two (2) years following the First Payment Date,

of three percent (3%) of the amount prepaid; during the third (3rd) and fourth (4th) years following the First Payment Date, of two percent (2%) of the amount prepaid; during the fifth (5th) year following the First Payment Date, of one percent (1%) of the amount prepaid; thereafter, prepayment may be made without penalty or premium.

2. Security. As security for the payment of the principal of the Loan and all interest thereon, and for the payment, performance and discharge of all other indebtedness and other obligations or undertakings now or hereafter owing or made by the Borrower to or for the benefit of the Bank under this Agreement, or the Collateral Documents, as hereinafter defined, (all such obligations, indebtedness and undertakings being sometimes hereinafter referred to as the "Indebtedness"); the Borrower hereby grants or shall cause to be granted, or delivered to Bank:

(a) A first lien upon, and prior security interest (under Section 11303 of the Interstate Commerce Act, the Uniform Commercial Code, as amended, or other applicable law) in the Cars, together with all accessories, equipment, parts and appurtenances (whether now owned or hereafter acquired) appertaining or attached to the Cars, and all renewals or replacement parts of, and additions, improvements, accessions and accumulations to, any and all of the Cars, and together with all the rents, issues, income, profits and proceeds therefrom, including the proceeds of any policy of insurance thereon. All of the foregoing is more fully described in and under the terms and condi-

tions of the Chattel Mortgage and Security Agreement of even date herewith (the "Chattel Mortgage").

(b) Assignment of Borrower's rights under the lease (the "Lease") of the Cars, between Borrower and the Maryland and Pennsylvania Railroad Company, as more fully described in and under the terms and conditions of the Assignment and Subordination Agreement, of even date herewith (the "Assignment Agreement").

(c) Corporate guaranties of Emons Railcar Corp. ("ERC"), a New York corporation, and Emons Leasing Co., Inc. ("ELC"), a New Jersey corporation. (ERC and ELC are sometimes hereinafter collectively referred to as the "Guarantors").

All provisions of the Chattel Mortgage and the Assignment Agreement are incorporated herein and made a part hereof by reference (such documents, together with such other documents, agreements, lien instruments and certificates as may be requested by the Bank and now or hereafter delivered to the Bank with respect thereto or to the Loan, being hereinafter referred to as the "Collateral Documents" and the property described therein as the "Collateral").

3. Conditions.

(a) As a condition of the execution of this Agreement, the Borrower has delivered to the Bank, in form and content satisfactory to the Bank and its counsel, the following documents and instruments:

- 1) the Collateral Documents;
- 2) a certified copy of resolutions adopted by the Board of Directors of the Borrower, authorizing the execution and delivery of this Agreement and the Collateral Documents.

the Note, and all other documents and instruments required by Bank for the implementation of this Agreement;

- 3) such financing statements as may be requested by the Bank;
- 4) the Assignment Agreement;
- 5) guaranties of the Guarantors, together with a certified copy of resolutions adopted by the respective Board of Directors of each Guarantor authorizing the execution and delivery of their respective guaranties;
- 6) certificate of good standing of Borrower and each Guarantor;
- 7) such additional documents or instruments as the Bank may reasonably require under the terms of the Collateral Documents, or otherwise.

(b) As a condition of the funding of the Loan, the Borrower shall deliver to the Bank, in form and content satisfactory to the Bank and its counsel, the following documents and instruments:

- 1) the Note, duly executed by Borrower;
- 2) Evidence of the Recording of the Chattel Mortgage, Lease, Assignment Agreement and such other documents as, in the opinion of counsel for Bank, are necessary to grant or perfect the rights of Bank in the Cars or the Lease, at the Interstate Commerce Commission and such Canadian, federal and provincial offices as are required by counsel to the Bank;
- 3) a certificate, signed by an officer of Borrower, to the effect that the representations and warranties set forth in Section 4 hereof are true and correct as of the date of such certificate, and that no event has occurred which constitutes an event of default hereunder.

4) photocopies of original insurance policies meeting the criteria set forth in clause (e) of Section 5 below, together with a certificate of insurance, addressed to Bank, from the insurer under such policies;

5) a copy of the bill of sale evidencing that Borrower has acquired good title to the Cars from the sellers thereof, free and clear of all liens and encumbrances and that the cost of the Cars, as reflected therein, is not less than the principal amount of the Loan;

6) opinions of Messrs. Greenberg, Irwin, Pellman & Slade and Messrs. McDonald & Hayden, substantially in the form attached hereto as Exhibits C and D respectively;

7) evidence satisfactory to Bank that each of the Cars has been registered with UMLER of the Association of American Railroads;

8) such additional documents or instruments as the Bank may reasonably require under the terms of the Collateral Documents, or otherwise.

