

SECURITY AGREEMENT

MAY 11 1972 - 12:42 PM

INTERSTATE COMMERCE COMMISSION

KNOW ALL MEN BY THESE PRESENTS, that CHICAGO AND NORTH WESTERN RAILWAY COMPANY, a corporation of the State of Wisconsin with a principal office at 400 W. Madison Street, Chicago, Illinois 60606 (hereinafter called "Railway") having borrowed from and being justly indebted to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a banking corporation organized under the laws of the United States of America, with an office at 231 S. LaSalle Street, Chicago, Illinois 60604 (hereinafter called "Bank"), in the principal sum of Four Hundred Sixty-Nine Thousand Four Hundred Eight-One Dollars and Four Cents (\$469,481.04) for money loaned Railway for the purchase and/or rebuilding of certain equipment hereinafter described (hereinafter called "Equipment"), HEREBY COVENANTS AND AGREES to repay said principal sum to Bank, its successors and assigns, in twenty-eight (28) equal quarterly installments commencing on June 30, 1972, with interest on the unpaid balance thereof accruing at the rate for each quarter or fraction thereof of three-fourths of one percent ( $\frac{3}{4}$  of 1%) per annum over the prime rate in effect at the Bank on the first day of that quarter. Interest shall be determined on the basis of a 365 day year, shall accrue from the date of borrowing and shall be payable, to the extent accrued, on each March 31, June 30, September 30 and December 31 (such end-of-quarter dates being hereinafter called the "Payment Dates") thereafter for the term of the loan. Quarterly principal payments of Sixteen Thousand Seven Hundred Sixty-Seven Dollars and Eighteen Cents (\$16,767.18) shall commence on June 30, 1972 and shall be payable thereafter on the Payment Dates along with the interest due. The first interest payment is due under this Security Agreement on June 30, 1972 (the first Payment Date following the borrowing).

~~RAILWAY~~ RAILWAY shall have the privilege of prepaying the principal amount of its indebtedness hereunder or any installment of principal thereof at any time and from time to time prior to the date it becomes due, each prepayment to be applied to principal on the last maturing installment or installments, and thereupon the interest shall cease upon such part of the principal indebtedness as may be so prepaid. Railway will pay to Bank, simultaneously with any prepayment pursuant to this paragraph or Section 4 hereof, all unpaid interest, if any, upon the principal amount then to be prepaid, but only to the extent accrued to the date of prepayment, and will promptly furnish to Bank a revised schedule of payments of principal thereafter to be made on each of the remaining Payment Dates, which payments shall commence on the Payment Date next succeeding the prepayment date and shall be substantially equal and calculated to amortize (over said remaining Payment Dates

and on the basis set forth above) the indebtedness outstanding after deduction for such prepayment.

For the purpose of securing the payment of the aforesaid indebtedness, and also the additional indebtedness referred to in Section 15 hereof (but only as and to the extent provided in said Section 15), Railway does hereby grant unto Bank a security interest in all of the Equipment identified and described in the list attached hereto, marked Schedule A and by this reference made a part hereof, all of said Equipment being in the possession of Railway and free from any encumbrances or liens equal or superior to Bank's security interest.

TO HAVE AND TO HOLD all the above mentioned Equipment to Bank, its successors and assigns forever.

PROVIDED, always, and these presents are upon the express condition that if Railway shall pay, or cause to be paid unto Bank, its successors and assigns the full principal indebtedness with interest all according to the terms of the foregoing covenant and agreement by Railway and the privilege of prepaying, then these presents shall be void and of no effect.

AND IT IS HEREBY COVENANTED AND DECLARED by Railway to and with Bank that:

1. Railway will pay promptly all taxes and assessments which may be imposed upon the Equipment or for the use thereof, or upon the earnings arising therefrom or the operation thereof, or upon Bank by reason of its security interest therein by any jurisdiction in which the Equipment is operated by Railway, and will keep at all times all and every part of the Equipment free and clear of all taxes and assessments which might in any way affect the Bank's security interest; provided, however, that the Railway shall be under no obligations to pay any taxes, assessments, licenses, charges, fines or penalties of any kind so long as it is contesting in good faith and by appropriate legal proceedings such taxes, assessments, licenses, charges, fines or penalties and the non-payment thereof does not, in the opinion of Bank, adversely affect the property or rights of the Bank hereunder. If any such expenses, taxes, assessments, licenses, charges, fines or penalties shall have been charged or levied against the Bank directly and paid by the Bank, the Railway shall reimburse the Bank on presentation of an invoice therefor; provided, however, that the Railway shall not be obligated to reimburse the Bank for any expenses, taxes, assessments, licenses, charges, fines or penalties so paid unless the Bank shall have been legally liable in respect thereof, or unless the Railway shall have approved the payment thereof.

