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0-288A111

No. 1
OCT 14 1980
Date.....
Fee \$ 50.00

12300/A

ICC Washington, D. C.
RECORDATION NO. 12300

RECORDATION NO. Filed 1485
OCT 14 1980 -2 35 PM

INTERSTATE COMMERCE COMMISSION
OCT 14 1980 -2 35 PM
October 14, 1980
INTERSTATE COMMERCE COMMISSION

The Pittsburgh and Lake Erie Railroad Company
Conditional Sale Financing Dated as of September 1, 1980
12-3/4% Conditional Sale Indebtedness Due 1990

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303(a) and the Commission's rules and regulations thereunder, enclosed for filing and recordation on behalf of The Pittsburgh and Lake Erie Railroad Company are counterparts of the following documents:

- (a) Conditional Sale Agreement dated as of September 1, 1980, between Montour Land Company and The Pittsburgh and Lake Erie Railroad Company;
- (b) Agreement and Assignment dated as of September 1, 1980, between Montour Land Company and Manufacturers Hanover Trust Company, as Agent,

The names and addresses of the parties to the aforementioned Agreements are as follows:

(1) Vendor:

Montour Land Company
In care of The Pittsburgh and Lake Erie
Railroad Company

Handwritten: New Number
- A
Kearney V. Hollen

Oct 14 2 59 PM '80
FEE OFFICE SR

(2) Railroad:

The Pittsburgh and Lake Erie Railroad Company
P&LE Terminal Building
Smithfield & Carson Streets
Pittsburgh, Pennsylvania 15219

(3) Agent:

Manufacturers Hanover Trust Company
40 Wall Street
New York, N. Y. 10015

Please file and record the documents referred to above and index them under the names of the Vendor, the Railroad and the Agent.

The equipment covered by the aforementioned documents is listed in Schedule A hereto.

Also enclosed is a check for \$50 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document).

Please stamp all counterparts of the enclosed documents, retain one copy of the documents for your files and forward the remaining counterparts to me.

Thank you for your assistance.

Sincerely,



Jacqueline B. Goodyear
as Agent for The Pittsburgh
and Lake Erie Railroad
Company

Ms. Agatha L. Mergenovich,
Interstate Commerce Commission,
Washington, D.C. 20423

Encls.

21A

SCHEDULE A

Equipment

<u>Quantity</u>	AAR Mechanical <u>Designation</u>	<u>Description</u>	<u>Railroad Road Numbers</u>
48	FMS	Flat Cars*	P&LE 750-795 P&LE 798-799
246	GBS	Gondola Cars*	P&LE 17000-17052 P&LE 17054-17086 P&LE 17088-17167 P&LE 17169-17220 P&LE 17222-17249
97	GBS	Gondola Cars*	P&LE 17500-17510 P&LE 17512-17531 P&LE 17533-17561 P&LE 17563-17599
167	GB	Gondola Cars*	P&LE 19000-19164 P&LE 19166-19167
488	HT	Hopper Cars*	P&LE 62000-62025 P&LE 62027-62049 P&LE 62051-62094 P&LE 62096-62137 P&LE 62139-62155 P&LE 62157-62177 P&LE 62179-62259 P&LE 62261-62314 P&LE 62316-62363 P&LE 62365-62368 P&LE 62370-62381 P&LE 62383-62471 P&LE 62473-62499

Interstate Commerce Commission
Washington, D.C. 20423

10/14/80

OFFICE OF THE SECRETARY

Jacquaeline B. Goodyear
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear Ms. Goodyear:

The enclosed document (s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/14/80 at 2:55pm, and assigned re-
recording number (s).

12300 & 12300-A

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

Exhibit A

1. Morgan Guaranty Trust Company of New York, as Trustee of a Commingled Pension Trust Fund.
2. Presbyterian Ministers' Fund
3. State of Wisconsin Investment Board

12300

RECORDATION NO. _____ Filed 1425

OCT 14 1980 -2 55 PM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 5375-048]

CONDITIONAL SALE AGREEMENT

Dated as of September 1, 1980

Between

MONTOUR LAND COMPANY

and

THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY.

12-3/4% Conditional Sale Indebtedness Due 1990

CONDITIONAL SALE AGREEMENT

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* This Table of Contents has been provided for convenience only and shall not affect any interpretation of this document.