4. Representations and Warranties. The Borrower represents and warrants to the Bank, as follows:

(a) The Borrower and the Guarantors are corporations, duly organized and validly existing and in good standing under the laws of their respective states of incorporation have the corporate power and the authority to own and operate their properties and to carry on business in any jurisdiction in which their businesses are now being conducted, and Borrower has no subsidiaries and employs no fictitious trade

(b) The making, execution and performance by the Borrower of this Agreement and the Collateral Documents and by the Guarantors of the guaranties applicable to them, and the issuance of the Note by the Borrower, have been duly authorized by all necessary corporate action and will not violate any provision of law or of the charter or by-laws of the Borrower or Guarantors or any agreement, trust or other indenture or instrument to which the Borrower or Guarantors are a party, so that this Agreement, the guaranties and the Collateral Documents, when executed, and the Note, when issued and funded, will be valid and enforceable obligations of the Borrower and/or Guarantors in accordance with their terms.

(c) The Collateral is and will be owned by the Borrower, free and clear of all liens, encumbrances, security interests or other rights of third parties, excepting only (i) the rights and interests granted Bank herein and in the Collateral Documents; (ii) the rights permitted in paragraph (a) of Section 6 below; (iii) the lien of taxes claimed to be due to the Commonwealth of Pennsylvania, the amount and validity of which are being contested in good faith by Borrower pursuant to paragraph (d) of Section 5 below; (iv) the Lease; and (v) other usage arrangements, in the ordinary course of business, entered into by the Borrower or any subsidiary of Borrower; provided, however, no such usage arrangements shall be entered into by Borrower or any of its subsidiaries without the prior written consent of Bank, which consent shall not be unreasonably withheld or delayed.

(d) The consolidated balance sheet of Borrower and its subsidiaries (all current and future subsidiaries of Borrower are hereinafter jointly referred to as the "Subsidiaries")

as of December 31, 1979 and income and surplus statements of the Borrower and the Subsidiaries for the fiscal period then ended, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles, are substantially complete and correct, and, with substantial accuracy, fairly present the financial condition of the Borrower and the Subsidiaries as of said date and the results of their operations for the period then ended. To the best of the Borrower's knowledge and belief, neither it, nor Guarantors, have any material or substantial contingent obligation or liability for taxes or otherwise not disclosed or reserved against in such financial statements or otherwise disclosed to the Bank in writing. Since December 31, 1979, there has been no material adverse change in the condition of the Borrower or the Subsidiaries (as a consolidated group), financial or otherwise, from that set forth in said balance sheet as of said date, other than changes previously disclosed to the Bank, in writing.

(e) Except as previously disclosed in writing to the Bank, there are no suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting the Borrower or the Subsidiaries, in which the amount in dispute exceeds \$10,000. or any such claims which, in the aggregate exceed \$50,000. or which, if adversely determined, would have a material adverse effect on the financial condition or business of the Borrower or the Subsidiaries (as a consolidated group), and neither the Borrower nor the Subsidiaries are in default in the performance of any agreement to which they may be a party or with respect to any order, writ, injunction, decree of any

court or any Federal, state, municipal or other governmental agency or instrumentality.

(f) The Borrower has no knowledge of its or the Subsidiaries having incurred (a) any material accumulated funding deficiency within the meaning of the Employee Retirement Income Security Act of 1974, or (b) any material liability to the Pension Benefit Guaranty Corporation established under such Act (or any successor thereto under such Act) in connection with any employee benefit plan established or maintained by the Borrower or the Subsidiaries; nor has the Borrower or the Subsidiaries had any tax assessed against them by the Internal Revenue Service for any alleged violation under Section 4975 of the Internal Revenue Code. To the Borrower's knowledge, no prohibited transaction within the meaning of said Section 4975 has occurred with respect to any employee benefit plan established or maintained by the Borrower or the Subsidiaries.

(g) Except as permitted by paragraph (b) of Section 6 hereof, none of the Cars is or will be subject to any management agreement whereby Borrower permits any person or entity to manage the Cars on its behalf.

(h) None of the Cars mortgaged in favor of Bank is subject to any mortgage, pledge, security interest, title retention lien or other encumbrance or adverse claim, other than a lien in favor of Bank, the lien of any tax claimed to be due to the Commonwealth of Pennsylvania, the amount or validity of which is being contested in good faith by Borrower pursuant to paragraph (d) of Section 5 below, the Lease, or the letter agreement, dated January 24, 1980, between the Maryland and Pennsylvania Rail-

(i) Prior to the funding of the Loan, Borrower will be the owner of the Cars; all of the Cars will be fully paid for upon disbursement by the Bank of the Loan; and all of the Cars will have been registered with UMLER of the Association of American Railroads and shall have been assigned an UMLER value in the aggregate of not less than the Loan.

(j) All business records of Borrower are kept and maintained at 490 East Market Street, York, Pennsylvania, 17403, and Borrower will not, without the written consent of the Bank, remove any of such records from such place of business.

