

UNITED STATES RAILWAY LEASING CO.

A SUBSIDIARY OF  EVANS PRODUCTS COMPANY

TRANSPORTATION SYSTEMS & INDUSTRIAL GROUP

2200 EAST DEVON AVENUE, DES PLAINES, ILLINOIS 60018 (312) 297-3200

RECORDATION NO. 8851 Filed & Recorded

JUN 10 1977-II 15 AM

June 10, 1977
RECORDATION NO. 8851 Filed & Recorded

JUN 10 1977-II 15 AM

INTERSTATE COMMERCE COMMISSION

7-161A022
Date JUN 10 1977
Fee \$ 80

Office of the Secretary
Interstate Commerce Commission
Washington, D. C.

ICC Washington, D. C.

RE: Chattel Mortgage dated as of May 1, 1977

Gentlemen:

Pursuant to Section 20c of the Interstate Commerce Act and the rules and regulations promulgated thereunder, as amended, we hand you herewith for filing five (5) fully executed counterparts of the above referenced Chattel Mortgage, and eight (8) fully executed counterparts each of three (3) separate Assignments of Lease, each dated as of May 1, 1977, all as more fully described herein.

The parties to the Chattel Mortgage are:

Mortgagor: United States Railway Leasing Company
2200 East Devon Avenue
Des Plaines, Illinois 60018

Mortgagee: Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

The parties to the three Assignments of Lease are:

Assignor: United States Railway Leasing Company
2200 East Devon Avenue
Des Plaines, Illinois 60018

Assignee: Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

A description, including lettering and car numbers of the equipment covered by the Chattel Mortgage and a

JUN 10 11 12 AM '77
FEE OPERATION BR.

Counterparts: CD Kasper

RECORDATION NO. 8851-B Filed & Recorded

JUN 10 1977-II 15 AM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 8851-C Filed & Recorded

JUN 10 1977-II 15 AM

INTERSTATE COMMERCE COMMISSION



Office of the Secretary
Interstate Commerce Commission
June 10, 1977
Page 2

description of the leases covered by the Assignments of Lease are contained in Schedule I attached to this letter.

Enclosed is Rosenthal and Schanfield Check No. 21268 in the amount of \$80.00 representing \$50.00 for the recordation fee for the Chattel Mortgage and \$10.00 each for the recordation fee for each of the three Assignments of Lease.

Since the above mentioned documents are being delivered to you by hand, we would appreciate it if you could return to the person delivering the same duly stamped copies of the documents not required to be kept by you. If this is not possible, please return the same by mail to:

I. Walter Deitch
ROSENTHAL AND SCHANFIELD
55 East Monroe Street
Chicago, Illinois 60603

Very truly yours,

UNITED STATES RAILWAY LEASING
COMPANY

BY: *Leard Schanfield/urd*
Assistant Secretary

LS:nev
Enclosures

SCHEDULE I

DESCRIPTION OF EQUIPMENT AND LEASES

<u>Cost of Equipment(1)</u>	<u>Type of Equipment</u>	<u>Lessee</u>	<u>Number of Cars</u>	<u>Car Reporting Marks (Both Inclusive)</u>	<u>Lease Term (Yrs.)</u>	<u>Date of Lease</u>
\$ 5,761,000	52'5", 70 Ton RBL Box Car	Evans Products Company	153	USLX 11563-11715	10	November 2, 1976(2)
5,565,000	52'5", 70 Ton RBL Box Car	Louisville, New Albany and Corydon Railroad	147	LNAC 5200-5346	10	February 4, 1977
751,000	52'5", 70 Ton Side Slider, LU Type Box Car	Delaware, Otseco Equipment Corporation	20	FJG 29000-29019	5	March 9, 1977
<u>\$12,077,000</u>			<u>320</u>			

(1) Excluding manufacturer's profit.

(2) As amended March 14, 1977

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

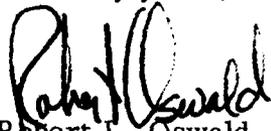
June 10, 1977

I. Walter Deitch
Rosenthal and Schanfield
55 East Monroe Street
Chicago, IL 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 6/10/77 at 11:15 AM , and assigned recordation number(s) 8851, 8851-A, 8851-B and 8851-C.

Sincerely yours,


Robert L. Oswald
Secretary

Enclosure(s)

8851

RECORDATION NO. Filed & Recorded

JUN 10 1977 - 11 15 AM

INTERSTATE COMMERCE COMMISSION

CHATTEL MORTGAGE
(Railroad Equipment Security Agreement)

THIS CHATTEL MORTGAGE dated as of May 1, 1977, from UNITED STATES RAILWAY LEASING COMPANY, an Illinois corporation, with its principal offices at 2200 East Devon Avenue, Des Plaines, Illinois (the "Mortgagor") to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, 231 South La Salle Street, Chicago, Illinois 60693 (the "Mortgagee").