CONDITIONAL SALE AGREEMENT dated as of September 1, 1980, between MONTOUR LAND COMPANY, a Pennsylvania corporation (the "Vendor"), and THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY, a Delaware corporation (the "Railroad").

The Vendor has agreed with the Railroad to acquire from the Railroad the equipment described in Schedule A hereto or in Schedule A to any supplement hereto approved by the Investors (as defined in the Finance Agreement dated as of the date hereof between the Railroad, Manufacturers Hanover Trust Company, as Agent, and the institutional investors named in Schedule A thereto) (the "Equipment") and, on the date of such acquisition, the Vendor has agreed with the Railroad to conditionally sell the Equipment to the Railroad pursuant to this Agreement.

In consideration of the agreements hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE 1. ACQUISITION OF EQUIPMENT

The Railroad will sell to the Vendor and the Vendor will purchase from the Railroad the Equipment on October 15, 1980 (the "Closing Date"), at a purchase price of \$11,000,000, payable in cash on the Closing Date. The Railroad will transfer good and marketable title to the Equipment to the Vendor free from all claims, liens, security interests or other encumbrances.

ARTICLE 2. SALE

Upon acquisition of the Equipment from the Railroad, the Vendor will conditionally sell and deliver to the Railroad, and the Railroad will purchase from the Vendor and accept delivery of, the Equipment. The Railroad represents and warrants that the design, quality and component parts of each unit of Equipment shall conform on the Closing Date to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable to equipment of the character of such units of Equipment.

ARTICLE 3. INSPECTION AND DELIVERY

3.01. Delivery of Units. The Vendor will deliver the units of Equipment to the Railroad at the place or places specified by the Railroad, freight charges, if any, prepaid, on or before the Closing Date; provided, however, that the Vendor shall not have any obligation to deliver any unit of Equipment hereunder at any time after the commencement of any proceedings specified in Section 15.01(c) or (d) hereof or if any event of default (as described in Article 15 hereof) or event which with notice or lapse of time or both could constitute such an event of default shall have occurred.

3.02. Force Majeure. The Vendor's obligation as to time of delivery is subject, however, to timely delivery of such Equipment to it by the Railroad and to delays resulting from causes beyond such Vendor's reasonable control, including but not limited to acts of God, acts of Government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, accidents, fire, flood or explosion.

3.03. Risk of Loss. On delivery of each such unit hereunder at the place specified for delivery, the Railroad will assume the responsibility and risk of any damage to or the destruction or loss of such unit, and shall not be released from its obligations hereunder in any such event.

ARTICLE 4. PURCHASE PRICE AND PAYMENT

4.01. Purchase Price. The aggregate purchase price of the Equipment is \$11,000,000 (the "Purchase Price").

4.02. Payment of Purchase Price on Closing Date. The Railroad hereby acknowledges itself to be indebted to the Vendor in the amount of the Purchase Price and hereby promises to pay the same in cash or immediately available funds to the Vendor, at such place as the Vendor may designate, in nine consecutive annual installments, as hereinafter provided (the "CSA Indebtedness").

4.03. CSA Indebtedness. The installments of the

CSA Indebtedness shall be payable in eight annual installments of \$1,222,100, payable on October 15 in each year, commencing on October 15, 1982, and one installment of \$1,223,200 payable on October 15, 1990. The unpaid portion of the CSA Indebtedness shall bear interest from the Closing Date at the rate of 12-3/4% per annum, payable to the extent accrued on April 15, 1981, and on each April 15 and October 15 thereafter, until the CSA Indebtedness has been paid in full.

4.04. Calculation of Interest. All interest under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months.

4.05. Penalty Interest. The Railroad will pay interest at the rate of 13-3/4% per annum (the "Penalty Rate") on all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

4.06. Manner of Payment. All payments provided for in this Agreement shall be made 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. If any of the dates for payment of principal or interest is not a business day, such payment shall be payable on the next succeeding business day (which shall be any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Pittsburgh, Pennsylvania, or New York, New York, are authorized or obligated to remain closed). The Railroad shall not have the privilege of prepaying any installment of CSA Indebtedness hereunder prior to the date it becomes due, except as provided in Article 8 hereof.

4.07. Payment After Assignment. In the event the Vendor, pursuant to Article 14 hereof, assigns the right to receive the payments herein provided to be made by the Railroad, the assignee thereof may request the Railroad to make and the Railroad shall make such payments to it at such address as shall be supplied to the Railroad by the assignee.