5. Affirmative Covenants. As long as any portion of the Indebtedness remains outstanding and unpaid, the Borrower covenants and agrees that, in the absence of prior written consent of the Bank, it will:

(a) Furnish to the Bank, not later than one hundred twenty (120) days after the close of each fiscal year, statements of profit and loss and surplus of the Borrower and the Subsidiaries for such year, and a consolidated balance sheet for the Borrower and the Subsidiaries as of the last day of such fiscal year, all prepared in accordance with generally accepted accounting principles consistently applied and certified, without qualification, by independent public accountants, satisfactory to the Bank. In addition, the Borrower will furnish to the Bank, quarterly, within sixty (60) days of the close of each quarterly fiscal period, its and the Subsidiaries' consolidated unaudited statements of profit and loss and surplus for such fiscal quarter, and a balance sheet as of the end of such fiscal quarter, each certified by its principal financial officer.

(b) With reasonable promptness furnish to the Bank such additional information and data (including, inter alia, AAR interchange reports relative to the Cars) concerning the business and financial condition of the Borrower and the Subsidiaries as may be reasonably requested by the Bank, and afford the Bank, or its agent, access to the books, records and properties of the Borrower and the Subsidiaries at any reasonable times. Bank agrees that all such information shall be maintained as confidential by Bank, except that Bank may make all such information available to any participant in the Loan or any purchaser of the Note.

(c) Maintain working capital of not less than the following:

- (i) Until June 30, 1980 - \$500,000.
- (ii) Thereafter until June 30, 1983 - \$750,000.
- (iii) Thereafter until the payment in full of the Indebtedness - \$1,000,000.

As used above, "working capital" shall mean current assets (including materials for building freight cars and work in progress for constructing freight cars), over current liabilities.

(d) Promptly pay and discharge all taxes, governmental charges and assessments levied and assessed or imposed upon the property, operations or income of the Borrower and the Subsidiaries, and pay all other claims which, if unpaid, might become liens or charges upon the property of the Borrower or the Subsidiaries; provided, however, that nothing in this paragraph shall require the Borrower to pay any such taxes or assessments as long as the Borrower shall in

good faith contest the amount or validity thereof.

(e) Maintain (i) its corporate existence and its compliance with all applicable statutes, rules and regulations with respect thereto; and (ii) comprehensive personal liability insurance with respect to its and the Subsidiaries' business and assets, with companies reasonably satisfactory to Bank, in such amounts and against such hazards and liabilities as is customary in the industry by entities having business operations similar to that of Borrower, all such policies covering the Collateral to insure the Bank as its interest may appear and to provide for thirty (30) days' notice to Bank of cancellation or material change in coverage.

(f) Promptly defend any action, proceeding or claim affecting Borrower or its property and promptly notify the Bank of the institution of any such action, proceeding or claim if the same would materially affect the financial condition of the Borrower or its property if adversely determined, or any such action, proceeding or claim if the same exceeds \$25,000. and is not covered by insurance exclusive of the deductible provided for in any such policy of insurance.

(g) Maintain, preserve, protect and keep in good order and condition (ordinary wear and tear excepted) all property necessary in the conduct of its business and, from time to time, make all necessary or appropriate repairs, replacements and improvements thereto.

(h) Promptly give written notice to the Bank of the occurrence of any event which would cause any representation or warranty made in Section 4 above, to be untrue at any time.

(i) Promptly repair or cause to be repaired all damage (other than damage constituting total destruction of any portion of the Collateral) to the Collateral.

(j) In the event of the total destruction of any of the Cars, pay to Bank a sum equal to the sum obtained by multiplying the principal balance of the Loan at the time of such destruction, by a fraction, the numerator of which is the number of Cars destroyed and the denominator of which is the number of the Cars existing immediately prior to such destruction. Any such sums received by Bank shall be credited toward payments due on the Loan in the inverse order of their maturity.

(k) After the giving of reasonable notice by Bank, permit and cause the Subsidiaries to permit, any person designated by Bank at such reasonable times and places and as often as Bank may reasonably request, to visit and inspect the Collateral.

(l) If an officer of Borrower shall obtain knowledge of the occurrence of any event of default set forth

in this Agreement, immediately give written notice to Bank specifying the nature of such event of default.

(m) At any time and from time to time after the execution and delivery of this Agreement, upon the request of Bank, execute and deliver such further instruments and documents (including, without limitation, such further financing statements) and do such further acts and things as Bank may reasonably request in order to fully effect the purposes of this Agreement and to perfect and maintain the perfection of Bank's security interest in the Collateral.

(n) Comply, and shall require every user of a Car to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of each Car), with all laws, rules and regulations of the jurisdictions in which its or such user's operations involving a Car may extend, with the interchange rules of the Association of American Railroads and with all lawful rules and regulations of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power of jurisdiction over the Cars, or any of them, to the extent that such laws, rules and regulations affect the title, operation or use of the Cars, or any of them.

(o) Until all of the Indebtedness has been paid in full, the Borrower shall maintain, directly in its own name, ownership and voting control of at least 98.1% of the shares of stock of the Maryland and Pennsylvania Railroad Company, free and clear of all claims, liens and encumbrances.