WITNESSETH

WHEREAS, the Mortgagor is justly indebted to the Mortgagee in a principal amount not in excess of \$10,000,000 as evidenced by that certain 10½% Equipment Promissory Note, Issue AH of the Mortgagor (the "Note") payable to the order of the Mortgagee and expressed to bear interest at the rate of interest per annum specified therein and to mature May 15, 1987; and

WHEREAS, said Note and the principal and interest thereon and any and all amendments, waivers, extensions or renewals thereof in whole or in part and all other sums at any time due or owing from or required to be paid by the Mortgagor under the terms hereof or of the Note are hereinafter referred to as "indebtedness hereby secured";

Now, THEREFORE, the Mortgagor, to secure the payment of all the indebtedness hereby secured and the performance and observance of all the covenants and agreements in the Note or in this Mortgage ("Security Agreement") provided to be performed or observed by the Mortgagor, does hereby grant, bargain, sell, convey, confirm, transfer, mortgage and set over unto the Mortgagee, its successors and assigns, forever, and does hereby grant to the Mortgagee a security interest in, all and singular the following described properties, rights and interests, and all of the estate, right, title and interest of the Mortgagor therein,

whether now owned or hereafter acquired (all of which properties, rights and interests hereby transferred, conveyed and mortgaged or intended so to be is hereinafter collectively referred to as the "mortgaged property") that is to say:

I

The 320 railroad cars described in Schedule I hereto and any other rail cars substituted therefor in accordance with the terms hereof (the "Cars").

II

All accessories, equipment, parts and appurtenances appertaining or attached to any of the Cars hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals and replacements of and additions, improvements, accessions and accumulations to any and all of said Cars, including all additions thereto which are now or shall hereafter be incorporated therein, together with all the rents, issues, income, profits and avails thereof,

SUBJECT, HOWEVER, to all the rights, powers, titles and interests of the lessees described in Schedule I hereto or any party claiming by, through or under any of the lessees (such lessees and any such parties together called the "Lessees") in and with respect to said mortgaged property arising under any of the leases ("Leases") described in Schedule I hereto with Mortgagor as lessor.

TO HAVE AND TO HOLD said mortgaged property unto the Mortgagee, its successors and assigns, forever, for the uses and purposes herein set forth; provided, however, that if the Mortgagor performs the covenants herein and pays to the Mortgagee, its successors or assigns the full amount of both principal and interest on the indebtedness hereby secured then this instrument shall be and become void and of no further force and effect; otherwise this Security Agreement to remain in full force and effect.

SECTION 1. Covenants and Warranties:

1.1. The Mortgagor is the owner, has title to and is lawfully seized and possessed of the mortgaged property and has good right, full power and authority to convey, transfer and mortgage the same to the Mortgagee, and such property is free from any and all liens and encumbrances (excepting only any lien for ad valorem taxes not now due

and owing, and the rights, titles and interests of the Lessees under the Leases) and the Mortgagor will warrant and defend such title thereto against all claims and demands whatsoever.

1.2. The Mortgagor will promptly cause the Security Agreement and the Assignments of Lease referred to in Section 2.1 hereof and each supplement or amendment hereto or thereto to be duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Mortgagor will do, execute, acknowledge, deliver, file, register and record all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the better assuring, conveying, assigning and confirming unto the Mortgagee all of the mortgaged property or property intended so to be, whether now owned or hereafter acquired.

1.3. The Mortgagor will promptly pay the indebtedness hereby secured as and when the same or any part thereof becomes due (whether by lapse of time, acceleration, demand or otherwise) and will not prepay any part or all of said indebtedness except as herein permitted.

1.4. Subject to the rights of the Lessees, the Mortgagor will cause the mortgaged property and each and every part thereof to be maintained, preserved and kept in safe and good repair, working order and condition, and will from time to time make or cause to be made all necessary and proper repairs, renewals, and replacements so that the value and efficiency of such property shall not be impaired.

1.5. The Mortgagor will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges lawfully imposed upon or against the mortgaged property or any part thereof, and will not suffer to exist any mechanics', laborers', statutory or other lien on the mortgaged property or any part thereof; provided, however, that nothing herein contained shall be deemed to require the Mortgagor to pay any tax, assessment, charge or lien, or any claim or demand of mechanics, laborers or others, prior to the due date thereof, or to require the Mortgagor to pay or discharge any tax, assessment, lien, claim or charge (whether or not due or delinquent) the validity or amount of which is being contested in good faith by appropriate proceedings and which has been adequately reserved against; provided, however, that the Mortgagor will pay or discharge such tax, assessments, lien, claim or charge if seizure of the mortgaged property is imminent.