ARTICLE 5. TAXES

All payments to be made by the Railroad hereunder

will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than net income, gross receipts [except gross receipts taxes in the nature of or in lieu of sales or use taxes], excess profits and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by, this Agreement or any sale, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called impositions), all of which impositions the Railroad assumes and agrees to pay on demand. The Railroad will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its interest therein and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Railroad shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the interest or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any such impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Railroad shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Railroad shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Railroad shall have approved the payment thereof.

ARTICLE 6. SECURITY INTEREST IN EQUIPMENT

6.01. Vendor To Retain Title. The Vendor hereby retains a security interest in the Equipment until the Railroad shall have made all its payments under this Agreement and shall have kept and performed all its agree-

ments herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Railroad as provided in this Agreement. 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 the terms and conditions of this Agreement and shall be included in the term "Equipment" as used in this Agreement.

6.02. Transfer to Railroad. Except as otherwise specifically provided in Article 8 hereof, when and only when the full CSA Indebtedness, together with interest thereon and all other payments as herein provided, shall have been paid, and all the Railroad's obligations herein contained shall have been performed by the Railroad, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Railroad without further transfer or action on the part of the Vendor, except that the Vendor, if so requested by the Railroad at that time, will (a) execute a bill or bills of sale for the Equipment transferring and releasing its interest therein to the Railroad, or upon its order, free of all claims, liens, security interests and other encumbrances created or retained hereby, and deliver such bill or bills of sale to the Railroad, (b) execute and deliver for filing 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 such transfer and release of the security interest of the Vendor in the Equipment and (c) pay to the Railroad any money paid to the Vendor pursuant to Article 8 hereof and not theretofore applied as therein provided. The Railroad 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 instrument or instruments 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 instrument or instruments or to file such certificate within a reasonable time after written demand by the Railroad.

ARTICLE 7. MARKING OF EQUIPMENT

7.01. Ownership Subject to Security Agreement.

The Railroad will cause each unit of Equipment to be kept numbered with its identifying number as set forth in Schedule A hereto or, in the case of Equipment not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will, as soon as reasonably practicable, cause each unit of the Equipment to be marked in letters not less than one inch in height, the words "Ownership subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate markings approved by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement, and the Railroad will replace promptly any such markings which may be obliterated or destroyed. The Railroad will not change the number of any unit of Equipment except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor by the Railroad and filed by the Railroad in all public offices where this Agreement shall have been filed.

7.02. Insignia of Railroad. Except as provided in Section 7.01 hereof, the Railroad will not allow the name of any person, association or corporation to be placed on any unit of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Railroad may cause the Equipment to be lettered with the names or initials or other insignia of the Railroad or its affiliates.

ARTICLE 8. CASUALTY OCCURRENCES;
MAINTENANCE OF FAIR MARKET VALUE RATIO;
INSURANCE

8.01. Casualty Occurrences. In the event that any unit of Equipment shall be worn out, lost, stolen, destroyed, irreparably damaged or otherwise rendered permanently unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (each such occurrence called a "Casualty Occurrence"), the Railroad shall promptly upon obtaining knowledge thereof fully inform the Vendor in regard thereto. When the aggregate Casualty Value (as defined herein) of all units having suffered a Casualty Occurrence (exclusive of units having suffered a

Casualty Occurrence with respect to which a payment shall have been made to the Vendor pursuant to this Article 8) hereunder shall exceed \$50,000, the Railroad shall on the next succeeding date for payment of an installment of interest on the CSA Indebtedness pay to the Vendor a sum equal to the aggregate Casualty Value of such units of Equipment as of the date of such payment and shall file with the Vendor a certificate of an officer of the Railroad setting forth the Casualty Value of each such unit.