(p) Shall use the Cars, and permit the Cars to be used, only in the manner for which they were designed and intended and so as to subject them only to ordinary wear and tear. Borrower shall cause the Cars to be maintained and kept in good order, condition and repair so that each Car will remain (i) in as good operating condition as when purchased by the Borrower (ordinary wear and tear excepted); and (ii) in compliance with any and all applicable laws, rules and regulations. Borrower shall not make, or permit the making of, any permanent or other material modification to any Car without the prior written approval of the Bank, which approval shall not be unreasonably withheld. Any parts installed or replacements made upon any Car shall be considered accessions to such Car and shall be subject to the security interest of the Bank under this Agreement and the Chattel Mortgage.

(q) Cause each Car to be kept numbered with the identifying number as set forth in Exhibit B hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed upon each side of each Car in letters not less than one inch (1") in height as follows:

"Ownership Subject to a Security

Interest recorded with the I.C.C."

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Borrower's title to such Car, the rights of the Bank under this Agreement, and the security interest of the Bank in the Cars. Borrower will not place any

operation, or permit the same to be placed in operation, 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.

Borrower will not change the identifying number of any car or permit the same to be changed, except with the prior written consent of Bank and in accordance with a statement of new identifying numbers to be substituted therefor, which consent and statement shall have been previously filed with the Bank by the Borrower and filed, recorded or deposited in all public offices where the Chattel Mortgage or any of the other Collateral Documents shall have been filed, recorded or deposited. Except as provided in this paragraph, Borrower will not allow the name of any person, association or corporation to be placed on any Car as a designation that might be interpreted as a claim of ownership.

6. Negative Covenants. As long as any portion of the Indebtedness shall remain outstanding and unpaid, the Borrower covenants and agrees that, in the absence of prior written consent of the Bank, it will not, nor will it suffer the Subsidiaries to:

(a) Create, incur, assume or permit to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon any of the Collateral, except (i) mortgages or other security interests with respect to money borrowed from the Bank, and (ii) liens for taxes or governmental claims not yet due or which are being duly contested, in accordance with

(b) Sell, convey, lease, assign, transfer or otherwise dispose (voluntarily or by operation of law) of all or any portion of the Collateral, other than the Lease and other similar usage arrangements in the ordinary course of business; provided, however, no usage arrangements other than the Lease shall be entered into by Borrower without the prior written consent of Bank, which consent shall not be unreasonably withheld or delayed.

(c) Permit the ratio of its consolidated liabilities (excluding reserves for deferred Federal income taxes and other reserves to the extent that such reserves do not constitute an obligation), and in conformity with generally accepted accounting principles applied on a basis consistent with past practices, to consolidated net worth, including redeemable preferred stocks, plus (i) any excess of book value of assets acquired over cost relating to the acquisition of the shares of the Maryland and Pennsylvania Railroad Company, if any, but not exceeding \$1,200,000., less (ii) good will, if any, to be greater than four to one. Consolidated liabilities and consolidated net worth to be determined pursuant to the Consolidated Statements.

(d) Declare or pay any dividends (except dividends payable in stock of Borrower) in excess of sixty-six and two thirds percent (66-2/3%) of the cumulative net additions to its consolidated earned surplus resulting from consolidated net earnings subsequent to December 31, 1976.

(e) Lease all or any of the Cars for a period in excess of three (3) months without causing the lessee under such lease to subordinate its rights thereunder to Bank's interest under the Chattel Mortgage.

(f) Permit any of the Cars to be placed in operation outside of (i) the continental United States, (ii) the Canadian provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland, and (iii) any other jurisdiction in Canada with respect to which the Bank shall have received evidence satisfactory to it (including, without limitation, appropriate legal opinions) that the Bank has a first perfected security interest in the Cars under the laws of such jurisdiction (all the foregoing jurisdictions are referred to collectively herein as "Permitted Jurisdictions"); provided, however, that it shall not constitute a breach of this covenant if at any time fewer than two of the Cars are in jurisdictions in the Dominion of Canada, other than the Permitted Jurisdictions, for periods not exceeding sixty (60) days.

7. Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) Failure by the Borrower to pay, within ten (10) days of the due date, the Indebtedness or any portion thereof; or

(b) Failure by the Borrower to observe or perform any agreements, conditions, undertakings or covenants in this Agreement, the Note, the Collateral Documents or in any other agreement between the Borrower and the Bank and the continuance of such failure for a period of ten (10) days after written notice thereof from Bank to Borrower; provided, however, if such failure cannot be cured by Borrower within such ten-day period, Borrower shall have a reasonable period of time (not to exceed thirty (30) days from the date of notice from Bank) to remedy such failure, provided Borrower immediately initiates appropriate action to remedy such failure and continuously proceeds with the actions necessary to promptly remedy same; or

(c) If any representation or warranty made in this Agreement or furnished by the Borrower or any Guarantor in connection with the making of this Agreement or the making of the Loan or in compliance with the provisions hereof shall prove to have been false or erroneous in any material respect when made; or

(d) The Borrower or any Guarantor shall become insolvent or unable to pay its or their debts as they

mature, or shall file a voluntary petition or suffer any involuntary petition to be filed against it under any provision of any state or Federal bankruptcy or insolvency statute, or shall make an assignment for the benefit of its creditors, or shall apply for or consent to the appointment of a receiver for its assets, or any attachment or garnishment shall be initiated or filed against the property of the Borrower or any Guarantor.

