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SURFACE TRANSPORTATION BOARD

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February 13, 2015

Chief of the Section of Administration
Surface Transportation Board
395 "E" Street, SW
Washington, DC 20423

Re: Kasgro Leasing, LLC/Laurel Capital Corporation

Dear Section Chief:

I have enclosed two (2) copies of a Security Agreement, dated as of January 22, 2015, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code. The Security Agreement is a primary document as defined in the Board's Rules for the Recordation of Documents.

The name and address of the parties to the Security Agreement are as follows:

SECURED PARTY:

Laurel Capital Corporation
6600 Brooktree Court, Suite 3000
Wexford, Pennsylvania 15090;

and

DEBTOR:

Kasgro Leasing, LLC
121 Rundle Road
New Castle, PA 16102

A description of the equipment covered by the Security Agreement is as follows:

21 Railcars (see attached Exhibit A) pursuant to Security Agreement.

Surface Transportation Board
February 13, 2015
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A short summary of the document to appear in the index follows:

A Security Agreement between Kasgro Leasing, LLC and Laurel Capital Corporation, dated as of January 22, 2015.

Also enclosed is a check in the amount of \$43.00 payable to the order of the Surface Transportation Board covering the required recording fee.

Please return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read "William H. Maston", with a stylized flourish at the end.

William H. Maston

enclosures

CERTIFICATION

I, William H. Maston, an attorney licensed to practice law in the Commonwealth of Pennsylvania, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: 2/13/2015

William H. Maston
William H. Maston

REGISTRATION 31606 FILED

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SECURITY AGREEMENT

SURFACE TRANSPORTATION BOARD

THIS SECURITY AGREEMENT, dated as of the 23rd day of January, 2015, is made and entered into by and between KASGRO LEASING, LLC, a Pennsylvania limited liability company (the "Company"), and LAUREL CAPITAL CORPORATION, a Pennsylvania corporation (the "Secured Party").

WHEREAS, the Company has executed and delivered the Note (as defined below) to the Secured Party, under which the Secured Party has extended certain financing to the Company upon the terms and subject to the conditions set forth therein; and

WHEREAS, it is a condition precedent to the obligation of the Secured Party to make advances to the Company under the Note that the Company shall have executed and delivered this Security Agreement to the Secured Party and granted the security interests contemplated hereby;

NOW THEREFORE, in consideration of the premises and to induce the Secured Party to make advances to the Company under the Note, the Company hereby agrees with the Secured Party as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Note and used herein are so used as so defined, and the following terms shall have the following meanings:

"Chattel Paper" has the meaning assigned to it in Section 9105(a) of the UCC.

"Collateral" has the meaning assigned to it in Section 2 of this Security Agreement.

"Contract Rights" means all contracts, contract rights, general intangibles, engineering data, computer software, documents, instruments, licenses and agreements of the Company, relating to the ownership, operation, management or use of the Equipment.

"Equipment" means the rail cars identified on Exhibit A attached hereto, collectively.

"Instrument" has the meaning assigned in Section 9105(a) of the UCC.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Note" shall mean the Note, dated as of the date hereof, given by the Company to the Secured Party, evidencing indebtedness in the original principal amount of \$4,750,000.00.

"Obligations" means the unpaid principal amount of, and interest on, the Note and all other obligations of the Company to the Secured Party, whether direct or indirect,

absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with the Note or this Security Agreement, and any other document executed and delivered in connection therewith or herewith, whether on account of principal, interest, indemnities, costs, expenses (including, without limitation, all fees, disbursements and other charges of counsel to the Secured Party) or otherwise.

“Person” means an individual, a corporation, a partnership, an association, a trust, a governmental, judicial or public body or authority, or any other entity or organization.

“Proceeds” means (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Company from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental, judicial or public body or authority (or any person acting under color of governmental authority), (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or in connection with any sale or other disposition thereof and (d) any “Proceeds” of any of the Collateral, as the term “Proceeds” is defined in Section 9306 of the UCC.

“Security Agreement” means this Security Agreement, as amended, restated, supplemented or otherwise modified from time to time.

“UCC” means the Uniform Commercial Code from time to time in effect in the Commonwealth of Pennsylvania.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations, the Company hereby assigns, conveys, mortgages, pledges, hypothecates and transfers to the Secured Party, and hereby grants to the Secured Party a security interest in, all of the Company’s right, title or interest in, to and under the following:

- (a) The Equipment;
- (b) The Contract Rights; and
- (c) All accessories, substitutions and replacements therefor and all Proceeds, both cash and non-cash, of any of the foregoing;

(collectively, the “Collateral”).