1.6 The Mortgagor will at its own expense duly comply with and perform all the covenants and obligations of the Mortgagor under the Leases and will at its own expense seek to cause the Lessees to comply with and observe all the terms and conditions of the Leases and, without limiting the foregoing, at the request of the Mortgagee, the Mortgagor will at its own expense take such action with respect to the enforcement of the Leases, and the duties and obligations of the Lessees thereunder, as the Mortgagee may from time to time direct. Notwithstanding the foregoing, so long as Mortgagor is not in default hereunder, Mortgagor shall have the right, without Mortgagee's prior consent, to amend, modify and terminate any of the Leases and to settle, adjust, compound and compromise any claims of the Mortgagor against any of the Lessees thereunder provided, however, that any such agreement shall be made by the Mortgagor in good faith with consideration to the Mortgagee's position in an arm's length transaction with the Lessee involved. Mortgagor at its sole cost and expense will appear and defend every action or proceeding arising under, growing out of or in any manner connected with the obligations, duties or liabilities of Mortgagor as lessor under the Leases.

1.7. The Mortgagor shall not, without the prior written consent of Mortgagee, consent to the creation or existence of any mortgage, security interest or other lien on the Leases, the rentals due thereunder or any of the mortgaged property.

1.8. So long as any indebtedness under the Note remains unpaid, the Mortgagor will deliver or cause to be delivered to Mortgagee, as soon as available, and in any event within 90 days after the end of each fiscal year, copies, in comparative form with the preceding fiscal year, of the consolidated balance sheet of Evans Transportation Company ("ETC"), Mortgagor and United States Railway Equipment Co. ("Equipment Co.") as at the end of such fiscal year, and of the consolidated statements of income and surplus of all of such companies for such fiscal year. Such consolidated balance sheets and consolidated statements of income and surplus shall be prepared in reasonable detail, in accordance with generally accepted accounting principles, and shall be accompanied by a report and opinion of independent certified public accountants of nationally recognized standing selected by ETC, which report and opinion shall be based upon an examination made in accordance with generally accepted auditing standards. Together with

each delivery of the financial statements hereinabove required, Mortgagor will deliver to Mortgagee an officer's certificate stating that to such officer's knowledge there exists no default under this Security Agreement or the Note, or if such default exists, stating the nature thereof, the period of existence thereof and what action, if any, the Mortgagor proposes to take with respect thereto. Within 3 business days after the Mortgagor has learned of an occurrence of an event of default or an event which might mature into an event of default, the Mortgagor will give written notice signed by its President, any Vice President, the Treasurer or any Assistant Treasurer to the Mortgagee containing a description of such event, and, if it be continuing, a statement of what action, if any, has been taken to remedy such event, and within 10 business days after the Mortgagor has learned of litigation against the Guarantor, the Mortgagor or any of their subsidiaries which, if decided against the Guarantor, the Mortgagor or such subsidiary, would have a material adverse effect on the consolidated business operations of either Guarantor or the Mortgagor, the Mortgagor will deliver to Mortgagee a detailed statement by a responsible officer of the Mortgagor of the steps being taken by such Guarantor, the Mortgagor or the appropriate subsidiary in connection with such litigation.

1.9. If the Mortgagor shall fail to observe and perform any of the covenants set forth in this Section 1, the Mortgagee may, but shall not be obligated to, advance sums to, and may, perform the same, and all advances made by the Mortgagee shall, with interest thereon at a rate of interest per annum equal to 1% in excess of the rate of interest then charged under the Note, constitute part of the indebtedness hereby secured and shall be payable forthwith; but no such act or expenditure by the Mortgagee shall relieve the Mortgagor from the consequence of any default.

1.10. It shall be lawful for the Mortgagor to retain possession of the mortgaged property, and at its own expense to keep and use the same, until an event of default as hereinafter defined shall occur hereunder.

1.11. Mortgagor shall from time to time do all such acts and execute all such instruments of further assurance as it shall be reasonably requested by Mortgagee to do or execute for the purpose of fully carrying out and effectuating this Security Agreement and the intent hereof.

1.12. The Mortgagor will permit Mortgagee to examine its books and records with respect to the Mortgaged Property during regular business hours upon reasonable notice to the Mortgagor.