Upon the occurrence of any one or more of the Events of Default set forth above, the Bank may, at its election, forthwith declare all or any portion of the Indebtedness to be immediately due and payable, without protest, demand or other notice, which are hereby expressly waived by the Borrower.

8. Remedies Upon Default.

(a) Upon the occurrence of any Event of Default or at any time thereafter during the continuance of such default, the Bank, in addition to the rights specifically granted hereunder or now or hereafter existing in equity, at law, by virtue of statute or otherwise (each of which rights may be exercised at any time and from time to time), may, at its election, exercise its default rights and remedies under any of the Collateral Documents or any other agreement between the Borrower and the Bank, in accordance with the respective provisions thereof, to the extent permitted by applicable law; and in addition may, to the extent permitted by applicable law:

(i) By its employees, agents or attorneys, take possession of the Cars, or any portion thereof, wherever located, with or without notice or process of law and free from all claims by Borrower, and, for that purpose, Bank may enter upon Borrower's premises where any of the same is located, remove the same without liability for suit, action or proceeding by Borrower, and use in connection with such removal any and all services, supplies, aids and other facilities of Borrower.

(ii) Take possession of the Cars, or any portion thereof, free from all claims by Borrower, by directing that they be assembled and delivered to Bank at any place or places which may be reasonably convenient to Borrower and the Bank, in which event Borrower shall, at its own expense, forthwith cause the same to be moved to the place or places so designated by Bank and there delivered to Bank, it being understood that Borrower's obligation so to deliver the Cars is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, Bank shall be entitled to a decree requiring specific performance by Borrower of such obligation.

(iii) Require Borrower to receive as the sole property of Bank and hold as trustee for Bank, all moneys, drafts and other property in which Bank has a security interest and which comes into the possession of Borrower.

(b) Further, upon the occurrence of any Event of Default, or at any time thereafter during the continuance

such default, Bank may, at its option, to the extent permitted by applicable law:

(i) Sell its interest in the Cars or any portion thereof, at one or more public or private sales, in such manner, at such time or times and upon such terms as Bank may determine, following written notice to Borrower (and Borrower hereby agrees that written notice given or sent at least five (5) days before the time of any intended public sale, or before the time after which private sale of the Cars, or any portion thereof, is to be made, shall be reasonable notice of such sale); and/or

(ii) Hold, lease, operate and otherwise use or permit the use of the Cars or any portion thereof, in such manner, for such time and upon such terms as Bank may deem to be in its best interests, and, in connection therewith, collect and retain all earnings, rents, profits and other amounts due and to become due.

Upon request from time to time, Borrower agrees to use its best efforts to assist Bank in selling and/or leasing Cars designated by Bank under terms and conditions acceptable to Bank. The proceeds of any such sale and the net earnings of any such holding, leasing, operation or other use, and the proceeds of any other collections made with respect to Cars, shall be applied by Bank in the following order:

(1) First, to the payment of the reasonable expenses of retaking, holding, using, preparing

for lease, leasing, preparing for sale, selling, collecting and the like.

(2) Second, to the payment of reasonable attorneys' fees and other legal expenses.

(3) Third, to the payment of interest accrued on the unpaid principal balance of the Note.

(4) Fourth, to the payment of the unpaid principal of the Note.

(5) Fifth, to the payment of all other Indebtedness and other obligations of Borrower to Bank.

Bank shall account to Borrower for any surplus and Borrower shall be liable to Bank for any deficiency.

Bank shall not have any obligation or duty to exercise any of the rights, privileges, options or powers, or to sell or otherwise realize upon any portion of the Cars, as authorized in this Section, and Bank shall not be responsible for any failure to do so or delay in so doing, and shall have no duty to protect or preserve the Cars other than a duty of reasonable custodial care of any such Cars in its possession.

9. Miscellaneous.

(a) This Agreement, the Collateral Documents and the Note shall be construed as one agreement, and in the event of inconsistency, the provisions of the Note shall control the provisions of this Agreement or any Collateral Documents,

and the provisions of this Agreement shall control the provisions of any Collateral Document.

(b) Modifications, waivers or amendments of or to the provisions of this Agreement, any Collateral Documents or the Note shall be effective only if set forth in a written instrument signed by the party against which same are sought to be enforced.

