LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

CLARION LEF&C PA. 16214

10656/
RECORDATION NO. Filed 1425

JUL 23 1979 - 10 45 AM

INTERSTATE COMMERCE COMMISSION

July 19, 1979

9-204A013 NEW NUMBER AND -A

Date JUL 23 1979

Fee $ 50.00

ICC Washington, D. C.

RECORDATION NO. 10656 Filed 1425

JUL 23 1979 - 10 45 AM

INTERSTATE COMMERCE COMMISSION

Mr. H. Gordon Homme, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

RE: (1) Conditional Sale Agreement dated as of ~~January~~ June 1, 1979, between Greenville Steel Car Company (Manufacturer) and Lake Erie, Franklin & Clarion Railroad Company (Vendee) $3,366,000 Maximum Principal Amount 10-3/8% Conditional Sale Indebtedness due 1982 - 1994

(2) Agreement and Assignment dated as of ~~January~~ June 1, 1979, between Greenville Steel Car Company (as Vendor) and Continental Illinois National Bank and Trust Company of Chicago (as Assignee)

Dear Sir:

We are submitting herewith the reference documents, which set forth the assignment of a security interest in one hundred 100-ton Coal Hopper Cars (LEF 3781 thru LEF 3880, both inclusive) being purchased by us under the Conditional Sale Agreement. We respectfully request that you arrange for the recordation of these documents under Section 20(c) of the Interstate Commerce Act.

Upon completion of the recordation procedure, a representative of Alvord & Alvord, World Center Building, Washington, D.C. will retrieve copies of the documents on our behalf.

Thank you for your attention to this request.

Very truly yours,

Jay F. Miller

Jay F. Miller
President

Enclosures

cc: Charles T. Kappler, Alvord & Alvord
John L. Tuohy, Chapman and Cutler
J. L. Hartle, LEF&C Railroad Company

I.C.C.
FEE OPERATION BR.
JUL 23 10 45 AM '79
RECEIVED

Interstate Commerce Commission
Washington, D.C. 20423

7/23/79

OFFICE OF THE SECRETARY

Jay F. Miller
Lake Erie,Franklin & Clarion RR Co.
Clarion,Pa. 16214

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 7/23/79 at 10:45am, and assigned recordation number(s). 10656 & 10656-A

Sincerely yours,

Agatha L. Mergenovich

Secretary

Enclosure(s)

SE-30
(3/79)

10656

RECORDATION NO.....Filed 1425

JUL 23 1979 -10 45 AM

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of June 1, 1979

Between

GREENVILLE STEEL CAR COMPANY

Manufacturer

and

LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY

Vendee

Re:

$3,366,000 Maximum Principal Amount

10-3/8% Conditional Sale Indebtedness due 1982 - 1994

(100 100-ton Coal Hopper Cars)
(LEF&C 79-2)

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Attachments to Conditional Sale Agreement

Schedule A - Description of Equipment

CONDITIONAL SALE AGREEMENT dated as of June 1, 1979 between GREENVILLE STEEL CAR COMPANY, a Pennsylvania corporation (the "Manufacturer") and LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY, a Pennsylvania corporation (the "Vendee").

WHEREAS, the Manufacturer is willing to construct, sell and deliver to the Vendee, and the Vendee is willing to purchase, the railroad equipment described in Schedules A attached hereto (collectively the "Items of Equipment" or "Equipment" and individually an "Item" or "Item of Equipment");

WHEREAS, the Vendee, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not individually but as Agent and Assignee (the "Assignee") and THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES (the "Investor"), have entered into a Finance Agreement dated as of June 1, 1979 (the "Finance Agreement") providing for the financing of a portion of the cost of the Equipment;

WHEREAS, the Manufacturer and the Assignee, concurrently herewith, are entering into an Agreement and Assignment dated as of June 1, 1979 (the "Agreement and Assignment"), providing for the assignment of the Manufacturer's right, title and interest in and to this Conditional Sale Agreement and the Equipment covered hereby to the Assignee; and

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

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

SECTION 1. CONSTRUCTION AND SALE.

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

SECTION 2. DELIVERY.

2.1. The Manufacturer will deliver the various Items of Equipment to be manufactured by it to the Vendee in accordance with the applicable delivery schedule set forth in Schedule A attached hereto; provided, however, that the Manufacturer shall have no obligation to deliver any Item of Equipment hereunder so long as any Event of Default pursuant to Section 15.1 hereof shall have occurred and be continuing.

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

2.3. Notwithstanding the foregoing provisions of this Section 2, any Equipment not delivered and accepted on or before the outside delivery date provided therefor in Schedule A attached hereto shall be excluded from this Agreement and not included in the term "Equipment" as used in this Agreement. In the event of any such exclusion the Manufacturer shall remain obligated to construct, sell and deliver to the Vendee, and the Vendee shall remain obligated to purchase from the Manufacturer, accept delivery of and pay for, any of the Equipment thus excluded from this Agreement, and the Vendee and the Manufacturer shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not excluded herefrom, and the Manufacturer and the Vendee shall further execute a separate agreement providing for the sale of such excluded Equipment by the Manufacturer to the Vendee upon the same terms and conditions as those contained herein, modified only to the extent necessary to provide for payment in cash upon delivery of the Equipment, either directly or indirectly by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Vendee may determine and as may be reasonably satisfactory to the Manufacturer.