SECTION 2. Application of Proceeds of Lease and Certain Prepayments:

2.1. The Mortgagor has heretofore executed and delivered and may from time to time hereafter execute and deliver to Mortgagee Assignments of Lease in the form and text attached hereto as Schedule II, dated as of May 1, 1977 ("Assignments"), with respect to the Leases, under which the Mortgagor assigns and transfers unto Mortgagee, its successors and assigns, as further security for the indebtedness hereby secured, the Leases and all rentals and other sums due and to become due thereunder, provided that unless and until an event of default under Section 3 hereof has occurred and is continuing, all rentals and other sums from time to time payable on account of the Leases shall be payable to Mortgagor. If an event of default under Section 3 hereof has occurred and is continuing, all rentals and other sums from time to time payable on the Leases shall be payable to Mortgagee pursuant to the Assignments and shall be applied in the manner set forth in Section 3.3 hereof. In the event any Car shall be relet pursuant to a lease which is not a Lease subject to a then existing Assignment, Mortgagor will promptly execute and deliver to Mortgagee an additional Assignment with respect to such additional lease.

2.2. Without regard to whether an event of default under Section 3 hereof has occurred and is continuing, but subject to the second to last sentence of Section 2.1 hereof, Mortgagor agrees that it will either pay over to Mortgagee all monies ("settlement monies") paid to it pursuant to any Lease as settlement for the loss, theft, destruction or damage beyond economical repair of any Car or Cars leased thereunder or make a substitution therefor, all as follows: commencing with the first settlement relating to any Car covered by any Lease, Mortgagor will retain and accumulate the settlement monies received from a settlement or succeeding settlements under such Lease until such time as the Mortgagor has accumulated an amount in excess of \$100,000 at which time either all such settlement monies then held by the Mortgagor will be applied against the indebtedness due under the Note as hereinafter provided or Mortgagor shall subject to the lien of the Security

Agreement Substitute Cars (as hereinafter defined) of a Value (as hereinafter defined) not less than the settlement monies. The foregoing procedure for accumulating and paying over settlement monies in excess of \$100,000 or substituting Cars may be repeated from time to time as Cars are lost, stolen, destroyed or damaged beyond economical repair. Mortgagee shall apply each payment of settlement monies on the next succeeding date on which interest is payable to the prepayment of principal of the Note. Such prepayment of principal shall be applied in inverse order of principal installments coming due on the Note. From and after the date hereof the Mortgagor shall promptly transmit to Mortgagee any notice or information it receives concerning loss, theft, destruction or damage beyond economical repair to Cars covered by the Leases requiring settlement payment under the Leases. With respect to all Cars for which Mortgagee has received all settlement monies paid to the Mortgagor as required by the Leases, Mortgagee shall execute and deliver to Mortgagor, if requested, a release of the lien of this Security Agreement with respect to such Car or Cars.

2.3. At any time and from time to time so long as Mortgagor is not in default hereunder, Mortgagor shall have the right to obtain a release from the lien of the Security Agreement and from the applicable Assignment those of the Cars Mortgagor shall designate in writing to Mortgagee (the "Released Cars"), provided that Mortgagor shall prior to or contemporaneously with such release deliver to Mortgagee the following documents:

(a) An executed, recorded amendment to this Security Agreement pursuant to which the Mortgagor grants a security interest in standard gauge railroad equipment (other than passenger cars or work equipment) (the "Substitute Cars") which (i) were first put into service not earlier than January 1, 1970, (ii) are under a lease assigned pursuant to an Assignment, (iii) in the aggregate had a manufacturer's cost of not less than the aggregate cost of the Released Cars, and (iv) have a Value in the aggregate not less than the Value in the aggregate of the Released Cars;

(b) A photocopy of the lease or leases under which the Substitute Cars are leased;

(c) An Assignment of the Lease covering the Substitute Cars, except with respect to any such Lease which has theretofore been

assigned hereunder, a Notice of Assignment with respect to such Assignment and a Certificate of Mailing with respect to such Notice of Assignment; and

(d) An opinion of counsel of Mortgagor covering the title to the Substitute Cars and the lien of the Security Agreement with respect thereto and the Assignment of the Lease covering the Substitute Cars, in substantially the form and substance set forth in Exhibit D to the Loan Agreement dated as of May 1, 1977 (the "Loan Agreement") among Mortgagor, Mortgagee and the guarantors of the Note.

As used in Section 2.2 and this Section 2.3, the term "Value" shall mean the fair market value of the Substitute Cars or the Released Cars, as the case may be, as certified by the president or any vice president of Mortgagor.

2.4. The Mortgagor may at any time and from time to time prepay the Note in whole or in part; provided, however, that any partial prepayment of the Note shall be in the inverse order of the installments coming due thereunder and shall be in an aggregate amount of \$100,000 or a multiple thereof. Any prepayment in full of the Note shall include accrued interest thereon. Accrued interest to the date of prepayment of any partial prepayment of the Note shall be payable on the next succeeding interest payment date. Any such prepayment shall be subject to a premium on the full amount of such prepayment (computed on the basis of a year consisting of 360 days) at six per cent (6%) per annum prior to January 1, 1980, four per cent (4%) per annum prior to January 1, 1983, and two per cent (2%) per annum thereafter for the period from the date of any such prepayment to the expressed maturity of the installment so prepaid.