(c) The Borrower shall pay all costs and expenses reasonably incurred by the Bank in connection with the preparation, execution, delivery and performance of this Agreement, the Collateral Documents, the Note and all other instruments and agreements executed in connection herewith, and any waivers thereof or supplements or amendments thereto or in connection with the collection of the Indebtedness or any part thereof or the perfection, protection or maintenance of the Bank's interest in any Collateral. Such costs and expenses shall include, but not be limited to, fees and disbursements of counsel for the Bank and costs and expenses incurred in connection with the filing and terminating of chattel mortgages and/or financing statements or other recordings with respect to the Collateral.

(d) If any provision of this Agreement is prohibited by, or is unlawful or unenforceable under, any applicable law of any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining provisions hereof; provided, however, that any such prohibition

in any jurisdiction shall not invalidate such provision in any other jurisdiction; and provided, further, that where the provisions of any such applicable law may be waived, they hereby are waived by Borrower to the full extent permitted by law to the end that this Agreement shall be deemed to be a valid and binding agreement in accordance with its terms.

(e) This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes and cancels any prior understandings and agreements with respect thereto.

(f) If Borrower shall fail to make any payment or perform any act required herein, Bank may, but shall not be obligated to, make such payment or perform such act for the account of and at the expense of Borrower, without notice to or demand upon Borrower and without waiving or releasing any obligation or default. Borrower hereby indemnifies and holds Bank harmless from and against all losses and expenses (including, but not limited to, reasonable attorneys' fees) suffered or incurred by Bank by reason of any acts performed by it pursuant to this Subsection; and Borrower shall pay to Bank, upon demand, all sums expended, or losses and expenses suffered or incurred, by Bank pursuant to this subsection, plus interest thereon, at a rate equal to two percent (2%) per annum in excess of the rate of interest on the Note, from the date on which such sums are expended, or losses and expenses suffered or incurred by Bank

(g) If any action shall be instituted with respect to this Agreement by Bank, and Bank shall prevail in such action, Bank shall receive from Borrower all costs of Bank incurred by it in connection with such action, including reasonable attorneys' fees.

(h) Any notice or other communication by one party hereto to the other shall be in writing and shall be deemed to have been validly given if delivered or mailed, postage prepaid, addressed as follows:

If to the Borrower: Emons Industries, Inc.
490 East Market Street
York, PA 17403
Attention: Chairman

If to the Bank: Central Penn National Bank
Five Penn Center Plaza
Philadelphia, PA 19103
Attention: Paul A. Pyfer,
Vice President

(i) All agreements, representations, warranties and covenants made by the Borrower herein or in any certificate or other document delivered to the Bank shall survive the issuance and payment of the Note and shall be continuing as long as any portion of the Indebtedness shall remain outstanding and unpaid; provided, however, that the covenant set forth in paragraph (c) of this Section 9 shall survive the payment of the Indebtedness.

(j) This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, and shall be construed and

enforced in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the Borrower and the Bank have executed this Agreement as of the day and year first above written.

Attest:

EMONS INDUSTRIES, INC.

By:

Chairman

Attest:

CENTRAL PENN NATIONAL BANK

By:

Paul A. Pyfer, Vice President

Philadelphia, Pennsylvania
, 1980

FOR VALUE RECEIVED, EMONS INDUSTRIES, INC., a New York corporation (Borrower) hereby promises to pay to CENTRAL PENN NATIONAL BANK, a national banking association (Bank), or its order, at Five Penn Center Plaza, Philadelphia, Pennsylvania, or at such other place as the holder hereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum of

with interest (computed on the basis of a 365/360 day year) from the date hereof on the principal amount hereof remaining unpaid from time to time, at a rate equal to one and one-quarter percent (1-1/4%) per annum in excess of the prime rate of interest charged by Bank on 90-day unsecured loans to Bank's most creditworthy customers ("Prime Rate"), such rate to be adjusted on the day following any change in such Prime Rate; provided, however, in no event shall the interest rate be less than ten and one-half percent (10-1/2%) per annum, nor exceed fourteen percent (14%) per annum. Interest is payable monthly in arrears on the first business day of each month following the date hereof, and principal is payable monthly on the first business day of each month in one hundred nineteen (119) consecutive equal monthly installments of \$19,444.44 each, commencing on the first business day of the second calendar month following the date hereof and a final payment of the entire un-

paid balance on the sums due hereunder on the first business day of the one hundred twenty-first (121st) calendar month following the date hereof.

This Promissory Note is the note referred to in, and is entitled to the benefits of, the Loan and Security Agreement between the Borrower and the Bank, dated 1980. The Loan and Security Agreement, among other things, contains provisions (i) for acceleration of the maturity hereof upon the happening of certain events of default set forth therein (the occurrence of which events, and the failure to cure same, shall be deemed an event of default hereunder), and (ii) for permissive prepayments on account of the principal hereunder prior to the maturity hereof on the terms and conditions therein specified.

Time is of the essence of this Note.