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

Section 5.1 hereof. Any Certificate of Acceptance may cover any number of Items of Equipment.

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

SECTION 3. PURCHASE PRICE AND PAYMENT.

3.1. The base price per Item of Equipment including freight charges, if any, to place of delivery, but exclusive of interest, insurance and all other charges, is as set forth in Schedule A attached hereto. Such base price per Item of Equipment shall be subject to increase or decrease as may be agreed to in writing by the Manufacturer thereof and the Vendee, and the term "Purchase Price" as used herein shall mean such base price as so increased or decreased, provided, however, that the aggregate Purchase Price of all Items shall not exceed the Maximum Purchase Price for all Items set forth in Schedule A hereto.

3.2. For the purpose of making settlement for the Equipment, all Items of Equipment shall constitute one group (the "Group").

3.3. The Vendee hereby acknowledges itself to be indebted to the Manufacturer in the amount of, and hereby promises to pay to the Manufacturer at such bank or trust company in the United States of America as the Manufacturer shall designate for payment to it, the Purchase Price of the Items of Equipment as follows:

(a) On the Closing Date (as defined in Section 3.4 below) an amount for each Item of Equipment for which settlement is then being made equal to ten percent (10%) of the Purchase Price, as stated in the Manufacturer's invoice or invoices presented in respect of such Item of Equipment; and

(b) an amount equal to ninety percent (90%) of the Purchase Price of each Item of Equipment in the Group (herein sometimes called the "Conditional Sale Indebtedness") plus interest on the unpaid balance thereof, payable in installments as follows:

(1) Four (4) installments of interest only on the unpaid balance of the Conditional Sale Indebtedness at the rate of 10-3/8% per annum from and including the Closing Date payable on February 15, 1980, August 15, 1980, February 15, 1981, and August 15, 1981; followed by

(2) Twenty-five (25) semiannual installments, each in the amount of 3.85% of the Conditional Sale Indebtedness, outstanding as of August 15, 1981, plus accrued interest at the rate of 10-3/8% per annum, payable on February 15, 1982 and on the 15th day of each August and February thereafter to and including February 15, 1994; followed by

(3) One (1) installment, payable August 15, 1994, in an amount equal to the remaining unpaid balance of the Conditional Sale Indebtedness and all accrued and unpaid interest at the rate of 10-3/8% per annum thereon.

3.4. The term "Closing Date" with respect to the Group shall mean such business day, not later than October 31, 1979, which is not more than five business days following presentation by the Manufacturer to the Vendee of the invoice, or invoices, and the Certificate or Certificates of Acceptance with respect to such Group, as shall be fixed by the Vendee by written or telegraphic notice delivered to the Manufacturer and the Assignee at least five business days prior to the Closing Date designated therein, or such other date as shall be agreed upon by the Manufacturer, the Assignee, the Investors and the Vendee.

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

3.6. The Vendee will pay interest at the rate of 11-3/8% per annum upon all unpaid balances of indebtedness and (to the extent legally enforceable) upon interest, after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

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

3.8. All payments provided for in this Agreement shall be made by the Vendee 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. All payments of installments of the Conditional Sale Indebtedness and/or interest thereon and all payments due pursuant to Section 6 hereof shall be made by wire transfer of immediately available funds to such bank in the United States for the account of the Manufacturer or the Assignee as the Manufacturer or the Assignee shall from time to time direct the Vendee in writing. If any payment provided for in this Agreement falls due on any day which is not a business day, such payment shall be due and payable on the most recent preceding day which is a business day.

3.9. The Vendee shall have the privilege (which shall be non-cumulative), upon not less than 30 days, nor more than

60 days' notice to the Manufacturer, of prepaying on any date on which an installment of the Conditional Sale Indebtedness is payable an amount (in addition to such installment) not exceeding the principal portion of such installment. Any such prepayment shall be applied toward the final installment of the Conditional Sale Indebtedness. Except as provided in this Section 3.9 and in Section 6 hereof, the Vendee shall not have the privilege of prepaying any installment of the Conditional Sale Indebtedness prior to the date it becomes due hereunder.

3.10. The Vendee may not prepay any portion of the Conditional Sale Indebtedness pursuant to Section 3.9, if such prepayment is the result of, or is in anticipation of, the refunding or refinancing of all or any portion of the Conditional Sale Indebtedness then outstanding by the application, directly or indirectly, of funds derived from any issuance of preferred stock of any class or indebtedness for borrowed money of the Vendee or any subsidiary or affiliate of the Vendee having (i) as the case may be, a fixed dividend rate or an effective interest cost (determined by standard financial practice) less than 10 3/8% per annum, or (ii) as of the date of the proposed prepayment, an average life to maturity of the Note (determined in each case by standard financial practice).