SECTION 3. *Defaults and Other Provisions:*

3.1. The term "event of default" for the purpose hereof shall mean any one or more of the following:

(a) Default in the payment of interest on the Note, and the continuance of such default for five days after such payment is due;

(b) Default in the payment of any installment of principal of the Note at maturity, whether by acceleration or otherwise, and the continuance of such default for five days after such payment is due;

(c) Default in the due observance or performance of any other covenant, condition or agreement required to be observed or performed by the Mortgagor in the Note, this Security Agreement or any Assignment or by any guarantor ("Guarantor") under any guaranty of the Note and continuance of such default for a period of 30 days after notice thereof has been given to Mortgagor or such Guarantor, as the case may be;

(d) Any representation or warranty made by the Mortgagor or any Guarantor to the Mortgagee in writing in the Loan Agreement, this Security Agreement or any Assignment or in any statement or certificate furnished by the Mortgagor or Guarantor to the Mortgagee or in connection with the making or securing of any loan evidenced by the Note proves untrue in any material respect as of the date of the issuance or making thereof;

(e) The Mortgagor or a Guarantor becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature or makes an assignment for the benefit of creditors or applies or consents to the appointment of a trustee or receiver for the Mortgagor or a Guarantor or for the major part of the property of any of such parties;

(f) A trustee or receiver is appointed for the Mortgagor or a Guarantor or for the major part of the property of any of such parties;

(g) The Guaranty shall fail to remain in full force and effect with regard to either Guarantor or the Mortgagor or either Guarantor or any agent or trustee on behalf of such Guarantor shall contest or question the legal validity or enforceability of the Guaranty as to either Guarantor; and

(h) Bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Mortgagor or a Guarantor.

3.2. When any such event of default has happened and is continuing, the Mortgagee may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Mortgagee may, upon the occurrence of a default under Paragraph 3.1(a), (b), (c) and (d), by notice in writing to the Mortgagor, declare the entire unpaid balance of said Note to be immediately due and payable, and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable; provided, however, that upon the occurrence of a default under Paragraph 3.1 (e), (f) or (h), the entire unpaid balance of the Note, together with all accrued interest thereon, shall be and become immediately due and payable without notice by Mortgagee;

(b) Subject always to then existing rights, if any, of the Lessees under the Leases, the Mortgagee, personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the mortgaged property, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Mortgagor, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep, assemble and store the same, or use and operate the same until sold; it being understood, without limiting the foregoing, that the Mortgagee may, and is hereby given the right and authority to, keep and store said mortgaged property, or any part thereof at the expense of the Mortgagor, on the premises of the Mortgagor, and that the Mortgagee shall not thereby be deemed to have surrendered, or to have failed to take, possession of such mortgaged property;

(c) Subject always to then existing rights, if any, of the Lessees under the Leases, the Mortgagee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking pos-

session, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Mortgagor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said mortgaged property, or any part thereof, at public auction or private sale to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Mortgagee may determine, and at any place (whether or not it be the location of the mortgaged property or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice; and the Mortgagee or the holder or holders of the Note, or of any interest therein, may bid and become the purchaser at any such sale; and if disposed of as provided above, it shall be deemed to be in a commercially reasonable manner;

(d) The Mortgagee may proceed to protect and enforce this Security Agreement and the Note by suit or suits or proceedings in equity, at law or in pending bankruptcy or reorganization proceedings, and whether for the specific performance or any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or for the recovery of judgment for the indebtedness hereby secured, or for the enforcement of any other proper legal or equitable remedy available under applicable law;

(e) The Mortgagee may proceed to exercise in respect of the Leases and the property covered thereby and the duties, obligations and liabilities of the Lessees thereunder all rights, privileges and remedies in said Leases or by applicable law permitted or provided to be exercised by the Mortgagor, and may exercise all such rights and remedies either in the name of the Mortgagee or in the name of the Mortgagor for the use and benefit of the Mortgagee. Without limiting any of the other terms of this Security Agreement or of the Assignments, it is acknowledged that the Assignments shall be deemed to give and assign to and vest in the Mortgagee all the rights and powers in this paragraph (e) provided for;

(f) The Mortgagee may sell the rentals reserved under the Leases, and all right, title and interest of the Mortgagee as assignee thereof, at public auction to the highest bidder and either for cash or on credit, the Mortgagee to give the Mortgagor ten days' prior written notice of the time and place of holding any such sale, and provided always that the Mortgagee shall also comply with any applicable mandatory legal requirements in connection with such sale.