3. Representations and Warranties. The Company hereby represents and warrants that:

- (a) Title; No Other Liens. Except for the Lien granted to the Secured Party pursuant to this Security Agreement and the secondary, subordinate lien rights in certain collateral, including the Collateral (collectively, the “FNB Collateral”), of First National Bank (“FNB”), the Company owns each item of the Collateral free and clear of any and all Liens or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Secured Party pursuant to this Security Agreement and in favor of FNB to secure the FNB Collateral.
- (b) Perfected First Priority Liens. The Liens granted pursuant to this Security Agreement will constitute perfected Liens on the Collateral in favor of the Secured Party, which are prior to all other Liens on the Collateral and in existence on the date of filing of UCC-1 Financing Statements with respect thereto and which are enforceable as such against all creditors of and purchasers (except buyers in the ordinary course of business as set forth in Section 9307 of the UCC) from the Company and against any owner or purchaser of the real property where any of the Equipment is located and any present or future creditor obtaining a Lien on such real property.
- (c) Power and Authority; Authorization. The Company has the full power and authority to execute and deliver this Agreement, and to perform the terms and conditions hereof and to grant the Lien on the Collateral pursuant hereto, and has taken all necessary action to authorize the execution, delivery and performance of, and its grant of the Lien on the Collateral pursuant to, this Security Agreement.
- (d) Enforceability. This Security Agreement constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally or by general principles of equity.
- (e) No Conflict. The execution and delivery of this Security Agreement, and the performance of the transactions contemplated hereby, will not:
- (i) violate any provision of the certificate of organization or operating agreement of the Company, as amended, or any other organizational documents or resolutions of the Company;
 - (ii) contravene any existing provision of law, statute, decree, rule, or regulation to which the Company or its assets are subject, or any judgment, decree, franchise, order, permit, consent or authorization applicable to the Company; or
 - (iii) conflict or be inconsistent with, or result in any material breach or violation of, any term, covenant, condition or provision of, or constitute a

default under, or result in the creation or imposition of any Lien upon any of the assets of the Company pursuant to the terms of any contractual restriction or undertaking under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which the Company or any of its assets may be bound or affected, except as contemplated hereby.

- (f) Consents. All consents, approvals, permits, licenses, authorizations of, or exemptions or waivers by, every governmental, judicial or public body or authority and any other third party required to authorize, or required in connection with, the execution and delivery of this Security Agreement and the performance of the terms and conditions hereof have been obtained.
- (g) No Litigation. No litigation, arbitration or administrative proceeding before or of any court or governmental authority is presently pending or, to the knowledge of the Company, threatened against the Company or any of its assets, which could materially adversely affect the ability of the Company to perform its obligations hereunder or which in any manner draws into question the validity of this Security Agreement.

4. Covenants. The Company covenants and agrees with Secured Party that, from and after the date of this Security Agreement and until the Termination Date (as defined in Section 19 below):

- (a) Further Documentation; Pledge of Instruments. At any time and from time to time, upon the written request of the Secured Party, and at the sole expense of the Company, the Company will promptly and duly execute and deliver such further instruments and documents and take such further action as the Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the UCC with respect to the Liens created hereby. The Company also hereby authorizes the Secured Party to file any such financing or continuation statement without the signature of the Company to the extent permitted by applicable law. If any amount payable under or in connection with any of the Collateral other than amounts payable to the Company evidenced by checks or drafts shall be or become evidenced by any Instrument or Chattel Paper, such Instrument or Chattel Paper shall be promptly delivered to the Secured Party, duly endorsed in a manner satisfactory to the Secured Party, to be held as Collateral pursuant to this Security Agreement.
- (b) Indemnification. The Company agrees to pay, and to save the Secured Party harmless from, any and all liabilities, costs and expenses (including, without limitation, all reasonable fees, disbursements and other charges of counsel) (i) with respect to, or resulting from, any delay by the Company in paying any and all excise, sales or other taxes which may be payable or determined to be payable

with respect to any of the Collateral; (ii) with respect to, or resulting from, any delay by the Company in complying with any applicable provision of law, statute, decree, rule or regulation applicable to any of the Collateral; or (iii) in connection with any of the transactions contemplated by this Security Agreement and/or any default hereunder or in connection with the Obligations.

- (c) Maintenance of Records. The Company will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted. The Company will mark its books and records pertaining to the Collateral in order to evidence this Security Agreement and the security interests granted hereby. For the further security of the Secured Party, the Secured Party is hereby granted a security interest in all of the Company's books and records pertaining to the Collateral, and upon the occurrence and during the continuation of any Event of Default the Company shall turn over any such books and records to the Secured Party or to its representatives during normal business hours at the request of the Secured Party.
- (d) Use. The Company agrees to use the Equipment solely in the conduct of its business. The Company shall not permanently discontinue use of any Equipment. The Company agrees to use the Equipment, and enter into use agreements with respect to such railcars with companies operating within the continental limits of the United States, for the transportation and handling of commodities that are appropriate for such railcars. The Company shall at all times manage the Equipment and shall not permit any other person to manage the Equipment. The Company agrees:
- (i) that the Equipment shall not be loaded in excess of Association of American Railroads ("A.A.R.") Interchange Rule limits for gross weight on rail unless otherwise agreed in writing between the Company and the handling line(s) (but in any case not to exceed the manufacturer's designed load limit);
 - (ii) that the Equipment shall not be loaded with commodities that are not appropriate for such Equipment; and
 - (iii) to otherwise use the Equipment only in accordance with the A.A.R. Interchange Rules and applicable industry standards.

Further, the Equipment shall be used in accordance with manufacturers' specifications and in accordance with any applicable insurance policies. No Equipment shall be used for transportation of passengers or of material designated as extra-hazardous, radioactive, flammable, or explosive. The Company agrees that it will not use any Equipment in a manner that could cause the Equipment either to constitute "tax exempt use property" within the meaning of Section 168(h) of the Internal Revenue Code of 1986, as amended (the "Code") or to be

deemed to be used "predominantly outside the United States" within the meaning of Section 168(g) of the Code.