The Casualty Value of each unit of Equipment (other than a replacement unit) shall be deemed to be that amount which bears the same ratio to (x) the original aggregate appraised fair market value of the class of units as such unit suffering a Casualty Occurrence divided by (y) the number of units in such class as the unpaid CSA Indebtedness attributable to such class of units (without giving effect to any prepayments then or theretofore made pursuant to this Article 8 in respect of Casualty Occurrences, but after giving effect to any prepayment then or theretofore made pursuant to this Article 8 in respect of the maintenance of the Fair Market Value Ratio, as defined in Section 8.02 hereof) as of the date payment is made with respect to such Casualty Occurrence bears to the original CSA Indebtedness attributable to such class of units. The Casualty Value of each replacement unit shall be deemed to be that amount which bears the same ratio to the portion of the cost thereof paid by the Vendor as the unpaid CSA Indebtedness (without giving effect to any prepayments then or theretofore made pursuant to this Article 8 in respect of Casualty Occurrences, but after giving effect to any prepayment then or theretofore made pursuant to this Article 8 in respect of the maintenance of the Fair Market Value Ratio) as of the date payment is made with respect to such Casualty Occurrence bears to the unpaid CSA Indebtedness (without giving effect to any such prepayments) as of the date of acquisition by the Vendor of such replacement unit.

In order to facilitate the sale or other disposition of any Equipment suffering a Casualty Occurrence, the Vendor shall, upon request of the Railroad, after payment by the Railroad of a sum equal to the Casualty Value of such Equipment, execute and deliver to the Railroad or the Railroad's 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

this Agreement, in such form as may be reasonably requested by the Railroad.

8.02. Maintenance of Fair Market Value Ratio.

The Railroad agrees that the fair market value of the Equipment subject to this Agreement shall be maintained at 150% of the unpaid CSA Indebtedness (the "Fair Market Value Ratio"). In the event that the Annual Appraiser's Report furnished pursuant to Section 10.01 hereof indicates that the fair market value of the Equipment then subject to this Agreement is less than 150% of the CSA Indebtedness outstanding on the date of such Annual Appraiser's Report (the difference between such fair market value and 150% of the CSA Indebtedness being hereinafter called the "Fair Market Value Deficiency"), the Railroad shall, on the April 15 following the date of such report, deposit with the Vendor in cash an amount equal to 66-2/3% of the Fair Market Value Deficiency.

8.03. Disposition of Deposited Funds Payment.

Funds deposited by the Railroad with the Agent pursuant to Section 8.01 or 8.02 hereof are herein called "Deposited Funds". So long as no event of default shall have occurred and be continuing, Deposited Funds shall be used, as the Railroad shall direct in a written instrument filed with the Vendor, in whole or in part, (a) to prepay the CSA Indebtedness, without penalty or premium, ratably in accordance with the unpaid balance of each installment, together with all interest accrued on the portion of the CSA Indebtedness being prepaid, or (b) to purchase a unit or units of standard-gauge railroad rolling stock (other than work or passenger equipment). Any unit of equipment so purchased shall have a remaining useful life extending beyond October 15, 1990, and shall have a fair market value (which shall be equal to the sale value which would be obtained in an arm's-length transaction between an informed and willing vendee (other than a party currently in possession) and an informed and willing vendor under no compulsion to sell) not less than 150% of that portion of purchase price thereof paid by the Vendor out of Deposited Funds. Any difference between the purchase price of any such unit or units so purchased and the portion thereof paid out of Deposited Funds shall be paid in cash by the Railroad. If the purchase of additional Equipment is to be made on the date when Deposited Funds would otherwise be required to be made under Section 8.01 or 8.02, the Railroad shall be entitled to credit against the Deposited Funds which would

otherwise be required to be deposited an amount equal to that portion of the purchase price of such additional Equipment that would otherwise have been paid by the Vendor out of Deposited Funds if the Railroad delivers to the Vendor an acknowledgement from the seller of such additional Equipment that such purchase price has been paid in full.

8.04. Conditions of Replacement. The Railroad will cause any unit or units acquired pursuant to Section 8.03 hereof to be marked as provided in Article 7 hereof. Any and all units of Equipment so acquired shall constitute accessions to the Equipment and shall be subject to all appropriate 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 units shall be free and clear of all liens and encumbrances (except the liens permitted by Section 12.02 hereof) and shall be transferred to and shall remain in the name of the Vendor subject to the provisions hereof, and the Railroad shall execute, deliver and file all such documents and do any and all such acts as may be necessary to cause such units to be subject to this Agreement. All such replacement units shall be guaranteed and warranted in like manner as is customary at the time for similar equipment.