3.3 If the Mortgagee shall be receiving or shall have received monies pursuant to the Asssignment, it may from time to time, but no less frequently than on the next succeeding date on which interest or any installment payment of principal is payable, apply such monies against the sums payable on the Note as principal and/or as interest, as the case may be, on such date, or if proceedings have been commenced for the sale of the mortgaged property then all sums so received and the purchase money proceeds and avails of any sale of the mortgaged property or any part thereof, and the proceeds and avails of any other remedy hereunder, or other realization of the security hereby given, and the proceeds of any sale pursuant to subparagraph Section 3.2(f) hereof, shall be applied:

(a) First, to the payment of the cost and expenses of the sale, proceeding or other realization, including all costs and expenses and charges for pursuing, searching for, removing, keeping, storing, advertising and selling such mortgaged property or, as the case may be, said rentals and the reasonable fees and expenses of the attorneys and agents of the Mortgagee in connection therewith, and to the payment of all taxes, assessments or similar liens on the mortgaged property which may at that time be superior to the lien of this Security Agreement (unless such sale or other realization is subject to any such superior lien);

(b) Second, to the payment of all advances made hereunder by the Mortgagee pursuant to Section 1.9 hereof, together with all interest therefor;

(c) Third, to the payment of the whole amount remaining unpaid on the Note, both for principal and interest, and to the payment of any other indebtedness of the Mortgagor hereunder or secured hereby, so far as such proceeds may reach;

(d) Fourth, to the payment of the surplus, if any, to the Mortgagor or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

The Mortgagee shall not be liable for interest on any sums held by it pursuant to this Paragraph 3.3. If there be a deficiency the Mortgagor shall remain liable therefor and shall forthwith pay the amount of any such deficiency to the Mortgagee, together, to the extent permitted by applicable law, with interest thereon at the default rate specified in the Note.

3.4 Any sale or sales pursuant to the provisions hereof, whether under the power of sale granted hereby or pursuant to any legal proceedings, shall operate to divest the Mortgagor of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in and to the mortgaged property so sold, and shall be free and clear of any and all rights of redemption by, through or under the Mortgagor, the Mortgagor hereby covenanting and agreeing that it will not at any time insist upon or plead, or take the benefit or advantage of or from, any law now or hereafter in force providing for a valuation of appraisement of the mortgaged property prior to any sale or sales thereof or providing for any right to redeem the mortgaged property or any part thereof. The receipt by the Mortgagee, or by any person authorized under any judicial proceeding to make any such sale, shall be a sufficient discharge to any purchaser of the mortgaged property, or of any part thereof, sold as aforesaid; and no such purchaser shall be bound to see to the application of such purchase money, or be bound to inquire as to the authorization, necessity or propriety of any such sale. In the event at any such sale the holder or holders of the Note is or are the successful purchaser or purchasers, such holder or holders of said Note shall be entitled, for the purpose of making settlement or payment, to use and apply said Note by crediting thereon the amount apportionable and applicable thereto out of the net proceeds of such sale.

SECTION 4. *Miscellaneous.*

4.1. Any notice provided for hereby or by any applicable law to be given hereunder or under the Assignments by either party hereto to the other shall be in writing and shall be deemed to have been given when delivered personally or when deposited in the United States mail,

registered, postage prepaid, addressed to such party at its address set forth at the beginning of this Security Agreement or to such other address as shall be designated by such party from time to time hereafter.

4.2. The failure or delay of the Mortgagee to insist in any one or more instances upon the performance of any of the terms, covenants or conditions of this Security Agreement, or to exercise any right, remedy or privilege herein conferred, shall not impair, or be construed as thereafter waiving, any such covenants, remedies, conditions or provisions; but every such term, condition and covenant shall continue and remain in full force and effect. Nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder; nor shall the Mortgagee be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

4.3. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

4.4. All the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns and inure to the benefit of the Mortgagee and its successors and assigns, whether so expressed or not.

4.5. Mortgagor agrees to pay all costs and expenses in connection with this transaction and the preparation, execution, delivery and recording of any documents in connection therewith, including the fees of special counsel to Mortgagee.

4.6. No modification or waiver of any provisions of this Security Agreement or any guaranty of the Note, nor consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or

demand on the Mortgagor in any case shall entitle it to any other or further notice or demand on account of the continuance of the same circumstances.

4.7. All notices, requests and demands required or permitted to be given pursuant to this Security Agreement shall be given to or made upon the respective parties hereto as follows:

Mortgagor: 2200 East Devon Avenue
Des Plaines, Illinois 60018
Attention: Paul R. Leak,
Assistant Treasurer,

Mortgagee: 231 South LaSalle Street
Chicago, Illinois 60693
Attention: George E. McDaniel, Jr.

or, as to each party, at such other address as shall be designated by such party in a written or telegraphic notice to each other party.