- (e) Records and Mileage Allowance. The Secured Party shall be responsible for the preparation and filing of all documents (other than a memorandum of this Security Agreement and related documents for filing with the Surface Transportation Board of the United States Department of Transportation (the "S.T.B.") in each case as the Secured Party may deem reasonable or necessary to perfect and protect the Secured Party's title to and interest in the Equipment) relating to the registration and maintenance record keeping functions normally performed with respect to Equipment of the type subject to this Security Agreement, as may be applicable, including but not limited to: (i) registration of the Equipment in the Official Railway Equipment Register and UMLER; and (ii) preparation and filing of any reports or documents as may be required from time to time by the S.T.B. and any other regulatory bodies with respect to the Equipment. The Company agrees to keep records pertaining to the repairs of the Equipment until such time as the Note is paid in full. Upon written request by the Secured Party, the Company agrees to promptly furnish the Secured Party with its summary maintenance, and A.A.R. billing repair reports for the Equipment for maintenance and repairs in excess of \$10,000 in the aggregate. The Company, or any permitted person using the Equipment under the Company's authority, shall receive any mileage allowance payable by third parties for use of Equipment during the term of this Security Agreement.
- (f) Compliance with Laws; Operation and Maintenance; Alterations, Additions.
- (i) The Company will use the Equipment in a careful and proper manner and will comply with and conform in all material respects to all laws, judgments, decrees, ordinances and regulations and any other governmental rules, orders and determinations and all requirements having the force of law, now or hereafter enacted, made or issued, whether or not presently contemplated, including (without limitation) compliance with all requirements of zoning laws, labor laws and Environmental Laws, compliance with which is required with respect to the Equipment, whether or not such compliance shall require structural, unforeseen or extraordinary changes to any of the Equipment or the operation, occupancy or use thereof ("Applicable Laws"), including all rules and regulations of the A.A.R. and the Federal Railroad Administration (hereafter referred to as "F.R.A."). "Environmental Law" shall mean any Federal, foreign, state or local law, rule or regulation pertaining to the protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") (42 U.S.C. section 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. section 1801 et seq.), the Federal Water Pollution Control Act (33 U.S.C. section 1251 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et

seq.), the Clean Air Act (42 U.S.C. section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. section 2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. section 1361 et seq.), and the Occupational Safety and Health Act (19 U.S.C. section 651 et seq.), as these laws have been amended or supplemented, and any analogous foreign, Federal, state or local statutes, and the regulations promulgated pursuant thereto. The Company will not permit any petroleum, petroleum product, by-product or breakdown products (in each case other than any inert gas or liquid), radioactive materials, asbestos-containing materials, polychlorinated biphenyls, radon gas or any other chemical, material or substance designated, classified or regulated as hazardous, toxic or as a pollutant under any federal, state or local law, regulation, writ, judgment or judicial or agency interpretation relating to the environment, health, safety or natural resources to be stored or transported in or on any Equipment.

- (ii) the Company will, or will cause a third party on its behalf to, at its own expense, inspect, test, service, repair, keep and maintain the Equipment (1) in good operating order, repair, condition and appearance, subject to normal wear and tear and obsolescence, and furnish all parts, replacements, mechanisms, devices and servicing required therefor; (2) in accordance with manufacturer's warranties; (3) in compliance with Applicable Laws; (4) at a standard consistent with prudent industry practices; and (5) in all events not less than the Company's standard practices for similar Equipment owned, operated or leased by the Company. The Company will cause each Equipment to be maintained and repaired in conformance with all rules and regulations of A.A.R. and F.R. A. and, if mandated by A.A.R. or F.R.A., will cause the Equipment to be modified so that they will qualify for unrestricted interchange in the United States and remain suitable for the purposes for which the Equipment are intended. All such repairs, parts, replacements, mechanisms, devices, and modifications shall immediately, without further act, become secured by this Security Agreement.
- (iii) The Company will not make or authorize any improvement, change, addition or alteration to any Equipment (1) if such improvement, change, addition or alteration will materially impair the value, expected residual value, utility or remaining useful life of such Equipment as it existed immediately prior to such improvement, change, addition or alteration; (2) if any parts installed in or attached to or otherwise becoming a part of such Equipment as a result of any such improvement, change addition or alteration shall not be readily removable without damage to such Equipment (unless such improvement is mandated by A.A.R., F.R.A. or other agency or organization having jurisdiction over the Equipment); or (3) if such improvement, change, addition, or alteration would violate Applicable Law, including without limitation Internal Revenue Service

guidelines (e.g. Rev. Proc. 79-48). All such parts shall be and remain free and clear of any liens other than the lien of this Agreement. Any such part attached to any Equipment shall, without further act, become the property of the Secured Party and part of such Equipment.

- (iv) If any U.S. or state governmental agency or organization having jurisdiction over the operation, safety or use of railroad Equipment requires modification to any Equipment leased hereunder (such Equipment, the "Affected Equipment") in order to qualify the Affected Equipment for operation in railroad interchange service during the term of this Security Agreement (each, a "Required Modification"), the Company shall cause such Required Modification at the Company's expense to be made within the time period required thereby.