Whenever the Railroad shall file with the Vendor a written direction to apply Deposited Funds (or credit the same) toward the cost of any additional unit or units of Equipment, the Railroad shall file therewith:

(1) a certificate of an officer of the Railroad certifying that such unit is standard-gauge railroad rolling stock (other than work or passenger equipment), and has been marked as required by the provisions of this Article 8 and certifying, in the event such unit is new equipment, the cost of such unit and, in the event such unit shall be equipment theretofore used in railroad service, that the fair market value thereof is not less than 150% of the portion of the purchase price thereof paid out of (or credited against) Deposited Funds; and that such replacement equipment has a remaining useful life extending beyond October 15, 1990;

(2) a bill of sale to the Vendor for such unit transferring title to the Vendor hereunder free and

clear from all claims, liens, security interests and other encumbrances, except the rights of the Railroad under this Agreement; and

(3) an opinion of counsel for the Railroad that the Vendor has a valid and perfected first security title to and interest in such replacement unit, free and clear from all claims, liens, security interests and other encumbrances except the rights of the Railroad under this Agreement, and that such unit has come under and become subject to this Agreement and all necessary filings have been made to perfect the title and interests of the Vendor therein.

8.05. Insurance. The Railroad will at all times prior to the payment in full of the CSA Indebtedness, together with interest thereon and all other payments required hereby, at its own expense, cause to be carried and maintained insurance in respect of the Equipment at the time subject hereto 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 the Railroad on similar equipment owned by it.

ARTICLE 9. MAINTENANCE; COMPLIANCE WITH APPLICABLE LAWS

9.01. Maintenance. The Railroad at its own expense will at all times cause the Equipment to be maintained in good order and repair and eligible for railroad interchange.

9.02. Applicable Laws. During the term of this Agreement, the Railroad will at all times comply in all respects with all laws of the jurisdictions in which its 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, the Interstate Commerce Commission 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 title, operation or use of the Equipment (the "Applicable Laws"), and in the event that any Applicable Law requires any alteration, replacement or addition of any

part on any unit of the Equipment, the Railroad will conform therewith, at its own expense; provided, however, that the Railroad may, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 10. REPORTS AND INSPECTIONS

10.01. Reports. On or before March 31 in each year, commencing with the calendar year 1981, the Railroad shall furnish to the Vendor (A) an accurate statement signed by an officer of the Railroad (a) setting forth as at the preceding December 31 the amount, description and numbers of all units of Equipment that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Agreement in the case of the first such statement) or that have been withdrawn from use pending repairs (other than running repairs) and such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and (b) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 7 hereof have been preserved or replaced and (B) a report dated as of a date within 120 days after the close of such calendar year (the "Annual Appraiser's Report") from Garrett Railroad Car & Equipment, Inc., or any other independent appraiser selected by the Railroad and acceptable to Investors holding more than a majority in principal amount of the unpaid CSA Indebtedness as to the fair market value of the Equipment as of the date of such report (which shall be equal to the sale value which would be obtained in an arm's-length transaction between an informed and willing vendee (other than a party currently in possession) and an informed and willing vendor under no compulsion to sell).

10.02. Inspections. The Vendor shall have the right, by its agents, to inspect the Equipment and the Railroad's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 11. POSSESSION AND USE

So long as an event of default shall not have

occurred under this Agreement and be continuing, the Railroad shall be entitled to the possession of the Equipment and the use thereof upon the lines of railroad owned or operated by it either alone or jointly with others and whether under lease or otherwise, or upon the lines of railroad owned or operated by any railroad company controlled by or under common control with the Railroad or over which it has trackage rights, or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, from and after delivery of the Equipment by the Vendor to the Railroad, but only upon and subject to all the terms and conditions of this Agreement.

ARTICLE 12. PROHIBITION AGAINST LIENS

12.01. Discharge of Liens. The Railroad will pay or discharge any and all sums claimed by any party from, through or under the Railroad or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or in any unit of Equipment equal or superior to the Vendor's title and interest therein; provided, however, that the Railroad shall be under no obligation to pay or discharge any such claim so long as it is contesting such claim in good faith and by appropriate legal proceedings and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title or interests of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

12.02. Certain Exceptions. 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 like liens arising in the ordinary course of business and, in each case, not delinquent.

ARTICLE 13. INDEMNITIES AND TITLE

The Railroad agrees to indemnify, protect and hold harmless the Vendor from and against all losses, patent liabilities, damages, injuries, liabilities, claims

and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including counsel fees arising out of retention by the Vendor of a security interest in the Equipment, the use and operation thereof by the Railroad during the period when said security interest remains in the Vendor or the transfer of said security interest in the Equipment by the Vendor pursuant to any of the provisions of this Agreement. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement or the satisfaction, discharge or termination of this Agreement in any manner whatsoever.