4.8. All notices, requests and demands given or made in accordance with the provisions of this Security Agreement shall be deemed to have been given or made when deposited in the mails, postage prepaid, or in the case of telegraphic notice, when delivered to the telegraph company, addressed as specified in subsection 4.7. hereof.

4.9. *Payment of Taxes, etc.* The Mortgagor agrees to pay, and save the Mortgagee harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of this Security Agreement or the issuance of the Note, which obligation of the Mortgagor shall survive the termination of this Agreement.

4.10. This Security Agreement shall be construed in accordance with and shall be governed by the laws of the State of Illinois.

4.11. This Security Agreement shall be binding upon the Mortgagor and the Mortgagee and their respective successors and assigns, and shall inure to the benefit of the Mortgagor, Mortgagee and the successors and assigns of the Mortgagee.

IN WITNESS WHEREOF, the Mortgagor has caused its corporate name to be hereunto subscribed and its corporate seal to be hereunto affixed by its officers thereunto duly authorized all as of the day, month and year first above written.

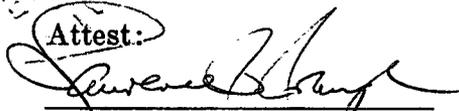
UNITED STATES RAILWAY
LEASING COMPANY

By


Vice President

(CORPORATE SEAL)

Attest:


Assistant Secretary

ACCEPTED:

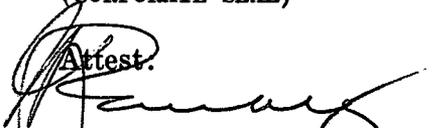
CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

By


Vice President

(CORPORATE SEAL)

Attest:


Operations Officer

STATE OF ILLINOIS }
COUNTY OF COOK } ss

On this ^{9th} day of ~~May~~^{June}, 1977, before me personally appeared ~~E. L.~~ Solomonson and Laurence P. Prange, to me personally known, who being by me duly sworn, say that they are, respectively, a Vice President and Assistant Secretary of UNITED STATES RAILWAY LEASING COMPANY, an Illinois corporation, that the seal 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 they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Neva Klein
Notary Public

(NOTARIAL SEAL)

My Commission expires: My Commission Expires Sept. 22, 1978

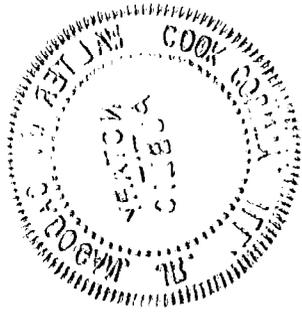
STATE OF ILLINOIS }
COUNTY OF COOK } ss

On the ^{9th} day of ~~May~~^{June}, 1977, before me personally appeared Charles E. Smith and W. J. Buckley, to me personally known, who being by me duly sworn, say that they are, respectively, a Vice President and Operations Officer of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that the seal affixed to the foregoing instrument is the corporate seal of said association, that said instrument was signed and sealed on behalf of said association by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Walter W. Badger
Notary Public

(NOTARIAL SEAL)

My Commission expires:
MY COMMISSION EXPIRES FEBRUARY 2, 1980



SCHEDULE I

DESCRIPTION OF EQUIPMENT AND LEASES

<u>Cost of Equipment(1)</u>	<u>Type of Equipment</u>	<u>Lessee</u>	<u>Number of Cars</u>	<u>Car Reporting Marks (Both Inclusive)</u>	<u>Lease Term (Yrs.)</u>	<u>Date of Lease</u>
\$ 5,761,000	52'5", 70 Ton RBL Box Car	Evans Products Company	153	USLX 11563-11715	10	November 2, 1976(2)
5,565,000	52'5", 70 Ton RBL Box Car	Louisville, New Albany and Corydon Railroad	147	LNAC 5200-5346	10	February 4, 1977
751,000	52'5", 70 Ton Side Slider, LU Type Box Car	Delaware, Otseco Equipment Corporation	20	FJG 29000-29019	5	March 9, 1977
			<u>320</u>			
<u>\$12,077,000</u>						

(1) Excluding manufacturer's profit.