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. The Manufacturer shall and hereby does retain the full security title to and property in the Equipment built by it until the Vendee shall have made all of the payments hereunder and shall have kept and performed all its agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee as herein provided. Any and all additions to the Equipment (not including, however, any parts installed on and additions to any Item of Equipment, any portion of whose cost is furnished by the Vendee and which are readily removable without causing material damage to such Item of Equipment, but including parts installed on and replacements made to any Item of Equipment which constitute ordinary maintenance and repairs made by the Vendee pursuant to Section 9 hereof) and any and all replacements of the Equipment and of parts thereof shall constitute accessions to the Equipment and shall be subject to all terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

4.2. When and only when the Manufacturer shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment built by it, together with interest and all other payments as herein provided and all the Vendee's other obligations herein contained shall have been performed, absolute right to the possession of, title to and property in such Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Manufacturer, except that the Manufacturer, if requested by the Vendee so to do, will execute a bill or bills of sale of such Equipment releasing its security title thereto and

property therein to the Vendee or upon its order free of all liens and encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address specified in Section 20 hereof, and will execute in the same manner and deliver at the same place, for filing, registering, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to such Equipment, and will pay to the Vendee any money paid to the Manufacturer, pursuant to Section 6.1 hereof and not theretofore applied as provided in Section 6.2 hereof. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bills or bills of sale or to file such certificate within a reasonable time after written demand by the Vendee.

SECTION 5. MARKING OF EQUIPMENT.

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

5.2. Except as above provided, the Vendee will not allow the name of any person, association or corportion to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Vendee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Vendee or its affiliates on railroad equipment used by it of the same or a similar type for

convenience of identification of the right of the Vendee to use the Equipment under this Agreement.

SECTION 6. CASUALTY OCCURRENCES.

6.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise, or that with respect to any Item of Equipment the Vendee is unable to comply after a good faith effort with the provisions of Section 11 hereof (each such occurrence, except for any requisition which by its terms is indefinite or does not exceed the original term of this Agreement, being hereinafter called a "Casualty Occurrence"), prior to the payment of the indebtedness in respect of the purchase price of such Item, together with interest thereon and all other payments required hereby, the Vendee shall, within fifteen days after it shall have been determined that such Item of Equipment has suffered a Casualty Occurrence, fully inform the Manufacturer in regard thereto. The Vendee shall, within 30 days of such determination, pay to the Manufacturer a sum equal to the aggregate Casualty Payment (as defined in Section 6.3 hereof) of such Item of Equipment as of the date of such payment and shall file with the Manufacturer a certificate of a Vice President or the Comptroller or other Chief Accounting Officer of the Vendee setting forth the Casualty Payment of the Item of Equipment suffering a Casualty Occurrence.

6.2. Any money paid to the Manufacturer pursuant to Section 6.1 hereof shall, so long as no Event of Default shall have occurred and be continuing, be applied, in whole or in part, as the Vendee shall direct in a written instrument filed with the Manufacturer, at the option of the Vendee, either (1) to prepay the Conditional Sale Indebtedness in respect of the Item of Equipment having suffered a Casualty Occurrence, or (ii) to or toward the cost of an item or items of equipment of new standard gauge railroad equipment which shall be of the same character as the Equipment described in Schedule A hereto to replace such Item of Equipment having suffered a Casualty Occurrence and which new item or items of equipment shall be of a quality and have a value and utility at least equal to such Item of Equipment having suffered a Casualty Occurrence. In case any such money shall be applied to prepay the Conditional Sale Indebtedness, it shall be so applied, on the first date set for the payment of an installment (consisting of either principal of or interest on) of the Conditional Sale Indebtedness next following receipt by the Manufacturer of such written direction, to prepay the Conditional Sale Indebtedness in respect of the Item of Equipment having suffered a Casualty Occurrence, plus interest then accrued thereon but without premium. In case of replacement, the amount to be applied by the Manufacturer to the vendor of any replacing item shall not exceed the lesser of the cost of such item or the amount which such item would have cost if acquired on the earliest date when any of such money was paid to the Manufacturer, and the Vendee shall pay any additional cost of such item. The amount which any such replacing item would

have cost if acquired on the earliest date when any of such money was paid to the Manufacturer shall be conclusively determined by the certificate of a Vice President or the Comptroller or other Chief Accounting Officer of the Vendee to be filed as hereinafter provided. If for any reason moneys shall have been deposited with the Manufacturer and shall have remained on deposit for a period of eighteen (18) months, such moneys shall be applied by the Manufacturer to the prepayment of the Conditional Sale Indebtedness in respect of the Item of Equipment having suffered a Casualty Occurrence, without penalty or premium, on the first date set for the payment of an installment of the Conditional Sale Indebtedness next following the expiration of such eighteen-month period.

