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ALLEN H. HARRISON, JR.

DIRECT LINE (202)

872-6093

FEB 4 1985 - 1 20 PM

February 4, 1985 INTERSTATE COMMERCE COMMISSION

Dear Mr. Bayne:

5-035A027

On behalf of Continental Illinois National Bank and Trust Company of Chicago I submit for filing and recording under 49 U.S.C. § 11303(a) and the regulations promulgated thereunder, two enclosed executed counterparts of a primary document, not previously recorded, entitled Security Agreement and Financing Statement, dated as of January 31, 1985.

New Member

The parties to the said enclosed document are:

Zeigler Coal Company - Assignor
and certain of its
subsidiaries as identified in the document
2700 River Road
Des Plaines, Illinois 60018

No. FEB 4 1985
Date
Fee \$ 10.00

Continental Illinois National - Assignee
Bank and Trust Company of
Chicago
231 South La Salle Street
Chicago, Illinois 60697

ICC Washington, D. C.

The said document relates to a loan not to exceed \$44,000,000, and the security interest granted in certain property to secure the said loan.

The rolling stock covered consists of seventy-seven (77) open top gondola cars ZCCX 101 through 177, both inclusive, and all hereafter acquired rolling stock.

A short summary of the document to appear in the Index is as follows:

"Covers 77 gondolas ZCCX 101-177 and all hereafter acquired rolling stock."

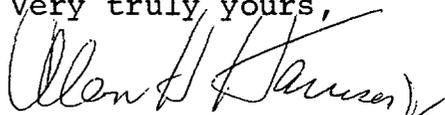
Handwritten notes:
Herald Siegel
C. Ann Taylor

Vertical stamp: FEB 4 1 12 PM '85
ICC RECEIVED
THE SECRETARY

Enclosed is our firm check in the amount of ten dollars (\$10) in payment of the filing fee.

Once this filing has been made, please return to bearer the stamped counterpart of the document not required for filing purposes, together with the fee receipt, the letter from the ICC acknowledging the filing, and the two extra copies of this letter of transmittal.

Very truly yours,



Allen H. Harrison, Jr.
Attorney for Continental
Illinois National Bank
and Trust Company of
Chicago for the purpose
of this filing

Honorable James H. Bayne
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Enclosures

AHH/uw

BY HAND

Interstate Commerce Commission
Washington, D.C. 20423

2/4/85

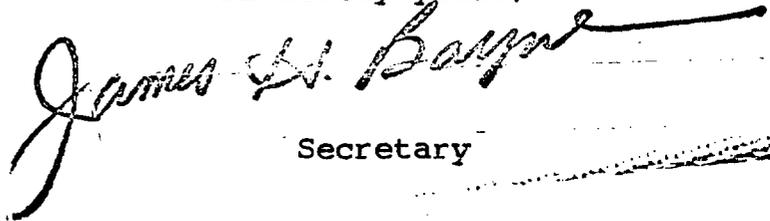
OFFICE OF THE SECRETARY

Allen H. Harrison, Jr.)
Wilmer, Cutler, & Pickering
1666 K. Street N.W.
Washington, D.C. 20006

Dear Sir:

The enclosed document (s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/4/85 at 1:20pm and assigned re-
recording number (s). 14568

Sincerely yours,


Secretary

Enclosure(s)

RECORDATION NO. **14568** FILED 1425

FEB 4 1985 - 1 20 PM

INTERSTATE COMMERCE COMMISSION

**SECURITY AGREEMENT
AND
FINANCING STATEMENT**

between

ZEIGLER COAL COMPANY,

CERTAIN SUBSIDIARIES OF ZEIGLER COAL COMPANY

and

**CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO**

Dated as of January 31, 1985

**SECURITY AGREEMENT
AND FINANCING STATEMENT**

THIS SECURITY AGREEMENT AND FINANCING STATEMENT, dated as of January 31, 1985 (herein, as the same may at any time be amended or modified and in effect, called this "Agreement"), is among ZEIGLER COAL COMPANY, an Illinois corporation (herein called "Old Zeigler Coal"), the subsidiaries of Old Zeigler Coal listed on the signature pages hereto (herein, together with Old Zeigler Coal, collectively called the "Assignors" and individually called an "Assignor"), and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association (herein called the "Bank").

(1) Zeigler Coal Holding Company, a Delaware corporation (herein called "Holding"), Old Zeigler Coal, Zeigler Acquisition Corp., an Illinois corporation (herein called "Zeigler Coal Sub"), and the Bank have entered into a certain Loan Agreement, dated as of January 31, 1985 (herein, as the same may at any time be amended or modified and in effect, called the "Loan Agreement").

(2) Holding, Zeigler Coal Sub and Old Zeigler Coal are parties to a Merger Agreement, dated as of January 31, 1985 (as the same may at any time be amended or modified and in effect, the "Merger Agreement"), pursuant to which, among other things, Zeigler Coal Sub has merged, or will merge (herein called the "Merger"), with and into Old Zeigler Coal, and the Illinois corporation surviving the Merger (herein called "Surviving Zeigler Coal") will be named Zeigler Coal Company.

(3) As used in the Loan Agreement and this Agreement, the term "Borrower" means (i) at any time before the consummation of the Merger, Zeigler Coal Sub, and (ii) simultaneous with the occurrence of and at any time after the consummation of the Merger, Surviving Zeigler Coal.