(g) Identification.

- (i) Other than for the Secured Party's reporting marks on the Equipment, and the Kasgro Rail builder plates and Kasgro Rail logo, no lettering or marking of any kind shall be placed upon any of the Equipment by the Company except with the prior written consent of the Secured Party.
- (ii) The Company shall at its expense cause each railcar constituting the Equipment to be kept marked and numbered with its appropriate identifying car mark and number set forth on Exhibit A. The Company will not alter, deface, cover or remove such identification. The Company will not place any Equipment in operation or exercise control or dominion over the same until such railcar mark and numbers shall have been so marked and number on each railcar constituting the Equipment and will replace promptly any such railcar mark and number which may be removed, defaced or destroyed.

- (h) Warranty of Title. The Secured Party warrants and covenants that so long as the Company faithfully performs this Security Agreement, the Company, subject to the disclaimer of warranties set forth immediately below, shall be entitled to quietly possess and use the Equipment without interference.

- (i) Disclaimer of Warranties. The Secured Party is not responsible or liable for any direct, indirect, incidental or consequential damage to the Company, or any Equipment, or any third party, or any loss resulting from the installation, operation or use of any Equipment. Without limiting the foregoing, the Secured Party shall have no responsibility or liability to the Company or any other individual, partnership, corporation, trust, unincorporated organization, government or department or agency thereof and any other entity with respect to any of the following (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Equipment, any inadequacy thereof, any deficiency or defect (latent or otherwise) therein, or any other circumstance in

connection therewith; (ii) any interruption of service or loss of business or anticipated profits; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Equipment.

- (j) Sublease, Permitted User Agreements and Assignment; Security Interest, Etc.
- (i) The Company may not sublease, or, subject to clause (ii) immediately below, enter into user agreements other than Permitted User Agreements (as defined in clause (ii) immediately below) for, any of the Equipment and shall make no sale or transfer of the Equipment without the Secured Party's prior written consent.
- (ii) The Secured Party and the Company hereby agree that certain of the railcars constituting the Equipment are or will be subject to the use agreements with third parties (the "Permitted User Agreements"). The Permitted User Agreements shall be subject to the terms set forth in clauses (i), (iii), (iv) and (v) in Section 4(f) above. As security for the due and punctual payment, performance and discharge in full of the Company hereunder, the Company hereby assigns and agrees to assign, absolutely and by way of security to the Secured Party, all of the Company's right, title and interest, present and future, in and to the Permitted User Agreements and the proceeds and collections thereof, whether now owned or hereafter arising or acquired (collectively the "Equipment Collateral"). For the purposes of this paragraph, this Agreement, the Secured Party may file an Equipment Schedule, or a photocopy thereof or such other form of financing statement or memorandum of lease and security agreement or other documents as maybe appropriate for perfecting such security interest as a financing statement under the UCC or as evidence of such interest with the S.T.B.
- (iii) Neither Kasgro Leasing nor Kasgro Rail Corp., a Pennsylvania corporation ("Kasgro Rail") may change its jurisdiction of organization, its organizational number, its name or the address of its chief executive office without the prior consent of the Secured Party, such consent not to be unreasonably withheld or delayed, provided that, with respect to a change in name the entity changing its name agrees to execute and file such documents as the Secured Party may request with the S.T.B. and other governmental agencies to protect the Secured Party's ownership interest in the Equipment and the Secured Party's security interest in the Equipment Collateral.
- (k) The Secured Party's Right of Inspection. The Secured Party and its agents shall have the right at any time and from time to time during business hours to enter upon the premises where any Equipment is located for the purpose of inspection.
- (l) Use of Equipment. The Company must use the Equipment in a careful and proper manner in conformity with (a) all statutes and regulations of each governmental

authority having jurisdiction over the Company and/or the Equipment and its use, and (b) all policies of insurance relating to the Equipment and/or its use. In addition, the Company shall not use any Equipment in any manner that would impair the applicability of the Equipment manufacturer's warranties or render any Equipment unfit for its originally intended use or permit anyone other than authorized and competent personnel to operate any Equipment.

(m) Risk of Loss, Damage and Theft.

- (i) All risk of loss, damage, theft or destruction, partial or complete, to any Equipment incurred or occasioned by any cause, circumstance or event of whatever nature will be borne by the Company from and after delivery of such Equipment to a carrier FOB point of origin. The Company shall promptly notify the Secured Party of any theft of or loss or damage to the Equipment.
- (ii) Neither a Total Loss nor a Partial Loss (each as defined below) or any inability to use or possess any Equipment for any other reason shall abate the payments required hereunder or under the Note.
- (iii) Any part or the whole of the Equipment shall be deemed to be a total loss ("Total Loss") when (i) it has disappeared or otherwise become inaccessible, regardless of the reason for such disappearance or inaccessibility; or (ii) when it has sustained physical damage and the estimated cost of repair exceeds 75% of the fair market value thereof (as determined by an independent appraiser chosen by the Secured Party) on the date of damage. The amount of insurance proceeds applicable to such Total Loss, if any, actually received by the Secured Party, less the amount of any expenses incurred by the Secured Party in connection with such Total Loss, including with regard to any disposition of the Equipment (which amount shall be retained by the Secured Party or, if not so retained, paid directly by the Company to the Secured Party), shall be subtracted from the amount for which the Company is liable under the Note. Any insurance proceeds not so applied by the Secured Party under this subsection, if any, shall be paid to the Company.
- (iv) The Company shall cause any Equipment subjected to any loss that is not a Total Loss (a "Partial Loss") to be restored to its original capability and condition. The Secured Party shall, upon receiving satisfactory evidence of such restoration, promptly pay to the Company the proceeds of any insurance or compensation received by the Secured Party by reason of such Partial Loss, less the amount of any expenses incurred by the Secured Party in connection therewith (which amount shall be retained by the Secured Party from such insurance proceeds or, if not so retained, paid directly by the Company to the Secured Party).