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

6.4. So long as no Event of Default shall have occurred and be continuing, any money paid to the Manufacturer pursuant to this Section 6 shall, if the Vendee shall in writing so direct, be invested, pending its application as hereinabove provided, in (i) such direct obligations of the United States of America or obligations for which the faith of the United States is pledged to provide for the payment of principal and interest or (ii) open market commercial paper given the highest rating by a national credit agency or (iii) in certificates of deposit of commercial banks in the United States of America having capital and surplus aggregating at least $50,000,000, in each case maturing in not more than one year from the date of such investment (all such investments being hereinafter called "Investments"), as may be specified in such written direction. Any such obligations shall from time to time be sold and the proceeds reinvested in such Investments as the Vendee may in writing direct. Any interest or earned discount received by the Manufacturer of any Investments shall be held by the Manufacturer and applied as herein provided. Upon any sale or the maturity of any Investments, the proceeds thereof, plus any interest received by the Manufacturer thereon, up to the cost (including accrued interest or earned discount) thereof, shall be held by the Manufacturer for application pursuant to this Section 6, and any excess shall be paid to the Vendee. If such proceeds (plus such interest or earned discount) shall be less than such cost, the Vendee will promptly pay to the Manufacturer an amount equal to such deficiency. The Vendee will pay all expenses incurred by the Manufacturer in connection with the purchase and sale of Investments.

6.5. The Vendee will cause any replacing Item to be plated or marked as provided in Section 5.1 hereof. Any and all such replacement of Equipment shall constitute accessions to the Equipment and shall be subject to all of the terms and conditions

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

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

(a) a certificate of a Vice President or a Comptroller or other Chief Accounting Officer of the Vendee certifying that such replacing Item is new standard gauge equipment and has been plated or marked as required by the provisions of this Section 6 and certifying the cost of such replacing unit, the amount which such replacing Item would have cost if acquired on the earliest date when any such money was paid to the Manufacturer and that the cost thereof does not exceed the fair value of such Item and that such replacing Item is of a quality and has a value and utility at least equal to the Item replaced; and

(b) an opinion of counsel for the Vendee that security title to such replacing Item is validly vested in the Manufacturer free and clear of all claims, liens and encumbrances, and that such Item has come under and become subject to this Agreement, and that no other filing or recordation is necessary for the protection of the rights of the Manufacturer in the United States of America.

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

6.8. If an Event of Default shall have occurred and be continuing, then so long as such Event of Default shall continue

all money then held by the Manufacturer pursuant to this Section 6 shall be applied by the Manufacturer as if such money were money received upon the sale of Equipment pursuant to Section 16 hereof.

6.9. In order to facilitate the sale, or other disposition of any Equipment suffering a Casualty Occurrence, the Manufacturer shall upon request of the Vendee, after deposit

by the Vendee of a sum equal to the Casualty Payment of such Equipment, execute and deliver to the Vendee'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 the terms and scope of this Conditional Sale Agreement, in such form as may be reasonably requested by the Vendee.

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

SECTION 7. TAXES.

All payments to be made by the Vendee hereunder will be free of expense to the Manufacturer for collection or other charges and will be free of expense to the Manufacturer in respect of the amount of any local, state or federal taxes, license and registration fees, assessments, charges, fines, penalties, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment, and other taxes, fees and governmental charges similar or dissimilar to the foregoing (other than net income, excess profits and similar taxes) hereafter levied or imposed upon, or measured by, this Agreement or any sale, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which expenses, taxes and licenses the Vendee assumes and agrees to pay on demand in addition to the indebtedness in respect of the purchase price of the Equipment. The Vendee will also pay promptly all taxes and assessments which may be imposed upon the Equipment or for the use or operation thereof by the Vendee or upon the earnings arising therefrom or upon the Manufacturer solely by reason of its ownership thereof and will keep at all times all and every part of the Equipment free and clear of all taxes and assessments which might in any way affect the title of the Manufacturer or result in a lien upon any Item of Equipment; provided, however, that the Vendee shall be under no obligation to pay any taxes, assessments, licenses, charges, fines or penalties of any kind so long as it is contesting in good faith and by appropriate legal proceedings such taxes, assessments,

licenses, charges, fines or penalties and the nonpayment thereof does not, in the opinion of the Manufacturer, adversely affect the property or rights of the Manufacturer hereunder. If any such expenses, taxes, assessments, licenses, charges, fines or penalties shall have been charged or levied against a Manufacturer directly and paid by such Manufacturer, the Vendee shall reimburse such Manufacturer on presentation of invoice therefor; provided, however, that the Vendee shall not be obligated to reimburse the Manufacturer for any expenses, taxes, assessments, licenses, charges, fines or penalties so paid unless the Manufacturer shall have submitted notice in writing to the Vendee at least five business days in advance of payment thereof.

SECTION 8. REPORTS AND INSPECTIONS.

8.1. On or before May 1 in each year, commencing with the year 1980, the Vendee will furnish to the Manufacturer an accurate statement, as of the preceding December 31, (a) showing the amount, description and numbers of the Items of Equipment then subject to this Agreement, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Agreement, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as Manufacturer may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 5.1 hereof shall have been preserved or replaced.

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

SECTION 9. POSSESSION, USE AND MAINTENANCE.