IN WITNESS WHEREOF, Borrower, intending to be legally bound, has executed and delivered this Promissory Note on the day and year first above written.

EMONS INDUSTRIES, INC.

Attest:

By: _____

Chairman

<u>Quantity</u>	<u>Description of Units</u>	<u>Serial Numbers</u>
84	52'6" 100-ton rigid under-frame railroad gondola cars with fixed ends.	MPA 20000 through MPA 20083, inclusive.

OPINION OF MESSRS. GREENBERG
IRWIN PELLMAN & SLADE

A. The Borrower and the Guarantors were legally incorporated and are validly existing as corporations and in good standing under the laws of their respective states of incorporation; have adequate corporate power to own their properties and to enter into and to perform their respective obligations under the Loan Agreement, the Note, the Collateral Documents and the guaranties dated the date hereof (the "Guaranties"); and are qualified to do business in any jurisdictions where failure to qualify would have a material adverse effect upon their respective financial conditions.

B. The Loan Agreement, the Note and the Collateral Documents have been duly authorized by all corporate action and duly executed and delivered by the Borrower, and the Guaranties have been duly authorized by all corporate action and duly executed and delivered by the Guarantors, and the Loan Agreement, the Note, the Collateral Documents and the Guaranties constitute legal, valid and binding agreements of the Borrower or, in the case of the Guaranties, the Guarantors, enforceable in accordance with their respective terms subject (i) to limitations on enforceability imposed by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally; and (ii) to applicable laws which may affect the remedies provided for in such agreements (including, without limitation, the remedy

of specific performance which under certain circumstances may be unavailable) which laws, however, do not make the remedies provided for in such agreements inadequate for the realization of the benefits provided therein.

C. The entering into, delivery and performance of the Guaranties by the Guarantors and of the Loan Agreement, the Note and the Collateral Documents by the Borrower does not violate any law or regulation, and does not result in any breach of, or constitute a default under, the charter or the by-laws of the Borrower or Guarantors or any indenture, mortgage, deed of trust, bank loan or credit agreements or other agreement or instrument which, after reasonable investigation, is known to us to which the Borrower or Guarantors are a party or by which they may be bound.

D. After reasonable investigation, to our knowledge, there are no pending or threatened actions or proceedings before any court or administrative agency affecting the Borrower or its subsidiaries, in which the amount in dispute exceeds \$10,000. or any such claims which, in the aggregate, exceed \$50,000. or which, if adversely determined, would materially adversely affect the condition, business or operations of the Borrower or its subsidiaries (as a consolidated group).

E. The Collateral is owned by the Borrower free and clear of all liens, encumbrances, security interests or other

rights of third parties other than (i) the rights and interests granted the Bank in the Collateral Documents, (ii) a lien for taxes claimed to be due to the Commonwealth of Pennsylvania, (iii) the Lease, (iv) statutory liens not required to be filed of record, and (v) the letter agreement, dated January 24, 1980, between the Maryland and Pennsylvania Railroad Company and CN Rail, which agreement is terminable at will by either party thereto.

OPINION OF MESSRS. McDONALD and HAYDEN

Gentlemen:

As special counsel to Emons Industries, Inc. ("Emons") we are delivering this opinion in connection with the financing by Central Penn National Bank ("Bank") of the purchase by Emons of certain railroad gondola cars ("Cars") pursuant to the terms of the Loan and Security Agreement dated April , 1980 between Emons and Bank ("Loan Agreement").

In preparing this opinion we have examined the following documents used in connection with the financing aforementioned:

1. Loan Agreement;
2. Chattel Mortgage and Security Agreement dated April , 1980 granted by Emons to Bank ("Chattel Mortgage");
3. Assignment and Subordination Agreement dated April , 1980, between Maryland and Pennsylvania Railroad Company ("M & P"), Bank and Emons ("Assignment Agreement");
4. Promissory Note in the amount of . dated April, 1980, given by Emons in favor of Bank ("Note");
5. Trust Deed dated April , 1980 between ("Trustee") and Emons ("Trust Deed").
6. Lease dated April , 1980, between Emons and M & P ("Lease").

In addition, we have examined such records, certificates and other documents and instruments as we have considered necessary or appropriate for the purpose of rendering this opinion. We have relied upon the opinion of Messrs. Greenberg, Irwin, Pellman & Slade, dated April , 1980, in giving the opinions expressed in paragraphs 1 and 2 below. This opinion is restricted to the laws of the Dominion of Canada and the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland (hereinafter collectively referred to as the "Provinces"). With respect to the laws of and the registrations effected in the Provinces other than Ontario, we have relied on opinions of counsel in each such Province which counsel were chosen by us and on whom we feel entitled to rely.