- (v) The Secured Party shall not be obligated to undertake the collection of any claim against any person for either a Total Loss or a Partial Loss with regard to any Equipment. After the Company discharges its obligations to the Secured Party under either Section 4(m)(iii) or Section 4(m)(iv) above, the Company may, for the Company's own account, proceed to recover its losses with respect to Equipment subject to a Total Loss or Partial Loss from third parties and shall be entitled to retain any amount recovered. The Secured Party shall supply the Company with any necessary assignment of claim.

5. Indemnification.

- (a) the Company assumes all liability for, and hereby agrees to indemnify, protect and hold harmless the Secured Party, its agents, servants, employees, officers, successors and assigns from and against, any and all liabilities, obligations, losses, damages, injuries, claims, demands, penalties, actions, costs and expenses incurred by the Secured Party, including reasonable attorney's fees, of whatsoever kind and nature (excluding however, those which are the result of the gross negligence or willful misconduct of the Secured Party or its employees or agents), arising out of or in connection with (i) the manufacture, installation, use, condition (including, but not limited to, latent and other defects and whether or not discoverable by the Company or the Secured Party), operation, ownership, selection, delivery, leasing, removal or return of any Equipment, regardless of where, how and/or by whom operated or incurred, including the use or non-use of property damaged; (ii) from and against any loss, damage or destruction of any Equipment; and (iii) any failure on the part of the Company to perform or comply with any covenant or condition of this Security Agreement.
- (b) In addition to all amounts payable hereunder and under the Note, including under subsection (a) immediately above, the Company agrees to indemnify, protect and hold harmless the Secured Party, its agents, servants, employees, officers, successors and assigns from and against any and all taxes, license fees, assessments and other governmental charges, fees, fines or penalties of whatsoever kind or character and by whomsoever payable, that are levied, assessed, imposed or incurred by or against the Secured Party prior to, during or after the term of this Security Agreement, (i) on or relating to each Equipment, including any tax on the sale, ownership, use, leasing, shipment, transportation, delivery or operation thereof and any ad valorem taxes, (ii) on the exercise of any option, election or performance of an obligation by the Company hereunder, (iii) of the kind generally referred to in items (i) and (ii) immediately above which may remain unpaid as of the date of delivery of any Equipment to the Company, irrespective of when the same may have been levied, assessed, imposed or incurred, and (iv) by reason of all gross receipts, business, occupation, and like taxes or other amounts payable hereunder levied by any state, local or other taxing authority having jurisdiction where any Equipment is located. The Company agrees to comply with all federal, state and local laws requiring the filing of ad

valorem tax returns relating to each railcar constituting the Equipment. Any statements for such taxes received by the Secured Party shall be promptly forwarded to the Company.

- (c) Indemnity Payment. Any amount payable pursuant to Section 5(a) or Section 5(b) above shall be payable upon demand of the Secured Party accompanied by a statement describing in reasonable detail such loss, liability, injury, claim, expense, tax or other amount and setting forth the computation of the amount so payable.
- (d) Survival. The indemnities and assumptions of liabilities and obligations provided for in this Section 5 shall continue in full force and effect without time limit, notwithstanding the expiration or other termination of this Security Agreement.

6. Company Representations and Warranties. In connection with this Security Agreement, the Company makes the following additional representations and warranties to the Secured Party:

- (a) The Company is a duly organized limited liability company, validly existing under the laws of the state of its organization.
- (b) The Company holds the requisite power to conduct its business as it is currently being conducted, to enter into this Security Agreement and to perform each of its obligations hereunder.
- (c) The Company is in good standing and is qualified to do business in each jurisdiction where failure to do so would have a material effect on the Company's ability to perform under this Security Agreement. Such jurisdictions include, without exclusion, each jurisdiction in which a railcar constituting the Equipment is located.
- (d) All limited liability company action necessary for the Company to execute, deliver and perform its obligations under this Security Agreement have been taken by or on behalf of the Company.
- (e) The execution, delivery and performance under this Security Agreement by the Company (i) violates neither the Company's organizational documents, operating agreement, or other documents or agreements related thereto, as applicable, any governmental laws or regulations, nor any other agreements by which the Company may be bound; and (ii) requires no further governmental approvals or filings.
- (f) To the best of the Company's knowledge, there are no threatened or pending actions or proceedings before any court, arbitrator or any other governmental or non-governmental entity which, individually or in the aggregate, if determined adversely to the Company would have a material effect on the Company's ability to perform its obligations under this Security Agreement.