2. Railway will cause to be plainly, distinctly and conspicuously stenciled on each side of each unit of the Equipment (including Section 4 replacement units) the following words in letters not less than one-half inch in height.

"CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST  
COMPANY OF CHICAGO, MORTGAGEE" or

"CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST  
COMPANY OF CHICAGO, SECURED PARTY"

Such stenciling shall be such as to be readily visible and as to indicate plainly the Bank's interest in said Equipment. Railway will not change said wording or Equipment numbers except in accordance with a statement of a new number, which shall previously have been filed with Bank by Railway and consented to by Bank and filed for recordation as may be required by law to perfect the security interest of Bank. Except as above provided, Railway will not allow the name of any person, association or corporation to be placed on the Equipment or any unit thereof, as a designation that might be interpreted as a claim of ownership, provided, however, that Railway may cause the Equipment or units thereof to be lettered with appropriate words or marks for convenience of identification of Railway's interest therein.

3. Railway will at all times maintain the Equipment in good order and repair at its own expense. Railway, so long as it shall not be in default under this security agreement shall be entitled to possession and use of the Equipment as herein provided, subject to the terms and conditions herein contained.

4. In the event that any unit of the Equipment shall be worn out, lost, destroyed, irreparably damaged or otherwise rendered unsuitable or unfit for use from any cause whatsoever (hereinafter called a "Casualty Occurrence") prior to full payment of the principal and interest thereon (and all other payments required hereby) Railway, within a reasonable period of time after such event, shall notify Bank in regard to such Casualty Occurrence. Railway shall, within 30 days after such notice, pay to Bank a sum equal to the then unpaid indebtedness on the unit or units suffering a Casualty Occurrence. Any money paid to or received by Bank pursuant to this Section 4 shall be applied, at the option of Railway, evidenced by written notice to Bank, either (i) to prepay installments as provided in this security agreement without premium, or (ii) toward the purchase of other railroad equipment, other than passenger equipment or automobile transport racks (unless otherwise approved in writing by Bank) for substitution for units suffering a Casualty Occurrence. Equipment substitutions shall be of substantially as good construction, material and character as, and shall have an aggregate value not less than the aggregate fair value in good repair as of the date of substitution of the unit or units suffering a Casualty Occurrence. A security interest in all such other railroad equipment shall be granted to Bank, free from any liens and encumbrances equal or superior to Bank's security interest, and shall be subject to all the terms and conditions of this security agreement in all respects as though part of the original Equipment herein described.

For the purposes of this section 4, the fair value of any unit of Equipment in good repair as of the date of substitution shall be deemed to be the original final cost thereof less an amount representing depreciation to the date of substitution as determined by the method in use at the time in standard railroad practice and shall be evidenced by a certificate signed by an officer of the Railway and delivered to Bank.

The Bank, upon request by Railway, shall invest any monies received by it under the provisions of this Section 4 until it is required to apply the same toward the prepayment of installments or toward the purchase of replacement Equipment, in bonds, notes or other direct obligations of the United States of America or obligations for which the faith of the United States is pledged to provide for the payment of interest and principal as may be designated by Railway, or in open market commercial paper rated prime by a national credit agency, or in certificates of time deposit of commercial banks of the United States having an aggregate capital and surplus of \$50,000,000 or more. Any interest or gain produced by such investments shall accrue to and be paid to Railway. In the event that the market value of such investments

shall decline, Bank may require Railway to deposit additional monies equivalent to the difference between the cost and market value of the investments.