9.1. The Vendee, so long as it shall not be in default under the Agreement, shall be entitled, from and after delivery of the Equipment by the Manufacturer to the Vendee, to the possession of the Equipment and the use thereof by it, any affiliate of the Vendee or any other common carrier upon the lines of railroad owned or operated by any such affiliate or by it either alone or jointly with another and whether under lease or otherwise, including the possession and use of the Equipment upon connecting and other carriers in the usual interchange of traffic (without notice to the Manufacturer), from and after delivery of the Equipment by the Manufacturer to the Vendee, provided, however, that such use shall be subject to all the terms and conditions of this Agreement. Notwithstanding the foregoing, the Vendee will not assign any Item of Equipment to service involving the regular operation and

maintenance thereof outside the United States of America. The Vendee may lease the Equipment to an affiliate of the Vendee (or to another party upon the consent of the Manufacturer, such consent not to be unreasonably withheld) but only upon and subject to all the terms and conditions of the Agreement and provided that no such lease shall relieve the Vendee of any liability or obligations hereunder which shall be those of a principal and not a surety.

9.2. The Vendee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Vendee shall, at its own cost and expense, maintain and keep, or cause to be maintained and kept, the Equipment in good order, condition and repair, ordinary wear and tear excepted. The Vendee shall not modify any Item of Equipment without the written authority and approval of the Manufacturer which shall not be unreasonably withheld, provided that no such approval shall be required if and to the extent such modification is required by Section 11 hereof. Any parts (except communications, signal and automatic control equipment and devices having a similar use which are added to any Item of Equipment by the Vendee, the cost of which is not included in the Purchase Price of such Item and which are not required for the operation or use of such Item by the Interstate Commerce Commission, the Department of Transportation or any other regulatory body) installed or replacements made by the Vendee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Manufacturer, without cost or expense to the Manufacturer.

SECTION 10. PROHIBITION AGAINST LIENS.

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

10.2. This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other liens arising in the ordinary course of business and, in each case, not delinquent (such liens being herein called "permitted liens").

SECTION 11. RULES, LAWS AND REGULATIONS.

During the term of this Agreement the Vendee will comply, or cause a third party to comply on its behalf, 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 and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the operation or use of the Equipment; and in the event that such laws or rules require the alteration of the Equipment, the Vendee will conform therewith at its expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that the Vendee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Manufacturer, adversely affect the property or rights of the Manufacturer hereunder.

SECTION 12. INDEMNITIES.

12.1. The Vendee agrees to indemnify, protect and hold harmless the Manufacturer against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including claims for strict liability in tort and counsel fees, arising out of retention by the Manufacturer of security title to the Equipment, or out of the use and operation thereof during the period when security title thereto remains in the Manufacturer. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the Conditional Sale Indebtedness of the Equipment and the conveyance of the Equipment as provided in Section 4.2 hereof, or the termination of this Agreement in any manner whatsoever.

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

12.3. The Manufacturer warrants that the Items of Equipment will be built in accordance with the Specifications therefor and warrants that such Items of Equipment will be free from defects in material (except as to specialties incorporated therein specified by the Vendee and not manufactured by the Manufacturer, in respect of which the Manufacturer hereby appoints and constitutes the Vendee its Agent and attorney-in-fact to assert and enforce from time to time in the name of the Manufacturer but for the account of the Vendee and the Manufacturer as their interests may appear and in all cases at the sole cost and expense of the Vendee whatever claims and rights the Manufacturer may have against the manufacturer of the specialty) or workmanship under normal

use and service, the Manufacturer's obligation under this Section being limited to making good at its plant any part or parts of any such Item of Equipment which shall, within one year after the delivery of such Item of Equipment to the Vendee, be returned to the Manufacturer with transportation charges prepaid and which the Manufacturer's examination shall disclose to its satisfaction to have been thus defective; provided, however, that this warranty shall not apply to (i) any components which shall have been repaired or altered unless repaired and altered by the Manufacturer or its authorized service representatives, if, in its judgment, such repairs or alterations affect the stability of any such Item of Equipment or (ii) any such Item of Equipment which has been subject to misuse, negligence or accident. THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES ON THE PART OF THE MANUFACTURER, EXCEPT FOR ITS OBLIGATIONS HEREUNDER AS LIMITED HEREBY, AND THE MANUFACTURER NEITHER ASSUMES NOR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID. IN NO EVENT SHALL THE MANUFACTURER BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR COMMERCIAL LOSS. The Manufacturer reserves the right to make changes in the design of, or add any improvements to, any Items of Equipment to be built by it at any time with the approval of the Vendee without incurring any obligation to make similar changes or additions in respect of other Items of Equipment previously delivered to the Vendee. The Manufacturer further agrees with the Vendee that acceptance of any Items of Equipment under Section 2.4 hereof shall not be deemed a waiver by the Vendee of any of its rights under this Section 12.3.

SECTION 13. PATENT INDEMNITIES.