- (g) The Company is not in default under any agreement to borrow money, under any lease or under any deferred purchase agreement.
- (h) Any and all financial statements delivered to the Secured Party by the Company have been and will continue to be determined in accordance with GAAP and consistently applied.
- (i) The Company is entering into this Security Agreement for business purposes and not in connection with a consumer transaction.
- (j) The Company has chosen each railcar constituting the Equipment and is satisfied that each such Equipment is suitable for its intended purpose.

7. Insurance. The Company will at its own expense insure each railcar constituting the Equipment with policies in form and in an amount satisfactory to the Secured Party with insurance carriers approved by the Secured Party. The Company shall deliver to the Secured Party all required certificates of insurance. The Company shall cause each insurer to agree by endorsement on the policies or certificates of insurance or by an independent instrument furnished the Secured Party that each such insurer will give at least thirty (30) days prior written notice to the Secured Party before any such policy or policies of insurance will be altered or canceled for any reason, including without limitation, failure of the Company to pay premiums. All coverage required hereby must be in effect when the Company takes delivery of any Equipment or causes delivery of any Equipment to be made FOB point of origin. All insurance policies must indicate that the Secured Party and its successors and assigns are each an additional insured for all aspects of liability insurance coverage and are each a loss payee for all aspects of insurance coverage relating to the theft or loss of or damage to Equipment. The proceeds of any public liability or property damage insurance shall be applied first to the extent of the Secured Party's, or the Secured Party's assignee's or assignees', liability. The Company will furnish renewal policies or renewal certificates of insurance (in triplicate) listing each of the Secured Party and its successors and assigns as an additional insured and/or loss payee, as required by this Security Agreement, no later than thirty (30) days prior to the expiration of any insurance coverage required hereby.

8. Additional Documents. At any time and from time to time, upon the written request of the Secured Party, and at the sole expense of the Company, the Company will promptly and duly execute and deliver such further instruments and documents and take such further action as the Secured Party may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing and/or recording of any financing or continuation statements under the Uniform Commercial Code in effect on the Effective Date and as amended from time to time (the "UCC"), of the governmental body having jurisdiction with respect to the Secured Party's interest in all or any portion of the Equipment. Any such filing or recording shall not be deemed evidence of any intent to create a security interest. Further, each executed copy of this Security Agreement will be an "original." To the extent, if any, that this Security Agreement constitutes chattel paper (as such term is defined in the UCC) no security

interest in this Security Agreement may be created through the transfer or possession of any counterpart other than an original.

9. Payment of Obligations. The Company will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such tax, assessment, charge or levy need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings; (ii) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein; and (iii) such tax, assessment, charge or levy is adequately reserved against on the Company's books in accordance with generally accepted accounting principles.

10. Removal of Liens on Collateral. The Company will defend the Collateral against, and will take such other action as is necessary to remove, any known Lien or claim on or to the Collateral, other than the Liens created hereby and other than as permitted pursuant to the Note, and will defend the right, title and interest of the Secured Party in and to any of the Collateral against the claims and demands of all Persons whomsoever.

11. Certain Notices. The Company will advise the Secured Party promptly, in reasonable detail (i) of any Lien (other than Liens created hereby or permitted under the Note) on, or claim asserted against, any of the Collateral and, (ii) of the occurrence of any other event that would be reasonably likely to have a material adverse effect on the value of the Collateral or on the Liens created hereunder.

12. Changes in Locations, Name, etc. The Company will not (i) change the location of its chief executive office from its current location; or (ii) change its name, identity or organizational structure to such an extent that any financing statement or S.T.B. filing filed by the Secured Party in connection with this Security Agreement would become seriously misleading, unless it shall have given the Secured Party at least thirty (30) days' prior written notice thereof and, prior to effecting any such change, shall have taken such steps as the Secured Party may reasonably deem necessary or advisable to continue the perfection and priority of the Liens granted pursuant hereto.

13. Secured Party's Appointment as Attorney-in-Fact.

(a) Power of Attorney. The Secured Party is hereby irrevocably appointed an attorney-in-fact of the Company to do all acts and things that the Secured Party may deem necessary or advisable to perfect and continue perfected its security interest in the Collateral. The Company acknowledges and agrees that (i) the power of attorney herein granted shall in no way be construed as to benefit the Company; (ii) the Secured Party herein granted this power of attorney shall have no duty to exercise any powers granted hereunder for the benefit of the Company; and (iii) the Secured Party herein granted this power of attorney shall, to the extent exercisable, exercise any and all powers granted hereunder for the benefit of the Secured Party. The Secured Party hereby accepts this power of attorney

and all powers granted hereunder for the benefit of the Secured Party. The Company and Secured Party expressly acknowledge, agree and consent that, in accordance with the legislative intent and as allowed by 20 P(a)C.S. § 5601(a), the provisions of 20 P(a)C.S. § 5601 shall not apply to this power of attorney or any of the powers granted herein.

- (b) No Duty on the Part of Secured Party. The powers conferred on the Secured Party hereunder are solely to protect the interests of the Secured Party in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any action or failure to act hereunder, except for their own gross negligence or willful misconduct or as provided under applicable law.