EXHIBIT "D" TO LOAN AND SECURITY
AGREEMENT DATED APRIL 18, 1980 BY
AND BETWEEN EMONS INDUSTRIES, INC.
AND CENTRAL PENN NATIONAL BANK

The Chattel Mortgage and Assignment Agreement, or financing statements in respect thereof, have been registered in the appropriate provincial office in the Provinces other than Quebec providing for such registrations. The Trust Deed has been registered in the province of Quebec pursuant to the provisions of the Special Corporate Powers Act (Quebec). The Lease and Assignment Agreement have been deposited in the Office of the Registrar General of Canada under provisions of the Railway Act (Canada) on _____, 1980, and notice of such deposit was given in the Canada Gazette on 1980.

At the time of registration or deposit as applicable, the following searches were conducted with respect to Emons:

- (a) a search under the Bills of Sale Act in force in each of British Columbia, Alberta, Saskatchewan, and Newfoundland;
- (b) a search under the Companies Act in force in each of British Columbia, Alberta, and Newfoundland;
- (c) a search under the Personal Property Security Act in force in Manitoba and Ontario;
- (d) a search under the Corporation Securities Registration Act in force in Saskatchewan and Ontario
- (e) a search under the Special Corporate Powers Act in force in Quebec;
- (f) a search under the Railway Act (Canada); and
- (g) a search at the Office of the Registrar of Bankruptcy in each of the Provinces.

Other than is noted above no other searches were conducted with respect to Emons or its assets.

Based upon and subject to the foregoing we are of the opinion that:

1. Emons is a validly existing corporation incorporated pursuant to the laws of the State of New York and as such has the corporate power and authority to own and lease the Cars and to consummate the transactions contemplated by the Loan Agreement and the Lease.

2. M & P is a validly existing corporation incorporated pursuant to the laws of the States of (Maryland and Pennsylvania)

and as such has the corporate power and authority to lease and own the Cars, to consummate the transactions contemplated by the Lease and Assignment Agreement, and to carry on and operate its business in the Provinces.

3. The execution of and the performance of the obligations, duties and liabilities contained in the Loan Agreement, Note, Lease, Chattel Mortgage, Assignment Agreement and Trust Deed by Emons and where applicable by M & P, do not violate the provisions of any law, rule or regulation presently in force under the laws of the Dominion of Canada or the provinces.

4. With respect to Emons, the Loan Agreement, Note, Chattel Mortgage, Assignment Agreement and Trust Deed and with respect to M & P, the Lease and Assignment Agreement, represent valid and binding obligations, enforceable in accordance with their terms subject to and limited by:

(a) any applicable bankruptcy, insolvency, reorganization laws or other laws affecting the enforcement of creditors' rights generally; and

(b) any other laws of general application which require as a condition precedent to the enforcement of a charge, security interest or assignment, to obtain any clearance, consent, authorization or other form of approval; from a court of competent jurisdiction; provided, however, such laws do not make the remedies provided for in such agreements inadequate for the realization of the benefits provided therein.

In addition, in referring to the enforceability of the provisions of the various agreements, we express no opinion as to the specific enforcement of any particular provision by the equitable remedy of specific performance.

5. (a) The searches referred to herein revealed no liens or encumbrances, registered or filed against the assets of Emons other than in favor of the Bank.

(b) In addition, no other registrations are necessary under the laws of the Dominion of Canada and the Provinces, to protect the interests of Bank in the Cars and the Lease as against third parties claiming any interest in the Cars or the Lease.

(c) The registration of the Trust Deed, Chattel Mortgage, Assignment Agreement and where appropriate, a financing statement and the deposit of the Lease under the statutes referred to, evidences

in Canada, and in the Provinces the creation of a charge in the Cars and the Lease in favor of the Bank valid as against third parties subject to and limited by:

(i) the validity enforceability and priority of the charges under the applicable laws of the United States;

(ii) valid liens and encumbrances registered against the assets of Emons under the laws of jurisdictions other than the Dominion of Canada and the Provinces;

(iii) unrecorded liens or charges created by statutes of the Dominion of Canada or of the Provinces in favor of third parties;

6. The consummation of the transactions contemplated by the Loan Agreement.

(a) will not constitute on the part of Bank, carrying on business in Canada or the Provinces;

(b) does not require the approval, consent or granting of a license by the government of Canada or any of the Provinces;

(c) does not require Bank to make registrations or filings in Canada or any of the Provinces regarding its business activities;

(d) will not subject Bank to Canadian Income Tax on payments received pursuant to the transactions contemplated by the Loan Agreement provided that any such payments are not made to Bank by a person, firm or corporation resident in Canada within the meaning of the Income Tax Act (Canada) (the "Act"). If the person, firm or corporation making such payment to the Bank is a resident of Canada within the meaning of the Act, then the gross amount of such payment will be subject to withholding tax at the rate of 15% as provided under the Act and the Canada-United States Tax Convention.

LIST OF SUBSIDIARIES AND
TRADE NAMES

Subsidiaries

Maryland and Pennsylvania Railroad Company

Emons Railcar Corp.

Emons Leasing Co., Inc.

Trade or Fictitious Names

None