13.1. Except in cases of designs specified by the Vendee and not developed or purported to be developed by the Manufacturer, and articles and materials specified by the Vendee and not manufactured by the Manufacturer, the Manufacturer agrees to indemnify, protect and hold harmless the Vendee from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee because of the use in or about the construction or operation of any Item of Equipment to be built by it, of any design, article or material which infringes or is claimed to infringe on or which is claimed to constitute contributory infringement with respect to any patent or other right. The Vendee likewise will indemnify, protect and hold harmless the Manufacturer from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against Manufacturer because of the use in or about the construction or operation of any Item of Equipment thereof, of any design specified by the Vendee and not developed or purported to be developed by the Manufacturer, or article or material

specified by the Vendee and not manufactured by the Manufacturer, which infringes or is claimed to infringe on or which is claimed to constitute contributory infringement with respect to any patent or other right. In case any Item of Equipment is held to constitute infringement of any patent or other similar right in respect of which liability may be charged against the Manufacturer, and the use of any Item of Equipment is enjoined, the Manufacturer shall, at its own expense and at its option, either procure for the Vendee the right to continue using such Item of Equipment or replace the same with non-infringing equipment, or modify it so it becomes non-infringing. Without intending any limitation of the foregoing, the Manufacturer agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Vendee every claim, right and cause of action which the Manufacturer has or hereafter shall have against the originator of any design or against the seller or sellers of any designs or articles or materials purchased or otherwise acquired by the Manufacturer for use in or about the construction or operation of the Items of Equipment to be built by it on the ground that any such design, article or material or operation thereof infringes or is claimed to infringe on or to constitute contributory infringement with respect to any patent or other right and the Manufacturer further agrees to execute and deliver to the Vendee all and every such further assurance as may be reasonably requested by the Vendee, more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action. The Manufacturer will give notice to the Vendee of any claim known to the Manufacturer from which liability may be charged against the Vendee hereunder and the Vendee will give notice to the Manufacturer of any claim known to it from which liability may be charged against the Manufacturer hereunder.

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

SECTION 14. ASSIGNMENTS.

14.1. Except as otherwise provided in Section 9.1 hereof, the Vendee will not sell, assign, transfer or otherwise dispose of its rights under this Agreement or transfer the right to possession of any Item of Equipment without first obtaining the written consent of the Manufacturer. The Vendee will not, directly or indirectly, consolidate or merge with or sell, lease or otherwise dispose of all or substantially all of its assets to any Person, except to a Person which is a solvent corporation organized in the United States which shall expressly assume in writing the due and punctual payment of the Conditional Sale Indebtedness and the due and punctual performance of the obligations of the Vendee hereunder and under the Finance Agreement.

14.2. All or any of the rights, benefits and advantages of the Manufacturer under this Agreement, including the right to

receive the payments herein provided to be made by the Vendee may be assigned by the Manufacturer and reassigned by an assignee at any time or from time to time. The Manufacturer or other assignor agrees to notify the Vendee of any such assignment within 30 days following such assignment. No such assignment shall subject any assignee to, or relieve the Manufacturer from, any of the obligations of the Manufacturer to construct and deliver the Equipment in accordance with Sections 1 and 2.1 hereof, or to respond to its warranties and indemnities contained in Sections 12.3 and 13 hereof, or relieve the Vendee of its obligations to the Manufacturer hereunder.

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

14.4. The Vendee hereby acknowledges that, concurrently with the execution and delivery of this Agreement and in accordance with the custom of railroad equipment manufacturers, the Vendee has made arrangements for and the Manufacturer is executing and delivering the Agreement and Assignment, pursuant to which the Manufacturer is assigning certain of its rights and interest hereunder. The Vendee expressly acknowledges and agrees with the Assignee and its successors and assigns, for the purpose of inducing the execution and delivery of said Agreement and Assignment by the Assignee and its advance to the Manufacturer in consideration therefor of an amount equal to the difference between the Purchase Price of the Equipment and the aggregate amount paid by the Vendee pursuant to subparagraph (a) of Section 3.3 hereof, that the rights of the Assignee and its successors and assigns to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or any part thereof as so assigned, together with interest thereon, as well as all other rights hereunder so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether by reason of any breach of any obligation of the Manufacturer with respect to the Equipment or the delivery or warranty thereof or with respect to any indemnity herein contained or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and when arising, at any time owing to the Vendee by the Manufacturer or to any other person, firm or corporation or to any governmental authority, or for any cause whatsoever, it being the intent hereof that, except in the case of a wrongful act on the part of the Assignee

or its successors and assigns, the Vendee shall be unconditionally and absolutely obligated to pay the Assignee the entire unpaid indebtedness in respect of the Purchase Price of the Equipment as so assigned, together with interest thereon, all in the manner and upon the dates set forth in Section 3.3(b) hereof and as otherwise provided herein. Any and all such obligations, if any and howsoever arising, shall be and remain enforceable by the Vendee against and only against the Manufacturer.

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

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

14.7. If this Agreement shall have been assigned by the Manufacturer and the Assignee shall not make payment to the Manufacturer on the Closing Date with respect to the Group of an amount equal to that portion of the purchase price of such Items of Equipment included in the Group as provided in the instrument of assignment, the Manufacturer will promptly notify the Vendee of such event, such Items of Equipment included in the Group shall be excluded thereupon and the Vendee shall not later than 60 days after the Closing Date diligently pursue and secure alternative financing for the purchase price of all such Items of Equipment, and the Vendee shall not later than 120 days after the Closing Date pay or cause to be paid to the Manufacturer the purchase price of all such Items of Equipment, or the portion thereof unpaid by the Assignee, together with interest to the date of payment of such purchase price at the prime rate of interest in effect on the Closing Date at Mellon Bank, N.A., such payment to be

in cash or, if the Manufacturer and the Vendee shall mutually agree, by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Vendee shall determine and as may be reasonably satisfactory to the Manufacturer.