The Railroad represents and warrants to the Vendor that, at the time of delivery and acceptance of each unit of its Equipment under this Agreement, the Vendor will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights created by this Agreement.

ARTICLE 14. ASSIGNMENTS

14.01. No Assignment by Railroad. The Railroad will not sell, assign, transfer or otherwise dispose of its rights under this Agreement or, except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment without first obtaining the written consent of the Vendor (which shall be given if approved by the holders of at least a majority in principal amount of the CSA Indebtedness then outstanding). A sale, assignment, transfer or disposition to a railroad company organized under the laws of the United States of America or any of the states thereof which shall acquire all or substantially all the railroad lines of, and the railroad equipment owned or leased by, the Railroad and which, by execution of an appropriate instrument satisfactory to the Vendor, shall assume and agree to perform each of the obligations and covenants of the Railroad under this Agreement, shall not be deemed a breach of this covenant, provided such railroad company immediately after such acquisition shall have capital and surplus aggregating at least that of the Railroad.

14.02. Assignment by Vendor. All or any of the

rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Railroad, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall relieve the Railroad of any of its obligations to the Vendor under Articles 2, 3, 4, 5 and 13 hereof and this Article 14 or of any other obligation which, according to its terms or context, is intended to survive an assignment.

14.03. Notice to Railroad. Upon any such assignment pursuant to Section 14.02 either the assignor or the assignee shall give written notice to the Railroad, 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 the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Railroad of the notification of any such assignment, all payments thereafter to be made by the Railroad under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

14.04. Representations of Railroad. The Railroad expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder and for the purposes of inducing such acquisition, that in the event of such assignment by the Vendor as hereinbefore provided, the rights of such assignee to the entire unpaid CSA Indebtedness or such part thereof as may be assigned, together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever arising out of any breach of any obligation with respect to the Equipment, or, with respect to any indemnity herein contained, any other indebtedness or liability at any time owing to the Railroad.

14.05. Term Vendor To Include Assignees. In the event of any assignment of the Vendor's rights hereunder, the term "Vendor" shall apply both to Montour Land Company as regards any rights hereunder not assigned and also to any assignee as regards any rights so assigned.

ARTICLE 15. DEFAULTS

15.01. Events of Default. In the event that any one or more of the following events of default shall occur and be continuing:

(a) the Railroad shall fail to pay in full any installment of CSA Indebtedness or any other sum payable by the Railroad as provided in this Agreement within 15 days after payment thereof shall be due hereunder; or

(b) the Railroad shall, for more than 30 days after the Vendor shall have given notice to the Railroad, demanding performance thereof, fail or refuse to comply with any covenant, agreement, term or provision of this Agreement or of any agreement entered into concurrently herewith relating to the financing of the Equipment on its part to be kept or performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Title 11 of the United States Code (as now or hereafter constituted) shall be filed by or against the Railroad or its parent, PLECO, Inc., 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 the Railroad under this Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(d) any other proceeding shall be commenced by or against the Railroad for any relief which includes or might result in any modification of the obligations of the Railroad hereunder under any bankruptcy or insolvency law or law relating to the relief of debtors,

readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder), and, unless such proceedings 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 the Railroad under this Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Railroad or for its property in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(e) the Railroad shall make or allow any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of Equipment;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Railroad and upon compliance with any mandatory legal requirements then in force and applicable to such action by the Vendor, declare (a "Declaration of Default") the entire CSA Indebtedness, 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 the CSA Indebtedness and interest shall bear interest from the date of such Declaration of Default at the Penalty Rate. The Vendor shall thereupon be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Railroad wherever situated. The Railroad shall promptly notify the Vendor of any event which has come to its attention which constitutes or which with notice or lapse of time or both could constitute an event of default under this Agreement.

15.02. Vendor May Waive Event of Default. The Vendor may at its election waive any such event of default

and its consequences and rescind and annul any Declaration of Default by notice to the Railroad in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default had been made. Notwithstanding the provisions of this Section, no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. REMEDIES

16.01. Vendor May Take Possession of Equipment.

At any time during the continuance of a Declaration of Default, the Vendor may, subject to compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken by its agent or agents immediate possession of one or more of the units of Equipment without liability to return to the Railroad any sums theretofore paid and free from all claims whatsoever, except as expressly provided in Section 16.06 hereof, and may remove the same from possession and use of the Railroad or any other person and for such purpose may enter upon any premises where the Equipment may be located and may reasonably use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Railroad.