(2) As amended March 14, 1977

SCHEDULE II
ASSIGNMENT OF LEASE

WHEREAS, UNITED STATES RAILWAY LEASING COMPANY, a corporation of the State of Illinois (hereinafter referred to as "United"), and

(said lessee together with any party claiming by, through or under said lessee being hereinafter referred to as "Lessee"), have entered into a lease dated _____ (said lease as may be amended or extended from time to time being hereinafter called the "Lease"), providing for the lease by United to the Lessee of certain railroad cars therein described (hereinafter referred to as the "Cars"); and

WHEREAS, the Lease was recorded pursuant to the provisions of Section 20c of the Interstate Commerce Act, as amended, and assigned recordation number _____ ; and

WHEREAS, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO (hereinafter referred to as "Lender") is the mortgagee under a certain Chattel Mortgage ("Security Agreement") dated as of May 1, 1977 as the same may be amended, extended or renewed securing the loan of certain monies to United evidenced by United's note and United has agreed to assign all of its right, title and interest in and to the Lease to Lender as additional security for the note all as set forth in the Security Agreement.

Now, THEREFORE, for the value received as provided in the Security Agreement and upon the terms and conditions hereinafter set forth:

1. United does hereby sell, assign, transfer and set over to Lender all of its right, title and interest in and to the Lease, including the rentals and all other amounts payable by the Lessee or any other person, firm or corporation with respect to the Cars or under the Lease, except that any amount so payable shall continue to be payable to United until and unless Lender or its successors or United shall notify the Lessee or any successor to its interest that an event of default has occurred under the terms and provisions of the Security Agreement and that payments are thereafter to be made to Lender, or its successors, United agreeing that Lender shall have, upon the occurrence of an event of default as aforesaid, the right and power to give any and all notices to the Lessee in the name of United; and in furtherance of this Assignment and transfer, United does hereby authorize and empower

Lender in the event of notice of a default as aforesaid, in its own name to sue for, collect, receive and enforce all payments to be made to United by the Lessee under and in compliance on the part of the Lessee with the terms and provisions of the Lease, to exercise all of the rights of United under any of the provisions of the Lease, and in its discretion to take any action under the Lease or with respect to the Cars as United could have taken thereunder if it had not assigned and transferred its rights therein, provided that nothing herein shall obligate Lender to take any action under the Lease or in respect of the Cars.

2. United warrants and covenants (a) that on the date hereof title to the Cars and the Lease (subject to this Assignment and the rights of the Lessee under the Lease) is vested in United, that it has good and lawful right to sell and assign the same as provided in the Security Agreement and herein and that its right and title therein is free from all liens and encumbrances, subject, however, in each case to the rights of the Lessee under the Lease and to the rights of the assignee hereunder; and (b) that notwithstanding this Assignment, it will perform and comply with each and all of the covenants and conditions in the Lease set forth to be complied with by United and will defend and pay all costs, expenses and judgments incurred or suffered by it or Lender in any actions brought against United under the Lease by Lessee or in any actions brought by Lender pursuant to this Assignment. United will cause notice of this Assignment forthwith to be given to the Lessee (together with a copy of this Assignment).

3. United represents and warrants that the Lease has been duly authorized and executed by it and covenants that it will, from time to time, at the request of Lender, make, execute and deliver all such further instruments of assignment, transfer and assurance and do such further acts and things as Lender may reasonably request to give effect to the provisions hereof and to confirm the right, title and interest hereby assigned and transferred to Lender or intended so to be.

4. So long as United is not in default under the Security Agreement, United shall have the right without the prior consent of Lender to terminate, modify or accept a surrender of and settle, adjust, compound and compromise any claim against any Lessee under any Lease or offer or agree to any termination, modification or surrender of and settle, adjust, compound and compromise any

claim against any Lessee under any Lease, provided that any such agreement shall be made in good faith with consideration to Mortgagee's position by United in an arm's length transaction with the Lessee.

5. Upon full discharge and satisfaction of all indebtedness secured by the Security Agreement, the assignment made hereby shall terminate and all estate, right, title and interest of Lender in and to the Lease shall cease and revert to United. Lender agrees that upon satisfaction of the indebtedness as aforesaid it will execute and deliver to United a release or reassignment of its interest hereunder as United may request.

6. The assignment made hereby is intended only as security and therefore the execution and delivery hereof shall not subject Lender to, or transfer, pass or in any way affect or modify, the undertakings or liability of United under the Lease, it being understood and agreed that notwithstanding this or any subsequent assignment, all obligations and liability of United to Lessee shall be and remain enforceable by Lessee, its successors and assigns, against and only against United.

7. This Assignment shall be construed in accordance with and shall be governed by the laws of the State of Illinois.

IN WITNESS WHEREOF, United has caused this instrument to be executed by its proper officers thereunto duly authorized and its corporate seal to be hereunto affixed, as of the 1st day of May, 1977.

UNITED STATES RAILWAY
LEASING COMPANY

ATTEST:

Assistant Secretary

By _____
Vice President

ACCEPTED:
CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

ATTEST:

Operations Officer

By _____
Vice President