SECTION 15. DEFAULTS

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

(a) The Vendee shall fail to pay in full any part of the principal of the Conditional Sale Indebtedness when payment thereof shall be due under Section 3 hereof or shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due under Section 6 hereof, and such default shall continue for five business days; or

(b) The Vendee shall fail to pay in full any interest on any part of the Conditional Sale Indebtedness when payment thereof shall be due under Sections 3 or 6 hereof and such default shall continue for five business days; or

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

(d) Any representation or warranty made by the Vendee herein or in any statement or certificate furnished to the Manufacturer or the assignee of the Investor pursuant to or in connection with this Agreement, the Agreement and Assignment or the Finance Agreement proves untrue in any material respect as of the date of issuance or making thereof; or

(e) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Vendee 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 Vendee under this Agreement shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees within 30 days after such appointment or 60 days after such petition

shall have been filed, whichever shall be earlier; or

(f) Any other proceedings shall be commenced by or against the Vendee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment 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 Vendee under this Agreement shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Vendee or for the property of the Vendee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(g) The Vendee makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of the Vendee, or of all or any part of the property of the Vendee; or

(h) The Vendee shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any Item of the Equipment;

then at any time after the occurrence and during the continuance of such an Event of Default the Manufacturer may, upon written notice to the Vendee and upon compliance with any legal requirements then in force and applicable to such action by the Manufacturer, declare the entire indebtedness in respect of the Purchase Price of the Equipment, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such declaration at the rate of 11-3/8% per annum, to the extent legally enforceable, and the Manufacturer shall thereupon be entitled to recover judgment for the entire unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee wherever situated.

15.2. The Manufacturer may waive any such Event of Default and its consequence and rescind and annul any such declaration by notice to the Vendee in writing to that effect. Upon any such waiver the respective rights of the parties shall be as they would have been if no such default had existed and no such declaration had been made. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

SECTION 16. REMEDIES.

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

16.2. In case the Manufacturer shall rightfully demand possession of the Equipment in pursuance of this Agreement and shall reasonably designate a point or points upon the lines of the Vendee for the delivery of the Equipment to the Manufacturer, the Vendee shall, at its own expense, forthwith and in the usual manner, cause the Equipment to be moved to such point or points as shall be reasonably designated by the Manufacturer and shall there deliver the Equipment or cause it to be delivered to the Manufacturer; and, at the option of the Manufacturer, the Manufacturer may keep the Equipment on any of the lines of railroad or premises of the Vendee, for a period not exceeding 180 days, until the Manufacturer shall have leased, sold or otherwise disposed of the same, and for such purpose the Vendee agrees to furnish without charge for rent or storage, the necessary facilities at any point or points selected by the Manufacturer reasonably convenient. The agreement to deliver the Equipment as hereinbefore provided is of the essence of this Agreement between the parties, and, upon application to any court of equity

having jurisdiction in the premises, the Manufacturer shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vemdee hereby expressly waives any and all claims against the Manufacturer and its agent or agents for damages of whatever nature in connection with any retaking of any Item of Equipment in any reasonable manner.

16.3. If an Event of Default shall have occurred and be continuing as hereinbefore provided, then at any time thereafter during the continuance of such default and after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable as hereinbefore provided (unless such declaration has been rescinded and annulled as provided in Section 15.2 hereof), the Manufacturer (after retaking possession of the Equipment as hereinbefore in this Section 16 provided) may at its election retain the Equipment as its own and make such disposition thereof as the Manufacturer shall deem fit (including, if the Manufacturer so elects, the leasing of the Equipment on such terms as it shall deem fit), and in such event all the Vendee's rights in the Equipment will thereupon terminate and, to the extent not prohibited by any mandatory requirements of law, all payments made by the Vendee may be retained by the Manufacturer as compensation for the use of the Equipment by the Vendee; provided, however, that if the Vendee within 45 days of receipt of notice of the Manufacturer's election to retain the Equipment for its own use, as hereinafter provided, shall pay or cause to be paid to the Manufacturer the total unpaid balance of the indebtedness in respect of the Purchase Price of all the Equipment, together with interest thereon accrued and unpaid and all other payments due by the Vendee under this Agreement, then in such event absolute right to the possession of, title to and property in such Equipment shall pass to and vest in the Vendee; or the Manufacturer, with or without the retaking of possession thereof, may, at its election, sell the Equipment, or any Item thereof, free from any and all claims of the Vendee, or of any other party claiming by, through or under the Vendee, at law or in equity, at public or private sale and with or without advertisement as the Manufacturer may determine; and the proceeds of such sale, less the attorneys' fees and any other expenses incurred by the Manufacturer in taking possession of, removing, storing and selling the Equipment, shall be credited to the amount due to the Manufacturer under the provisions of this Agreement.