5. During the term of this security agreement Railway will comply in all respects with all applicable laws.

6. The Bank shall have the right, by its agents to inspect the Equipment and Railway's records with respect thereto.

7. Railway will satisfy and discharge any and all sums claimed by any party by, through or under Railway or its successors or assigns which, if unpaid, might become a lien or a charge upon the Equipment, or any unit thereof, equal or superior to the security interest of the Bank thereto.

8. All or any of the rights and interest of Bank under this security agreement and the indebtedness secured thereby, may be assigned by Bank and reassigned by an assignee at any time and from time to time. Under any such assignment, the assignor shall give written notice thereof to Railway, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all of Bank's right and interest in and to said security agreement, indebtedness and Equipment, subject only to such provisions as may be contained in such assignment. From and after the receipt by Railway of a notification of such an assignment, all payments thereafter to be made by Railway shall, to the extent and as directed in said notice, be made to the assignee.

9. Railway will not sell, assign, transfer or otherwise dispose of its rights under this security agreement or transfer the right to possession of any unit of the Equipment (except in the ordinary course of interchange with railroad companies) without first obtaining the written consent of Bank. An assignment or transfer to a railroad company or other purchaser which shall acquire or lease all or substantially all the lines of railroad of Railway and which, by execution of an appropriate instrument satisfactory to Bank, shall assume and agree to perform each and all of the obligations and covenants of Railway hereunder, or an assignment by Railway to one of its wholly owned subsidiary companies, shall not be deemed a breach of this covenant.

10. In the event that any one or more of the following events of default shall occur and be continuing, to-wit:

(a) Railway shall fail to pay in full when due any part of the principal sum and interest thereon payable by the Railway as hereinabove provided, and such failure shall continue for more than fifteen (15) business days after written notice from Bank; or

(b) Railway shall, for more than thirty (30) days after Bank shall have demanded in writing performance thereof, fail or refuse to comply with any covenant, agreement, term, condition or provision of this security agreement or to make provision satisfactory to Bank for such compliance; or

(c) Railway shall make or suffer any unauthorized assignment or transfer of any interest in or any unauthorized transfer of the right to possession of any Equipment; or

(d) A proceeding in reorganization, bankruptcy or insolvency be instituted by or against Railway or its property and the debtor in reorganization or any trustee or receiver appointed therein fails to adopt and become bound by the terms of this security agreement within sixty (60) days after such appointment or designation;

then at any time after the occurrence of such an event or default, Bank may, upon written notice to Railway and upon compliance with any legal requirements then in force and applicable to such action by Bank, declare the entire indebtedness in respect of the Equipment, together with the interest thereon accrued and unpaid, immediately due and payable, without further demand, and Bank shall thereupon be entitled to recover judgment for the entire unpaid balance of the indebtedness in respect of the Equipment so payable, with interest on the various portions thereof as provided herein, and to collect such judgment out of any property of Railway wherever situated.

Bank may, at its election, waive any such event of default and its consequences and rescind and annul any such declaration by notice to Railway in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such default had existed and no such declaration had been made. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by Railway that time is of the essence of this security agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

If Railway shall make default as hereinbefore provided, then at any time after the entire indebtedness shall have been declared immediately due and payable as hereinbefore provided and during the continuance of such default, Bank may upon such further notice, if any, as may be required for compliance with any mandatory requirement of law applicable to the action to be taken by Bank, take or cause to be taken by their agent or agents immediate possession of the Equipment, or any of it, without liability to

return to Railway any sums theretofore paid, except as hereinafter in this section 10 expressly provided, and may remove the same from possession and use of Railway and sell the same as herein-after provided, and for such purpose may enter upon Railway's premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Railway, with or without process of law.

In case Bank shall rightfully demand possession of the Equipment in pursuance of this security agreement and shall reasonably designate a point or points upon the lines of Railway or premises of Railway for the delivery of the Equipment to Bank, Railway shall, at its own expense, forthwith and in the usual manner, cause the Equipment to be moved to such point or points on the lines or premises of Railway as shall be designated by Bank and shall there deliver the Equipment or cause it to be delivered to Bank, and at the option of Bank, Bank may keep the Equipment on any of the lines of railroad or premises of Railway until Bank shall have sold the same, and for such purpose Railway agrees to furnish, without charge for rent or storage, the necessary facilities at any point or points selected by Bank reasonably convenient to Railway. This agreement to deliver the Equipment as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, Bank shall be entitled to a decree against Railway requiring specific performance hereof. Railway hereby expressly waives any and all claims against Bank and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