14. Performance by Secured Party of Company's Obligations. If the Company fails to perform or comply with any of its agreements contained herein and the Secured Party, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the reasonable expenses of the Secured Party incurred in connection with such performance or compliance, together with interest thereon at a rate of ten (10%) percent per annum, shall be payable by the Company to the Secured Party on demand and shall constitute Obligations secured hereby.

15. Proceeds. If an Event of Default shall occur and be continuing (i) all payments and other Proceeds received by the Company that are secured hereunder consisting of cash, checks and other near-cash items shall be held by the Company in trust for the Secured Party, segregated from other funds of the Company, and shall, forthwith upon receipt by the Company, be turned over to the Secured Party in the exact form received by the Company (duly endorsed by the Company to the Secured Party, if required); and (ii) any and all such Proceeds received by the Secured Party (whether from the Company or otherwise) may, in the sole discretion of the Secured Party, be held by the Secured Party as collateral security for, and/or then or at any time thereafter may be applied by the Secured Party against, the Obligations (whether matured or unmatured), such application to be in such order as the Secured Party shall elect. Any balance of such Proceeds remaining after the Obligations have been fully satisfied shall be paid over to the Company or to whosoever may be lawfully entitled to receive the same.

16. Remedies. If an Event of Default shall occur and be continuing, the Secured Party may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, the Secured Party without demand of performance or other demand, presentment, protest, advertisement or notice of any kind to or upon the Company or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived to the extent permitted by applicable law), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give options to purchase, or otherwise dispose of and deliver the Collateral or any part

thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any office of the Secured Party or elsewhere, upon such terms and conditions as the Secured Party may deem advisable and at such prices as the Secured Party may deem best. The Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity is hereby waived or released to the extent permitted by applicable law. The Company further agrees, at the Secured Party's request, to assemble the Collateral and make it available to the Secured Party at places which the Secured Party shall reasonably select, whether at the Company's premises or elsewhere. The Secured Party shall apply the net proceeds of any such collection recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder to the payment in whole or in part of the Obligations, in such order as the Secured Party may elect, and only after such application and after the payment by the Secured Party of any other amount required by any provision of law, need the Secured Party account for the surplus, if any, to the Company. To the extent permitted by applicable law, the Company waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by the Secured Party of any rights hereunder, except for gross negligence, bad faith or willful misconduct on the part of the Secured Party. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. The Company shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations.

17. Limitation on Duties Regarding Preservation of Collateral. The Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9207 of the UCC or otherwise, shall be to deal with it in the same manner as the Secured Party would deal with similar property for its own account. Neither the Secured Party, nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Company or otherwise.

18. Non-Interference: Specific Performance.

- (a) The Company agrees that if an Event of Default shall have occurred and be continuing, it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Security Agreement, or the absolute sale of the whole or any part of the Collateral or the delivery thereof to any purchaser at any sale hereunder, and the Company waives the benefit of all such laws to the extent it lawfully may do so. The Company agrees that it will not interfere with any right, power and remedy of the Secured Party provided for in this Security Agreement or now or hereafter existing at law or in equity, or the exercise by the Secured Party of any one or more of such rights, powers or remedies.

- (b) The Company agrees that a breach of any of the agreements or covenants contained in this Security Agreement will cause irreparable injury to the Secured Party, that the Secured Party has no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every agreement and covenant contained in this Security Agreement shall be specifically enforceable against the Company.

19. Termination and Release. At such time as the Obligations have been fully satisfied, the Collateral shall be released from the Liens created hereby, and this Security Agreement and all obligations of the Secured Party and the Company hereunder shall terminate, all without delivery of any instrument or performance of any act by and party, and all rights to the Collateral shall revert to the Company. Upon request of the Company following any such termination, the Secured Party will deliver (at the sole cost and expense of the Company) to the Company any Collateral held by the Secured Party hereunder and execute and deliver (at the sole cost and expense of the Company) to the Company such documents as the Company shall reasonably request to evidence such termination. The date on which all of the Company's obligations hereunder terminate is referred to herein as the "Termination Date."

20. Reinstatement. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against the Company for liquidation or reorganization, should the Company become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Company's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment in respect of the Obligations is rescinded or recovered, directly or indirectly, from the Secured Party as a preference or fraudulent transfer or otherwise, pursuant to the United States Bankruptcy Code of 1978, as amended, or otherwise, all as though such payment had not been made.

21. Waiver. No failure to exercise or delay in exercising any right, power or privilege hereunder by the Secured Party shall operate as a waiver thereof or of any other right, power or privilege which the Secured Party may have, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or of any other right, power or privilege which the Secured Party may have hereunder.

22. Notices. Unless otherwise specified herein, all notices, requests and other communications to any party hereunder shall be in writing (including telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth below or such other address or telecopier number as such party may hereafter specify by notice to the other party. Each such notice, request or other communication shall be effective (i) (i) if given by telecopier or other form of facsimile transmission, when the recipient confirms legible transmission thereof; or (iii) if given by any other means, when delivered at the address specified in this Section:

If to the Company: Kasgro Leasing, LLC
121 Rundle Road
New Castle, PA 16102
Fax: 724-202-0919
Attn: Jeffrey A. Plut

If to the Secured Party: Laurel Capital Corporation
6600 Brooktree Court, Suite 3000
Wexford, PA 15090
Fax: 724-933-5201
Attn: William C. Zopf, Jr.