16.02. Delivery of Equipment. In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall reasonably designate a point or points upon the premises of the Railroad for the delivery of the Equipment to the Vendor, the Railroad shall, at its own expense, forthwith and in the usual manner (including without limitation giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any part of the Equipment has been interchanged to return the Equipment so interchanged), cause (a) the Equipment to be moved to such point or points on its lines as shall be designated by the Vendor and shall there deliver the Equipment or cause it to be delivered to the Vendor and (b) the Equipment to be moved to such interchange point or points of the Railroad as shall be designated by the Vendor upon any sale, lease or other disposal of all or any part of the Equipment by the Vendor. At the

option of the Vendor, the Vendor may keep the Equipment on any of the lines or premises of the Railroad until the Vendor shall have leased, sold or otherwise disposed of the same, and for such purpose the Railroad agrees to furnish, without charge for rent or storage, the necessary facilities at any point or points selected by the Vendor reasonably convenient to the Railroad and, at the Railroad's risk, to permit inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having competent jurisdiction, the Vendor shall be entitled to a decree against the Railroad requiring specific performance thereof. The Railroad hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

16.03. Disposition of Equipment. At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may at its election and upon such notice as is hereinafter set forth retain the Equipment in satisfaction of the entire unpaid CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Railroad by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Railroad's rights in the Equipment shall thereupon terminate and all payments made by the Railroad may be retained by the Vendor as compensation for the use of the Equipment by the Railroad; provided, however, that if the Railroad, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing and storing the Equipment and the Vendor's reasonable attorneys' fees, then in such event

absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Railroad; provided, further, that if the Railroad or any other persons notified under the terms of this Section object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall have given no 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 Section 16.04 hereof.

16.04. Sale of Equipment. At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Railroad and to any other persons to whom the law may require notice of the time and place, may sell any unit of Equipment, free from any and all claims of the Railroad or any other party claiming from, through or under the Railroad, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Railroad should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Railroad. The proceeds of such sale, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at such place or places and at such time or times as the Vendor 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 Vendor may determine. The Vendor or the Railroad may bid for and become the purchaser of any unit of Equipment so offered for sale. The Railroad shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed to the Railroad as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the right of the Railroad to purchase or provide a purchaser within 10 days after notice of the proposed sale price at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Railroad (except to the extent of surplus money received as provided in Section 16.06 hereof), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of the sums due to the Vendor from the Railroad hereunder. From and after the date of any such sale, the Railroad shall pay to the Vendor the per diem interchange for each unit of Equipment which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

16.05. Remedies Not Exclusive. Each and every power and remedy hereby specifically given to the Vendor 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 Vendor. 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 Vendor 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. Any extension of time for payment hereunder or other indulgence duly granted to the Railroad shall not otherwise alter or affect the Vendor's rights or the Railroad's obligations hereunder. The Vendor's acceptance of any payment after it

shall have become due hereunder shall not be deemed to alter or affect the Railroad's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

16.06. Deficiency or Surplus. If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Railroad shall pay the amount of such deficiency to the Vendor upon demand, together with interest from the date of such demand to the date of payment by the Railroad at the Penalty Rate. If the Railroad shall fail to pay such deficiency, the Vendor may bring suit therefor and shall be entitled to recover a judgment therefor against the Railroad. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Railroad.

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

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. APPLICABLE STATE LAWS

Any provision of this Agreement prohibited by any applicable law of any jurisdiction (which is not overridden by applicable Federal law) shall be ineffective as to such jurisdiction without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Railroad to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Railroad, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, including notice of intention to take possession of or to sell or lease any unit of Equipment, and any other requirements as to the time, place and terms of any sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. FILING

The Railroad will cause this Agreement, any assignment hereof and any amendments or supplements hereto or thereto to be filed with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303; and the Railroad will from time to time perform any other act and will execute, deliver and file (and will refile when necessary) any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection (to the satisfaction of counsel for the Vendor) of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Railroad will promptly furnish to the Vendor certificates or other evidence of such filing satisfactory to the Vendor.