If Railway shall make default as hereinbefore provided, then at any time thereafter during the continuance of such default and after the entire indebtedness shall have been declared immediately due and payable as hereinbefore provided, Bank, with or without retaking possession thereof, may at its election sell the Equipment, or any unit thereof, free from any and all claims of Railway or of any other party claiming by, through or under Railway at law or in equity, at public or private sale and with or without advertisement as Bank may determine, all subject to and in compliance with any mandatory requirements of law then in force and applicable to such sale; and the proceeds of such sale, less the attorney's fees and any other expenses incurred by Bank in taking possession of, removing, storing and selling the Equipment, shall be credited on the amount due to Bank.

To the extent permitted by any mandatory requirements of law then in force and applicable thereto, any sale hereunder may be held or conducted at Chicago, Illinois, at such time or times as Bank may fix (unless Bank shall specify a different place

or places, in which case the sale shall be held at such place or places and at such time or times as Bank may specify), in one lot and as an entirety, or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as Bank may determine in compliance with any requirements of law, provided that Railway shall be given written notice of such sale as provided in any such requirements, but in any event not less than ten (10) days prior thereto, by telegram or registered mail addressed to Railway as provided in Section 15 hereof. To the extent not prohibited by any such requirements of law, Bank may itself bid for and become the purchaser of the Equipment, or any of it, so offered for sale without accountability to Railway (except to the extent of surplus money received as hereinafter provided in this Section 10), and in payment of the purchase price therefor Bank shall be entitled to the extent not prohibited as aforesaid to have credited on account thereof all sums due to Bank from Railway under the indebtedness secured hereby.

If, after applying as aforesaid all sums of money realized by Bank under the remedies herein provided, there shall remain any amount due to it, Railway shall pay the amount of such deficiency to Bank upon demand, and, if Railway shall fail to pay such deficiency, Bank may bring suit therefor and shall be entitled to recover a judgment therefor against Railway. If, after applying as aforesaid all sums realized by Bank, there shall remain any portion of such sums in the possession of Bank, such portion of such sums shall be paid to Railway.

Railway will pay all reasonable expenses, including attorneys' fees, incurred by Bank in enforcing its remedies under the terms hereof. In the event that Bank shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit Bank may recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

All powers and remedies given Bank hereunder shall be in addition to any other powers or remedies existing at law or in equity, and all such powers shall be cumulative, the exercise of any one not being a waiver of any other, and they may be exercised from time to time and simultaneously, as often as deemed expedient by Bank. No delay or omission of Bank in the exercise of any power or remedy, and no renewal or extension of any payments due and secured hereby, shall impair any such power or remedy, or be construed to be a waiver of any default or any acquiescence therein.

11. If Railway shall fail or omit to make any payment or to do anything which, under the provisions of this security agreement, it should make or do, then Bank may itself make such payment or do or cause to be done such thing, but shall not be obligated to do so. Any payment or disbursement so made by Bank, with interest at the legal rate, shall be repaid by Railway to Bank as an additional part of the principal sum and shall be due on demand.

12. Any provision of this security agreement prohibited by any applicable law of any State, shall as to such State be ineffective without modifying the remaining provisions of this security agreement. Where, however, the conflicting provisions of any applicable State laws may be waived, they are hereby waived by Railway to the full extent permitted by law, to the end that this security agreement shall be deemed to be a security agreement and enforced as such.

Railway, to the fullest extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of the Equipment and to sell it, and any other requirements as to the time, place and terms of sale thereof, any other requirements with respect to the enforcement of the Bank's rights hereunder, except such notices as are expressly required by the terms of this security agreement, and any and all rights or redemption.

13. Railway will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register and record any and all further instruments required by law or reasonably requested by Bank for the purpose of such protection of its security interest and rights or for the purpose of carrying out the intention of this security agreement.

14. Railway will pay all costs, charges and expenses, except counsel fees of Bank, incident to the preparation, execution, acknowledgment, filing registering and recording of this security agreement, of any instrument supplemental hereto or amendatory hereof, of any declaration of the payment in full of the amount secured hereby, and of any satisfaction or partial satisfaction hereof.

15. The Equipment, to the extent provided in the Loan Agreement dated April 1, 1971, between Bank and Railway, shall also be security for each loan under said Loan Agreement and for loans under future loan agreements between Bank and Railway which so provide, and shall be subject to the lien and all of the terms of said Loan Agreement and future loan agreements which so provide and any conditional sale agreement, chattel mortgage or security agreement made pursuant thereto.

16. Any notice hereunder to Railway shall be deemed to be properly served if delivered or mailed to the Railway at 400 West Madison Street, Chicago, Illinois 60606, or at such other address as may have been furnished in writing to Bank by Railway. Any notice hereunder to Bank shall be deemed to be properly served if delivered or mailed to Bank at 231 South LaSalle Street, Chicago, Illinois, 60690, or at such other address or addresses or in accordance with such other directions as may have been furnished in writing to Railway by Bank.

17. The terms of this security agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois.

IN WITNESS WHEREOF, CHICAGO AND NORTH WESTERN RAILWAY COMPANY has caused these presents to be executed and its seal to be hereunder affixed by its duly authorized officers pursuant to lawful resolutions, and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, has caused these presents to be executed and its seal to be affixed by its duly authorized officers, all as of the 9th day of May, 1972.

CHICAGO AND NORTH WESTERN RAILWAY COMPANY

By J. M. Butler  
Vice President  
J. M. Butler

(SEAL)

Attest:

E. T. Marquardt  
Asst. Secretary

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

By Robert A. Hume  
Vice President

(SEAL)

Attest:

Paul O. Sarard  
Commercial Banking Officer

STATE OF ILLINOIS )  
                          ) SS  
COUNTY OF COOK   )

On this 5th day of May, 1972, before me personally appeared J. M. Butler, to me, personally known, who being by me duly sworn, says that he is Vice President of CHICAGO AND NORTH WESTERN RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation; that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

*L. M. Fry*

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Notary Public, Cook County, Illinois  
L. M. Fry.

(NOTARIAL SEAL)

My Commission expires 9-29-73

STATE OF ILLINOIS )  
                          ) SS  
COUNTY OF COOK   )

On this 5th day of May, 1972, before me personally appeared, PETER D. NORNE, to me personally known, who, being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation; that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

*Gilbert Hedson*

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Notary Public,

My Commission expires MY COMMISSION EXPIRES  
SEPTEMBER 20, 1974

SCHEDULE A  
OF  
SECURITY AGREEMENT BETWEEN  
CHICAGO AND NORTH WESTERN RAILWAY COMPANY, DEBTOR  
AND  
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, SECURED PARTY  
DATED MAY 9, 1972

RAILBOUND

<u>Quantity</u>	<u>Description of Equipment</u>	<u>Serial Number</u>	<u>Railroad's System Number</u>	<u>Original Final Cost</u>
1	Electromatic Tamper Model EJ-5	374521	17-2261	\$ 83,879.00
1	Electromatic Tamper Model EJ-5	374592	17-2274	83,880.00
1	Jr. Electromatic Tamper Model JRA-JJF without liner equipment	2373222	17-2265	44,629.10
1	Jr. Electromatic Tamper Model JRA-JJF without liner equipment	2373242	17-2266	44,629.10
1	Jr. Electromatic Tamper Model JRA-JJF without liner equipment	2373252	17-2267	44,629.10
1	Jr. Electromatic Tamper Model JRA-JJF without liner equipment	2373262	17-2270	44,629.10
1	Jr. Electromatic Tamper Model JRA-JJF without liner equipment	2373272	17-2271	44,629.10
1	Jr. Electromatic Tamper Model JRA-JJF with liner equipment	2373282	17-2264	48,986.75
1	Jr. Electromatic Tamper Model JRA-JJF with liner equipment	2373282	17-2268	48,986.75
1	Jr. Electromatic Tamper Model JRA-JJF with liner equipment	2373292	17-2269	48,986.75
1	Jr. Electromatic Tamper Model JRA-JJF with liner equipment	2373312	17-2273	48,986.75
TOTAL RAILBOUND				\$586,851.50