23. Assignment. This Security Agreement shall be binding upon and inure to the benefit of the Secured Party and the Company, and their respective successors and permitted assigns. The Company shall not assign, transfer or otherwise dispose of any of its rights or obligations under this Security Agreement in whole or in part without the prior written consent of the Secured Party and any assignment in violation thereof shall be void and of no effect.

24. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

25. Waiver of Jury Trial. THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ENFORCING OR DEFENDING ANY RIGHTS UNDER THIS SECURITY AGREEMENT OR ANY OTHER DOCUMENTS RELATING HERETO. EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION 25 HAVE BEEN BARGAINED FOR AND THAT IT HAS BEEN REPRESENTED BY COUNSEL IN CONNECTION THEREWITH. THE PARTIES HERETO ALSO WAIVE ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH OF THEM HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS SECURITY AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF THE PARTIES HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY IS WAIVING ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS SECURITY AGREEMENT,

OR TO ANY OTHER DOCUMENTS RELATING HERETO. IN THE EVENT OF LITIGATION, THIS SECURITY AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT UNDER THIS SECURITY AGREEMENT.

26. Jurisdiction. THE PARTIES HERETO HEREBY CONSENT TO THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF ALLEGHENY, COMMONWEALTH OF PENNSYLVANIA AND IRREVOCABLY AGREE THAT ALL ACTIONS OR PROCEEDINGS RELATING TO THIS SECURITY AGREEMENT SHALL BE LITIGATED IN SUCH COURTS, EXCEPT THAT ANY ACTION OR PROCEEDING BROUGHT BY THE SECURED PARTY IN RESPECT OF THIS SECURITY AGREEMENT MAY, AT THE SECURED PARTY'S ELECTION, BE LITIGATED IN ANY FEDERAL OR STATE COURT LOCATED WITHIN THE COMMONWEALTH OF PENNSYLVANIA OR IN ANY OTHER JURISDICTION IN WHICH THE COLLATERAL IS IN OR MAY BE LOCATED. THE PARTIES HERETO ALSO WAIVE ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREE TO BE BOUND BY ANY FINAL JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS SECURITY AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

27. Miscellaneous.

- (a) Headings. The headings of this Security Agreement are inserted for convenience of reference only and shall not affect the construction or interpretation hereof.
- (b) No Third Party Beneficiaries. This Security Agreement is for the sole benefit of the parties hereto and their successors and permitted assigns and nothing expressed or implied herein shall give or be construed to be intended to give any third parties any legal or equitable right as a third party beneficiary hereto.
- (c) Severability of Provisions. If any provision or any portion of any provision of this Security Agreement, or the application of any such provision or any portion thereof to any circumstance, shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Security Agreement, and the application of such invalid or unenforceable provision or portion of such provision to circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.
- (d) Entire Agreement. This Security Agreement constitutes the entire understanding between the parties as to the subject matter hereof and supersedes any and all prior or contemporaneous agreements or understandings, written or oral, with respect thereto.

28. Amendments. This Security Agreement shall not be amended, changed or modified in any manner except by an instrument in writing signed by a duly authorized representative of each of the parties hereto or their respective successors or permitted assigns, as the case may be.

29. Counterparts. This Security Agreement may be executed in any manner of counterparts which, when taken together, shall be deemed to constitute one original instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective, duly authorized representatives as of the day and year first above written.

COMPANY:

WITNESS:

KASGRO LEASING, LLC

By: Scott McFall

By: [Signature]
Title: Exec VP CFO

SECURED PARTY:

LAUREL CAPITAL CORPORATION

By: [Signature]
William C. Zopf, Jr., CEO

EXHIBIT A

Kasgro Leasing, LLC

FD's 6
 FM's 15
 Other 0

<u>Marking</u>	<u>Car #</u>	<u>Car Type</u>	<u>AAR Code</u>	<u>Length</u>	<u>Capacity</u>	<u>Axles</u>	<u>Year Built</u>
KRL	12450	FM	F401	45	370	12	Jun-80
KRL	25960	FD	F431	25	122	4	Mar-96
KRL	25961	FD	F431	25	122	4	Mar-96
KRL	25968	FD	F431	25	122	4	May-97
KRL	25969	FD	F431	25	122	4	May-97
KRL	25970	FD	F431	25	122	4	May-97
KRL	45600	FM	F403	60	117	4	Aug-96
KRL	45601	FM	F403	60	117	4	Aug-96
KRL	70964	FM	F403	70	230	8	Jun-99
KRL	70965	FM	F403	70	230	8	Jun-99
KRL	70966	FM	F403	70	230	8	Jun-99
KRL	70970	FM	F403	70	230	8	Jun-99
KRL	70971	FM	F403	70	230	8	Jun-99
KRL	70973	FM	F403	70	230	8	Jul-98
KRL	70974	FM	F403	70	230	8	Sep-98
KRL	70975	FM	F403	70	230	8	Sep-98
KRL	70976	FM	F403	70	230	8	Nov-98
KRL	70977	FM	F403	70	230	8	Oct-98
KRL	89115	FM	F405	88	112	4	Feb-98
KRL	89116	FM	F405	88	112	4	Feb-98
KRL	340320	FD	F433	32	337	12	Jul-98