ARTICLE 19. PAYMENT OF EXPENSES

The Railroad will pay all reasonable costs and expenses incident to this Agreement and the first assignment of this Agreement (including the fees and expenses of an agent, if the first assignee is an agent), and any instrument supplemental or related hereto or thereto, including all fees and expenses of counsel for the first assignee of this Agreement and for any party acquiring interests in such first assignment, and all reasonable costs and expenses in connection with the transfer by any party of interests acquired in such first assignment.

ARTICLE 20. NOTICES

Any notice hereunder to any of the parties designated below shall be deemed to be properly served if

delivered or mailed to it at its chief place of business at the following specified addresses:

(a) to the Railroad, at P&LE Terminal Building, Smithfield and Carson Streets, Pittsburgh, Pennsylvania 15219, attention of Vice President-Finance,

(b) to the Vendor, in care of the Railroad, and

(c) to any assignee of the Vendor or of the Railroad, at such address as may have been furnished in writing to each of the other parties hereto 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.

ARTICLE 21. HEADINGS; EFFECT AND MODIFICATION OF AGREEMENT

21.01. Headings. All Article and Section headings have been provided for convenience only and shall not affect any interpretation of this Agreement.

21.02. Effect and Modification of Agreement. This Agreement, including Schedule A hereto, exclusively states the rights of the Vendor and the Railroad with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Vendor and the Railroad.

ARTICLE 22. GOVERNING LAW

The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of any filing of this Agreement and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof may be filed.

ARTICLE 23. EXECUTION

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single instrument. Although for convenience this Agreement is dated as of the date first set forth above, the actual dates of execution hereof by the parties hereto are the dates stated in the acknowledgments hereto.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by duly authorized officers as of the date first set forth above.

MONTOUR LAND COMPANY,

by

J. J. Dwan
VICE (President)

[Corporate Seal]

Attest:

Edward Dean
ASSISTANT (Secretary)

THE PITTSBURGH AND LAKE ERIE
RAILROAD COMPANY,

by

H. S. Allen
(President)

[Corporate Seal]

Attest:

Edward Dean
ASSISTANT (Secretary)

COMMONWEALTH OF PENNSYLVANIA,)
) ss.:
COUNTY OF ALLEGHENY,)

On this 13th day of October 1980, before me personally appeared J.G. Dan, to me personally known, who, being by me duly sworn, says that he is the President of MONTOUR LAND COMPANY, a Pennsylvania 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.

Molly A. Tegeler
Notary Public

[Notarial Seal]

My Commission expires

MOLLY A. TEGELER, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES OCT. 17, 1983
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNSYLVANIA,)
) ss.:
COUNTY OF ALLEGHENY,)

On this 13th day of October 1980, before me personally appeared L.G. Allyn Jr., to me personally known, who, being by me duly sworn, says that he is the President of THE PITTSBURGH AND LAKE ERIE RAILROAD COMPANY, a Delaware 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.

John D. Hartman
Notary Public

[Notarial Seal]

My Commission expires

JOHN D. HARTMAN, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES JUNE 20, 1981
Member, Pennsylvania Association of Notaries

SCHEDULE A
to the
Conditional Sale Agreement

Equipment

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>Railroad Road Numbers</u>	<u>Average Age</u>	<u>Average Remaining Life</u>	<u>Appraised Fair Market Value</u>
48	FMS	Flat Cars*	P&LE 750-795 P&LE 798-799	13	17	\$ 624,000
246	GBS	Gondola Cars*	P&LE 17000-17052 P&LE 17054-17086 P&LE 17088-17167 P&LE 17169-17220 P&LE 17222-17249	13	19	3,321,000
97	GBS	Gondola Cars*	P&LE 17500-17510 P&LE 17512-17531 P&LE 17533-17561 P&LE 17563-17599	12	19	1,358,000
167	GB	Gondola Cars*	P&LE 19000-19164 P&LE 19166-19167	5	25	4,175,000
488	HT	Hopper Cars*	P&LE 62000-62025 P&LE 62027-62049 P&LE 62051-62094 P&LE 62096-62137 P&LE 62139-62155 P&LE 62157-62177 P&LE 62179-62259 P&LE 62261-62314 P&LE 62316-62363 P&LE 62365-62368 P&LE 62370-62381 P&LE 62383-62471 P&LE 62473-62499	6	11	7,027,200
<hr/> 1046				<hr/> 8.4	<hr/> 17.0	<hr/> \$16,505,200

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* Each of these groupings shall be considered a separate class for the purposes of Article 8 of the CSA.