16.4. Any sale hereunder may be held or conducted at such place or places and at such time or times as the Manufacturer may specify, in one lot and as an entirety, or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Manufacturer may determine, provided that the Vendee shall be given written notice of such sale not less than 45 days prior thereto, by mail addressed as provided herein. If such sale shall be a

SECTION 17. APPLICABLE STATE LAWS.

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

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

SECTION 18. EXTENSION NOT A WAIVER.

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

SECTION 19. RECORDING.

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

SECTION 20. NOTICE.

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

(a) to the Vendee: Lake Erie, Franklin & Clarion Railroad Company, P. O. Box 430, Clarion, Pennsylvania 16214, Attention: Vice President-Operations; and to Lake Erie, Franklin & Clarion Railroad Company, 316 Trust Company Building, Franklin, Pennsylvania 16323, Attention: President;

(b) to the Manufacturer: Greenville Steel Car Company, Greenville, Pennsylvania 16125, Attention: Treasurer;

(c) to the Assignee: Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Illinois 60693, Attention: Corporate Trust Division;

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

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

SECTION 21. HEADINGS

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

SECTION 22. EFFECT AND MODIFICATION OF AGREEMENTS.

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

SECTION 23. LAW GOVERNING.

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 Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording and depositing hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

SECTION 24. DEFINITIONS.

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

The term "Person", whenever used in this Agreement, means an individual, corporation, partnership, trust, unincorporated organization or a government or any agency or political subdivision thereof.

SECTION 25. PAYMENT OF EXPENSES.

The Vendee will pay all reasonable costs, charges and expenses, except the counsel fees of the Manufacturer, but including the fees and expenses of special counsel for the Assignee and the Investors and including stamp and other taxes, if any, incident to the printing or other duplicating, execution, acknowledgment, delivery, filing or recording of this Agreement, of the first assignment, of any instrument supplemental to our amendatory of this Agreement or the first assignment, and of any certificate of the payment in full of the indebtedness in respect of purchase price due hereunder.

SECTION 26. CONSOLIDATION OR MERGER.

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

SECTION 27. INSURANCE.

The Vendee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured by a reputable insurance company or companies in amounts and against risks customarily insured against by other railroad companies on similar equipment. Such insurance may provide that losses shall be adjusted with the Vendee and shall provide that the proceeds thereof shall be payable to the Assignee and the Vendee as their interest shall appear. All proceeds of insurance received by the Assignee with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Vendee upon proof satisfactory to the Assignee that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Assignee with respect to a Casualty Occurrence shall be credited toward the payment required by Section 6 with respect to such Casualty Occurrence.

SECTION 28. EXECUTION.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated for convenience as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

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

GREENVILLE STEEL CAR COMPANY

By _____
Its Vice President

(Corporate Seal)

Attest:

_____
Assistant Secretary

LAKE ERIE, FRANKLIN & CLARION
RAILROAD COMPANY

By _____
Its President

(Corporate Seal)

Attest:

_____
Assistant Secretary

COMMONWEALTH OF PENNSYLVANIA)
) SS.
COUNTY OF MERCER)

On this 17th day of July, 1979, before me, personally appeared T. B. Leyhe, to me personally known, who, being by me duly sworn, says that he is the Vice President of GREENVILLE STEEL CAR COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Leora Smith
Notary Public
LEORA SMITH, Notary Public
GREENVILLE, MERCER COUNTY
My Commission Expires Feb. 23, 1981

[Seal]

My Commission Expires: Feb 23 1981

COMMONWEALTH OF PENNSYLVANIA)
) SS.
COUNTY OF CLARION)

On this 19th day of July, 1979, before me personally appeared Jay F. Miller, to me personally known, who, being by me duly sworn, says that he is the President of LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Marilyn L. Smerker
Notary Public
MARILYN L. SMERKAR, NOTARY PUBLIC
ELK TWP., CLARION COUNTY
MY COMMISSION EXPIRES APR. 2, 1983
Member, Pennsylvania Association of Notaries

(Seal)

My Commission expires: April 2, 1983

SCHEDULE A
(to Conditional Sale Agreement)

Description of Equipment

MANUFACTURER:	GREENVILLE STEEL CAR COMPANY
PLANT OF MANUFACTURER:	Greenville, Pennsylvania
DESCRIPTION OF EQUIPMENT:	100 100-ton Coal Hopper Cars, bearing Vendee's Road Numbers LEF 3781 through LEF 3880, both inclusive
BASE PURCHASE PRICE (subject to change):	$34,000.00 per Item ($3,400,000 for 100 Items)
MAXIMUM PURCHASE PRICE:	$37,400 per Item ($3,740,000 for 100 Items)
DELIVERY TO:	LAKE EIRE, FRANKLIN & CLARION RAILROAD COMPANY
PLACE OF DELIVERY:	Greenville, Pennsylvania
ESTIMATED DELIVERY DATES:	July - September, 1979
OUTSIDE DELIVERY DATE:	October 31, 1979
VENDEE:	LAKE ERIE, FRANKLIN & CLARION RAILROAD COMPANY
ASSIGNEE OF MANUFACTURER:	CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO