

RECORDATION NO. 7589

JUL 31 1974 - 10 30 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT-TRUST DEED

Dated as of July 1, 1974

FROM

THE FIRST NATIONAL BANK OF CHICAGO,
Trustee under AMAX Trust No. 1,

as Debtor

TO

HARRIS TRUST AND SAVINGS BANK,

as Security
Trustee

(AMAX Trust No. 1)

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Attachments to Security Agreement:

Schedule 1 - Description of Equipment

SECURITY AGREEMENT

SECURITY AGREEMENT-TRUST DEED (the "Security Agreement") dated as of July 1, 1974 from THE FIRST NATIONAL BANK OF CHICAGO, not individually but solely as Trustee under the Trust Agreement referred to in Section 1 hereof (the "Debtor"), whose post office address is One First National Plaza, Chicago, Illinois 60670 to HARRIS TRUST AND SAVINGS BANK (the "Security Trustee"), whose post office address is 111 West Monroe Street, Chicago, Illinois 60690.

RECITALS:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 1 hereof unless elsewhere defined or the context shall otherwise require.

B. American United Life Insurance Company (the "Term Lender") and the Debtor have entered into a Term Loan Agreement dated as of April 30, 1974 (the "Loan Agreement") providing for the commitment of the Term Lender to make a loan to the Debtor on or before July 31, 1974, not exceeding \$1,944,000 in aggregate principal amount to be evidenced by the 8-7/8% Secured Notes (the "Notes") of the Debtor, expressed to bear interest at the rate of 8-7/8% per annum prior to maturity and to mature in 60 quarterly installments, to include both principal and interest, with the final installment payable not later than July 31, 1989, and to be otherwise substantially in the form attached as Exhibit A to the Loan Agreement.

C. The proceeds of the Notes are to be applied by the Debtor to finance a portion of the Invoice Cost of the Equipment leased or to be leased to AMAX Inc. (AMAX Coal Company Division) [formerly American Metal Climax, Inc. (AMAX Coal Company Division)], a New York corporation, under the Lease referred to in Section 1 hereof.

D. All of the requirements of law have been fully complied with; all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

NOW, THEREFORE, the Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Security Trustee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the

payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Loan Agreement contained, hereby grants the Security Trustee, its successors in trust and assigns, a security interest in, all and singular of the Debtor's right, title and interest in, all and singular, the following described properties, rights, interests and privileges (hereinafter collectively referred to as the "Collateral").

DIVISION I

The Items of Equipment described in Schedule 1 attached hereto and made a part hereof being the Equipment leased or to be leased and delivered under the Lease, together with all accessories, equipment, parts and appurtenances whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Items of Equipment, together with all the rents, issues, income, profits and avails therefrom.

DIVISION II

All right, title, interest, claims and demands of the Debtor as lessor in, under and to the Lease and all Rentals (excepting and reserving to the Debtor the Interim Rentals) due and to become due thereunder, including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment; it being the intent and purpose thereof that the assignment and transfer to the Security Trustee of said Rentals due and to become due under the Lease shall be effective and operative immediately and shall continue in full force and effect and the Security Trustee shall have the right to collect and receive said Rentals for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

DIVISION III

All right, title, interest, claims and demands of the Debtor, as secured party, in, under and to the Collateral Assignment and the transportation charges due and to become due under

Section 9(c)(ii) of the Coal Supply Agreement which are the subject matter of said Collateral Assignment.

SUBJECT, HOWEVER, To Permitted Encumbrances Referred To In Section 1 Hereof.

The Security Trustee, its successors in trust and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Loan Agreements and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

SECTION 1. DEFINITIONS.

The following terms shall have the following meanings for all purposes of this Security Agreement:

"Acquisition Agreement" shall mean the Agreement to Acquire and Lease dated as of March 15, 1974 between the Debtor and the Lessee, as the same may from time to time be supplemented or amended.

"Casualty Occurrence" with respect to any Item of Equipment shall have the same meaning as in Section 11.2 of the Lease.

"Casualty Value" of an Item of Equipment as of any Rent Payment Date shall mean the amount determined in accordance with Schedule B to the Lease.

"Coal Supply Agreement" shall mean the Coal Supply Agreement dated as of October 1, 1970 between the Lessee and Public Service Company of Indiana, Inc., as the same may from time to time be supplemented or amended.

"Collateral Assignment" shall mean the Collateral Assignment (Security Agreement) dated as of March 15, 1974 from the Lessee to the Debtor providing for the assignment of and the grant of a security interest in transportation charges due and to become due under Section 9(c)(ii) of the Coal Supply Agreement, as collateral security for the obligations of the Lessee under the Lease.

"Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice or the lapse of time or the happening of any further condition, event or act had been satisfied.

"Equipment" or "Items of Equipment" shall mean the railroad rolling stock described in Schedule 1 hereto, together

with any accessories, equipment, parts and appurtenances, whether now owned or hereafter acquired. "Item" or "Item of Equipment" shall mean any one of said Items of Equipment.

"Event of Default" shall mean any of the events specified as such in Section 5 hereof.

"Fixed Rental" shall mean for any one Item, the aggregate Rental payable for such Item pursuant to Section 2.1(b) of the Lease, and for all Items, the aggregate of all such Rentals payable for all Items.

"Indebtedness Hereby Secured" shall mean the Notes and all principal thereof (and premium, if any) and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Loan Agreement.

"Interim Rental" shall mean for any one Item, the aggregate Rental payable for such Item pursuant to Section 2.1(a) of the Lease, and for all Items, the aggregate of all such Rentals payable for all Items.

"Invoice Cost of the Equipment" shall have the same meaning as in Section 1 of the Loan Agreement.

"Lease" shall mean the Equipment Lease dated as of March 15, 1974 between the Debtor, as lessor, and the Lessee, as lessee, as the same may from time to time be supplemented or amended.

"Lessee" shall mean AMAX Inc. (AMAX Coal Company Division) [formerly American Metal Climax, Inc. (AMAX Coal Company Division)], a New York corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof.

"Loan Value" of an Item of Equipment as of any installment payment date on the Notes shall mean an amount equal to the aggregate Fixed Rental in respect of such Item (after deducting an amount equal to 0.76767% of the Invoice Cost of such Item from each installment of Fixed Rental payable on the 37th through the 60th Rent Payment Dates under the Lease) reserved for the balance of the term originally provided for in the Lease and remaining unpaid as of the close of business on such date discounted on the basis of an 8-7/8% per annum interest factor compounded quarterly to the respective dates on which the Fixed Rental is payable, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months.

"Noteholder" shall mean a person in whose name a Note is registered in the register maintained by the Debtor pursuant to Section 6.2 of the Loan Agreement.

"Permitted Encumbrances" with respect to any Item of Equipment, but only to the extent applicable to such Item, shall mean: (i) the right, title and interest of the Lessee under the Lease, (ii) the lien of current taxes and assessments not in default or if delinquent, the validity of which is being contested in good faith by appropriate legal proceedings which will not result in the forfeiture or sale of the Item or adversely affect the Debtor's title thereto or interfere with the due payment by the Lessee to the Secured Party of any Rental payable by the Lessee under the Lease or the due application by the Secured Party of any such Rental pursuant to this Security Agreement and (iii) this Security Agreement and the security interest granted hereunder.

"Rental" shall mean Fixed Rental and Supplemental Rental, but shall not include Interim Rental.

"Supplemental Rental" shall mean all amounts, liabilities and obligations which the Lessee assumes or agrees to pay under the Lease to the Debtor or others, including without limitation, payments of Casualty Value or Termination Value pursuant to Section 11 of the Lease, but excluding Interim Rental and Fixed Rental.

"Trust Agreement" shall mean the Trust Agreement dated as of March 15, 1974 between the Debtor, as trustee thereunder, and the Trustor, as the same may from time to time be supplemented or amended.

"Trustor" shall mean Circle Equity Leasing Corp., its successors and, to the extent permitted by Section 7.2 of the Trust Agreement, assigns.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

Section 2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the

parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreement were fully set out in an amendment or supplement to this Security Agreement.

Section 2.2. Warranty of Title. The Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Security Trustee for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only Permitted Encumbrances). The Debtor also agrees that it will, in its individual capacity and at its own cost and expense, promptly take such action as may be necessary to discharge any liens or encumbrances on the Collateral which may result from claims against it, individually or as Trustee under the Trust Agreement, not related to the ownership of the Equipment or the administration of the trust estate under the Trust Agreement or any transaction pursuant to the Trust Agreement.

Section 2.3. Further Assurances. The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the Rentals due and to become due under the Lease, the Debtor covenants and agrees that it will notify the Lessee of such assignment pursuant to Section 16 of the Lease and direct the Lessee to make all payments of such Rentals due and to become due under the Lease directly to the Security Trustee or as the Security Trustee may direct.

Section 2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Security Trustee, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

Section 2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation

statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Security Trustee hereunder, and will at its own expense furnish to the Security Trustee promptly after the execution and delivery of this Security Agreement and of each Supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

Section 2.6. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification, surrender or termination of, the Lease (except as otherwise expressly provided herein) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof (other than Permitted Encumbrances); or

(b) receive or collect or permit the receipt or collection of any Rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Security Trustee hereunder) any Rental payment then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Security Trustee hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment, except as provided in Section 11.10 of the Lease.

Section 2.7. Power of Attorney in Respect of the Lease. The Debtor does hereby irrevocably constitute and appoint the Security Trustee, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all Rentals and other sums which are

assigned under Divisions II and III of the granting clauses hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Security Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Security Trustee in and to such Rentals and other sums and the security intended to be afforded hereby; provided, however, that so long as no Event of Default has occurred and is continuing, the Security Trustee shall not be entitled to collect, receive or retain any transportation charges due and to become due under Section 9(c)(ii) of the Coal Supply Agreement or to exercise any right, power or privilege provided for in this Section 2.7 in respect of such transportation charges.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

Section 3.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

Section 3.2. Release of Property. So long as no default referred to in Section 14 of the Lease has occurred and is continuing, the Security Trustee shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 11 of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and, if a Casualty Value payment or, as the case may be, Termination Value payment shall then be payable by the Lessee pursuant to Section 11 of the Lease, the receipt from the Lessee of such Casualty Value payment or, as the case may be, Termination Value payment for such Item of Equipment in compliance with Section 11 of the Lease.

Section 3.3. Release of Equipment -- Consent of Noteholders. In addition to the sale, exchange or release pursuant to the foregoing Section 3.2, the Security Trustee may sell or

otherwise dispose of any Equipment then subject to the lien of this Security Agreement, and the Security Trustee shall release the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of the Indebtedness Hereby Secured.

Section 3.4. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Security Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any Item of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURITY TRUSTEE.

Section 4.1. Application of Rentals. As more fully set forth in the granting clause hereof, the Debtor has hereby granted to the Security Trustee a security interest in the Rentals due and to become due under the Lease in respect of the Equipment and in the transportation charges due and to become due under Section 9(c)(ii) of the Coal Supply Agreement as security for the Notes. So long as no Event of Default has occurred and is continuing:

(a) Fixed Rental. The amounts from time to time received by the Security Trustee which constitute payment of the installments of Fixed Rental under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of Fixed Rental which are received by the Security Trustee, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor;

(b) Casualty Value and Termination Value. The amounts from time to time received by the Security Trustee which constitute settlement by the Lessee of the Casualty Value or, as the case may be, the Termination Value of any Item of Equipment pursuant to Section 11 of the Lease shall be paid and applied on the Notes, all to such manner and in such amounts so that after giving effect to such application and the release of such Item

of Equipment from the Lease and the security interest of this Security Agreement:

(i) the aggregate principal amount remaining unpaid on the Notes, if any, does not exceed the Loan Value of all other Equipment which then remains subject to the Lease and the security interest of this Security Agreement; and

(ii) each of the remaining installments of the Notes shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment;

and the balance, if any, of such amounts shall be released to or upon the order of the Debtor;

(c) Supplemental Rental. The amounts, if any, from time to time received by the Security Trustee which constitute payments of Supplemental Rental (other than Casualty Value and Termination Value payments) shall be paid to or upon the order of the Debtor; and

(d) Transportation Charges. The amounts, if any, from time to time received by the Security Trustee which constitute payments of transportation charges under Section 9(c)(ii) of the Coal Supply Agreement shall be paid to or upon the order of the Debtor.

Section 4.2. Multiple Notes. If more than one Note is outstanding at the time any application is made pursuant to Section 4.1(a), the application shall be made on all outstanding Notes ratably in accordance with the principal amount remaining unpaid thereon and on the installments of each Note, respectively, in the manner provided for by paragraphs (a) and (b) of Section 4.1.

Section 4.3. Insurance Proceeds. The amounts received by the Security Trustee from time to time which constitute proceeds of insurance maintained by the Lessee in respect of the Equipment, shall be held by the Security Trustee as a part of the Collateral and shall be applied by the Security Trustee from time to time to any one or more of the following purposes:

(a) Repair or Replacement. If no Event of Default as defined in the Lease has occurred and is continuing, the proceeds of such insurance shall, if the Items of Equipment which were lost, damaged or destroyed are to be

repaired or replaced, be released to the Debtor to reimburse the Lessee for expenditures made for such repair, restoration or replacement of such Units upon receipt by the Security Trustee of: (i) a certificate of the President, the Treasurer or a Vice President of the Lessee showing in reasonable detail the purpose for which the expenditures were made and the actual cash expenditures made for such purpose and stating that there is no default under the Lease, and (ii) a supplement hereto sufficient, as shown by an opinion of counsel (which may be counsel for the Lessee or the Debtor), to grant a security interest in any additions to or substitutions for the Items of Equipment to the Security Trustee, which opinion shall also cover the filing and/or recording of such supplement (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) so as to perfect the security interest in such additions or substitutions, or in the alternative, an opinion that no such supplement is required for such purpose; and

(b) Application to Notes. If the Lessee shall have notified the Security Trustee in writing that the Lease is to be terminated in accordance with the provisions of Section 11 of the Lease in respect of the Items of Equipment which have been lost, destroyed or damaged, then so long as no Event of Default as defined in the Lease has occurred and is continuing, the insurance proceeds shall be applied by the Security Trustee as follows:

(i) First, to the prepayment of the Notes, all in the manner provided for by Section 4.1(b) hereof; and

(ii) Second, the balance, if any, of such insurance proceeds held by the Security Trustee after making the applications provided for by the preceding subparagraph (i) shall be released to or upon the order of the Debtor.

Section 4.4. Default. If an Event of Default has occurred and is continuing, all Rentals and other sums in which the Security Trustee is granted a security interest pursuant to Divisions II and III of the granting clause hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

Section 5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise and such default shall continue for five days; or

(b) An Event of Default as defined in the Lease;
or

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or the Loan Agreement, and such default shall continue unremedied for 30 days after written notice from the Security Trustee or any Noteholder to the Debtor specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty made herein or in any Loan Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease or the Loan Agreement, or the transactions contemplated therein shall prove to be untrue in any material respect as of the date of the issuance or making thereof and shall not be made good within 30 days after notice thereof from the Security Trustee or any Noteholder to the Debtor; or

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee is obligated to discharge under Section 9 of the Lease) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed within 30 calendar days after written notice from the Security Trustee or any Noteholder to the Debtor and the Lessee demanding the discharge or removal thereof.

Section 5.2. Security Trustee's Rights. The Debtor agrees that when any "Event of Default" as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof, the Security Trustee shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Security Trustee may exercise any one or more or all, and in any order, of the remedies herein-after 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 Security Trustee may and upon the written request of the holders of 25% of the principal amount of the Notes then outstanding shall, by notice in writing to the Debtor, declare the entire unpaid balance of the Notes 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;

(b) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee 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 Collateral, 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 Debtor or the Lessee, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee 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 possession 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 Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law if such ten

days' notice is insufficient, sell and dispose of said Collateral, or any part thereof, at public auction 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 Security Trustee may determine, and at any place (whether or not it be the location of the Collateral 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 Security Trustee or the holder or holders of Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) The Security Trustee may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of 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 Collateral or any part thereof, or subject to the provisions of Section 6 hereof, 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) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may proceed to exercise all rights, privileges and remedies of the Lessor under the Lease, and may exercise all such rights and remedies either in the name of the Security Trustee or in the name of the Debtor for the use and benefit of the Security Trustee; and

(f) The Security Trustee may proceed to exercise all rights, privileges and remedies of the Debtor, as Security Trustee under the Collateral Assignment, and may exercise all such rights and remedies either in the name of the secured party or in the name of the debtor for the use and benefit of the Security Trustee.

Section 5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued

thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

Section 5.4. Waiver by Debtor. The Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Security Trustee, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

Section 5.5. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

Section 5.6. Application of Sale Proceeds. The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) To the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Security Trustee, or the Noteholders and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) To the payment to the Noteholders of the amount then owing or unpaid on the Notes for principal and interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid principal thereof, second, to unpaid premium, if any, and third, to unpaid interest thereon; and

(c) To the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 5.7. Discontinuance of Remedies. In case the Security Trustee shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Security Trustee and the Noteholders shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

Section 5.8. Cumulative Remedies. No delay or omission of the Security Trustee or of any Noteholder to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Security Trustee, or any Noteholder of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; 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 Security Trustee or any Noteholder be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. LIMITATIONS OF LIABILITY.

It is expressly understood and agreed by and between the Debtor, the Trustor, the Security Trustee and any Noteholders and their respective successors and assigns, that this Agreement is executed by The First National Bank of Chicago, not individually or personally but solely as Trustee under the Trust Agreement in the exercise of the power and authority conferred and vested in it as such Trustee (and The First National Bank of Chicago hereby warrants that it possesses full power and authority to enter into and perform this Agreement); and it is expressly understood and agreed that, except as otherwise expressly provided in Section 2.2 hereof or in Section 3.1(e) of the Loan Agreement and except in the case of gross negligence or wilful misconduct of the Debtor or the Trustor, as the case may be, (i) nothing herein contained shall be construed as creating any liability on The First National Bank of Chicago, or on the Trustor, individually or personally, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Security Trustee and the Noteholders and by each and every person now or hereafter claiming by, through or under the Security Trustee or the Noteholders, and (ii) so far as The First National Bank of Chicago or the Trustor, individually or personally are concerned, the Security Trustee and the Noteholders and any person claiming by, through or under the Security Trustee or the Noteholders shall look solely to the trust estate (as defined in the Trust Agreement) for payment of the indebtedness evidenced by any Note and the performance of any obligation under any of the instruments referred to herein.

SECTION 7. SUCCESSOR TRUSTEES AND OTHER PROVISIONS.

Section 7.1. The Security Trustee shall not be answerable for the default or misconduct of any agent or attorney appointed in pursuance hereof if such agent or attorney shall have been selected with reasonable care, or for anything whatsoever in connection with this Security Agreement or the Notes or the proceeds thereof except for its own wilful misconduct or negligence, nor shall the Security Trustee be under any obligation to take any action toward the execution or enforcement of the trusts hereby created which in its opinion

shall be likely to involve expense or liability, unless as often as required the holder or holders of the Notes shall furnish indemnity satisfactory to the Security Trustee against such expense or liability.

Section 7.2. The Security Trustee shall be entitled to reasonable compensation for all services rendered in and about the administration of the trusts herein provided for and in and about foreclosure, enforcement or other protection of this Security Agreement or the lien hereof, and the Debtor agrees to pay such compensation and to indemnify the Security Trustee against any liability or damages incurred or sustained by it under this Security Agreement. Without limiting the foregoing, the Security Trustee shall have a lien for such compensation and indemnity as well as for all out-of-pocket expenses and counsel fees and court costs incurred by the Security Trustee in any foreclosure, enforcement or other protection of this Security Agreement or the lien hereof, on the Collateral and the trust estate prior to the lien for the benefit of the Notes.

Section 7.3. The Security Trustee shall not be responsible for any recitals herein or in the Loan Agreement or for insuring the Collateral, or for the recording, filing or refileing of this Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Security Trustee be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Debtor contained herein or in the Loan Agreement, and the Security Trustee shall be deemed to have knowledge of any default on the part of the Debtor in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from the Debtor or one of the holders of the Notes; provided, however, that upon receipt by the Security Trustee of such written notice from the Debtor or one of the holders of the Notes, the Security Trustee shall promptly notify all holders of Notes of such notice and the default referred to therein.

Section 7.4. Subject to the provisions of Section 7.1 hereof, the Security Trustee shall not be liable for any action taken or omitted to be taken in good faith and believed by it to be within the discretion or power conferred upon the Security Trustee by this Security Agreement, or be responsible for the consequences of any oversight or error of judgment, and the Security Trustee shall be protected in acting upon any notice, consent, certificate or other instrument believed by it to be genuine and correct and to have been signed by the proper person or persons and in conformity with the provisions of this Security Agreement.

Section 7.5. Notwithstanding anything elsewhere in this Security Agreement contained, the Security Trustee shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Security Trustee deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

Section 7.6. All moneys received by the Security Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Security Trustee under such general conditions as may be prescribed by law in the Security Trustee's general banking department, and the Security Trustee shall be under no liability for interest on any moneys received by it hereunder. The Security Trustee and any affiliated corporation may become the owner of any Note secured hereby, or the Security Trustee may act as depositary or a custodian in respect to other securities of the Debtor or any affiliated corporation, all with the same rights which it would have if not the Security Trustee.

Section 7.7. The Security Trustee may resign and be discharged of the trusts hereby created by giving notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes. Such resignation shall take effect on the day specified in such notice (being not less than 30 days after the first mailing of such notice) unless previously a successor trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

The Security Trustee may be removed and/or a successor trustee may be appointed at any time by an instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Security Trustee and to the Debtor and, in the case of appointment of a successor trustee, to such successor trustee.

Each trustee appointed in succession of the Security Trustee named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in the City of Chicago, Illinois, in good standing and having a capital and surplus aggregating at least \$25,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

Section 7.8. Any company into which the Security Trustee or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated, or any company resulting from any merger or consolidation to which the Security Trustee or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the State of Illinois or of the United States of America, having a capital and surplus aggregating at least \$25,000,000), shall be the successor to the Security Trustee under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as trustee under this Security Agreement.

Section 7.9. Should any deed, conveyance or instrument in writing from the Debtor be required by any successor trustee for more fully and certainly vesting in and confirming to such new trustee such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed by the Debtor.

Section 7.10. Any new trustee appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment; and thereupon such new trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as Security Trustee herein; but nevertheless, upon the written request of the Debtor or of the successor trustee, the trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such trustee to the successor trustee so appointed in its or his place.

SECTION 8. SUPPLEMENTAL INDENTURES; WAIVERS.

Section 8.1. Supplemental Indentures Without Noteholders Consent. The Debtor and the Security Trustee from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an indenture or indentures supplemental

hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon the Debtor;

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

(d) for any other purpose not inconsistent with the terms of this Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental indenture. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental indentures, or otherwise.

Section 8.2. Waivers and Consents by Noteholders;
Supplemental Indentures with Noteholders' Consent. Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited or omit the taking of any action required, by any of the provisions of this Security Agreement or any indenture supplemental hereto, or (b) the Debtor and the Security Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any indenture supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental indenture shall (i) impair or

affect the right of any holder to receive payments or prepayments on the principal of and payments of the interest and premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental indenture pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Security Trustee, without the consent of the holders of all of the Notes at the time outstanding.

SECTION 9. MISCELLANEOUS.

Section 9.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Security Trustee, shall bind and inure to the benefit of the respective successors and assigns of such party whether so expressed or not.

Section 9.2. Partial Invalidity. 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.

Section 9.3. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, addressed as follows:

If to the Debtor: The First National Bank of Chicago,
 as Trustee under AMAX Trust No. 1
 One First National Plaza
 Chicago, Illinois 60670

Attention: Trust/Corporate Securities

If to the Security
Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Attention: Corporate Trust Division

or to the Debtor or the Security Trustee at such other address as the Debtor or the Security Trustee may designate by notice duly given in accordance with this Section to the other party.

Section 9.4. Release. The Security Trustee shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all Indebtedness Hereby Secured has been fully paid and discharged.

Section 9.5. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois; provided, however, that the Security Trustee shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

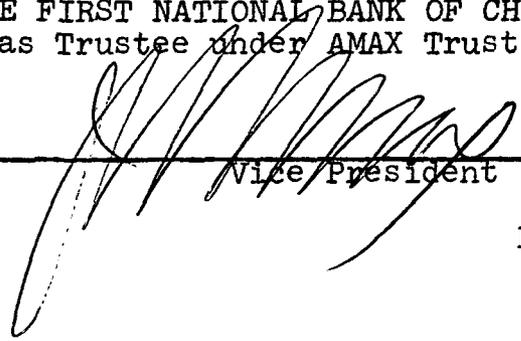
Section 9.6. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

Section 9.7. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

Section 9.8. Effective Date. This Security Agreement is dated as of the date designated in the initial paragraph hereof for convenience of identification and has been executed by the Debtor on the date shown in the acknowledgment attached hereto, but is delivered by the Debtor to the Security Trustee and becomes effective on the date of purchase of the Notes by the Security Trustee and the filing and recording of this Security Agreement with the Secretary of the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act.

IN WITNESS WHEREOF, the Debtor and the Security Trustee have caused this Security Agreement to be executed, all as of the day and year first above written.

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee under AMAX Trust No. 1

By  _____
Vice President

DEBTOR

[CORPORATE SEAL]

ATTEST:



Secretary

HARRIS TRUST AND SAVINGS BANK

By  _____
Vice President

SECURITY TRUSTEE

[CORPORATE SEAL]

ATTEST:



Assistant Secretary

STATE OF ILLINOIS }
COUNTY OF COOK } ss

On this 22nd day of July, 1974, before me personally appeared J. R. GRIMES, to me personally known, who being by me duly sworn, says that he is Vice President of THE FIRST NATIONAL BANK 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.

Kurt Brewer
Notary Public

[SEAL]

My Commission Expires: January 30, 1977

STATE OF ILLINOIS }
COUNTY OF COOK } ss

On this 24th day of JULY, 1974, before me personally appeared H. M. ROACH, to me personally known, who being by me duly sworn, says that he is a Vice President of HARRIS TRUST AND SAVINGS BANK, 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.

J. M. Moenich
Notary Public

[SEAL]

My Commission Expires: SEPTEMBER 2, 1975

SCHEDULE 1

MANUFACTURER: General Motors Corporation
(Electro-Motive Division)

PLANT OF MANUFACTURER: McCook, Illinois

DESCRIPTION OF EQUIPMENT: Two (2) 2000 H.P. Model GP38-2
Diesel Electric Locomotives

ROAD OR CAR NUMBERS: WG-1 and WG-2

ESTIMATED INVOICE COST: \$267,039.00

TOTAL ESTIMATED INVOICE COST: \$534,078.00*

OUTSIDE DELIVERY DATE: May 31, 1974

DELIVER TO: Gibson, Indiana
AMERICAN METAL CLIMAX, INC.
(AMAX Coal Company Division)

FIXED RENTAL PAYMENTS: Sixty (60) quarterly rental
payments in arrears each in an
amount equal to 2.4037% of the
Invoice Cost of each Item of
Equipment.

LESSEE: American Metal Climax, Inc.
(AMAX Coal Company Division)

TRUSTOR: Circle Equity Leasing Corp.

*Exclusive of freight - F.O.B.
McCook, Ill.

SCHEDULE 1
(Continued)

MANUFACTURER: Ortner Freight Car Company

PLANT OF MANUFACTURER:

DESCRIPTION OF EQUIPMENT: Eighty 100-ton hopper cars

ROAD OR CAR NUMBERS: AMAX 201 to 280, both inclusive

ESTIMATED INVOICE COST: \$21,950.99 per unit

TOTAL ESTIMATED INVOICE COST: \$1,756,079.20

OUTSIDE DELIVERY DATE: May 31, 1974

DELIVER TO:

FIXED RENTAL PAYMENTS: Sixty (60) quarterly rental payments in arrears each in an amount equal to 2.4037% of the Invoice Cost of each Item of Equipment.

LESSEE: American Metal Climax, Inc.
(AMAX Coal Company Division)

TRUSTOR: Circle Equity Leasing Corp.

SCHEDULE 1
(Continued)

MANUFACTURER: International Ramco, Inc.
(International Car Company Division)

PLANT OF MANUFACTURER:

DESCRIPTION OF EQUIPMENT: One 50-ton bay window caboose

ROAD OR CAR NUMBERS: AMAX 900

ESTIMATED INVOICE COST: \$35,231.45

TOTAL ESTIMATED INVOICE COST: \$35,231.45

OUTSIDE DELIVERY DATE: May 31, 1974

DELIVER TO:

FIXED RENTAL PAYMENTS: Sixty (60) quarterly rental payments in arrears each in an amount equal to 2.4037% of the Invoice Cost of each Item of Equipment.

LESSEE: American Metal Climax, Inc.
(AMAX Coal Company Division)

TRUSTOR: Circle Equity Leasing Corp.