(4) Pursuant to the Loan Agreement, upon the terms and subject to the conditions therein set forth, (i) the Bank agrees to make Credit Loans (as defined in the Loan Agreement and used herein with the same meaning) to Borrower in an aggregate principal amount not to exceed the Total Credit Commitment Amount (as defined in the Loan Agreement and being \$44,000,000 on the date hereof), and (ii) the Bank agrees to refinance the Credit Loans outstanding on December 31, 1985 as a Term Loan (as defined in the Loan Agreement and used herein with the same meaning) to Borrower.

(5) The Credit Loans and the Term Loan are to be evidenced by a promissory note, dated January 31, 1985 (herein called the "Credit Note"), payable by Zeigler Coal Sub and Old Zeigler Coal to the order of the Bank on or before December 31, 1993. The maximum principal amount of the Credit Note is \$44,000,000.00. The Credit Note bears interest at the variable rates provided for therein, and contains provisions for the payment of attorney's fees and acceleration of maturity in the event of default as therein set forth.

(6) Pursuant to the Loan Agreement, Surviving Zeigler Coal absolutely agrees to pay, perform, observe and discharge all of the obligations of Zeigler Coal Sub and Old Zeigler Coal under or in connection with the Loan Agreement, the Credit Note and each Instrument (as defined in the Loan Agreement and used herein with the same meaning) executed by Zeigler Coal Sub or Old Zeigler Coal pursuant to the Loan Agreement.

(7) Surviving Zeigler Coal and the Bank are parties to a Line of Credit Agreement, dated January 31, 1985 (as the same may at any time be amended or modified and in effect, the "Line of Credit Agreement"), pursuant to which, among other things, the Bank may from time to time make Advances (as defined in the Line of Credit Agreement and used herein with the same meaning) to Surviving Zeigler Coal in an aggregate principal amount not to exceed \$4,000,000.

(8) The Advances to be made by the Bank pursuant to the terms of the Line of Credit Agreement are to be evidenced by a promissory note, dated January 31, 1985 (herein called the "Demand Note"; the Demand Note and the Credit Note being herein collectively called the "Notes" and individually called a "Note"), payable on demand by Surviving Zeigler Coal to the order of the Bank in the maximum principal amount of \$4,000,000. The Demand Note bears interest at the variable rates provided for therein, and contains provisions for the payment of attorneys' fees and acceleration of maturity in the event of default as therein set forth.

(9) It is a condition precedent to the making of the initial Credit Loans under the Loan Agreement and to the making of the initial Advance under the Line of Credit Agreement that each Assignor executes and delivers this Agreement.

(10) It is in the best interest of each Assignor to execute and deliver this Agreement in as much as each

Assignor will derive substantial direct and indirect benefits from the Credit Loans and the Term Loans to be made under the Loan Agreement and the Advances to be made under the Line of Credit Agreement.

In consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1 Definitions. When used herein, the following terms shall have the following meanings:

"Account Debtor" - shall mean the party who is obligated on or under any Account Receivable or Contract Right or, if appropriate, any of the General Intangibles of any Assignor.

"Account Receivable" - shall mean any right of any Assignor to payment for goods sold or leased or for services rendered.

"Assigned Collateral" - shall mean all property or rights in which a Security Interest is granted hereunder.

"Assignee Deposit Account" - shall have the meaning assigned to that term in Section 5(c) hereof.

"Contract Right" - shall mean any right of any Assignor to payment under a contract for the sale or lease of goods or the rendering of services, which right is at the time not yet earned by performance.

"Default" - shall mean any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

"Equipment" - shall mean all furniture, furnishings, fixtures, machinery and equipment of any Assignor of every description used or useful in the conduct of any Assignor's business including, without limitation, the equipment described in Schedule I hereto, and all accessories, parts and other property now or hereafter affixed thereto or used in connection therewith.

"Event of Default" - shall mean the occurrence of an Event of Default under the terms and provisions of the Loan Agreement and a continuance of such of Event of Default for the applicable period of grace.

"General Intangibles" - shall have the meaning assigned to such term in the Uniform Commercial Code as in effect from time to time in the State of Illinois. If for any reason such term shall not at any time be defined in the Uniform Commercial Code as in effect at such time in the State of Illinois, such term shall mean any personal property (including things in action) other than goods, accounts, chattel paper, documents, instruments and money.

"Intangible Collateral" - shall mean all Assigned Collateral other than Inventory and Equipment.

"Inventory" - shall mean goods held by any Assignor for sale or lease, or furnished or to be furnished by any Assignor under any contract of service, or held by any Assignor as raw materials, work in process or materials used or consumed in a business including, without limitation, all inventory described in Schedule I hereto.

"Instrument" - shall have the meaning assigned to that term in the Loan Agreement.

"Liabilities" - shall mean all obligations and liabilities of Borrower, Holding, Zeigler Coal Sub, Old Zeigler Coal, Surviving Zeigler Coal or any Subsidiary under or in connection with the Loan Agreement, the Line of Credit Agreement, any Note or any Instrument executed pursuant to the Loan Agreement or the Line of Credit Agreement, in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due.

"Notes" - shall mean the Credit Note, the Demand Note and any promissory notes taken in extension or renewal of any thereof.

"Permitted Liens" - shall mean the Security Interests permitted to exist by Section 6.2.2 of the Loan Agreement.

"Person" - shall mean any natural person, corporation, firm, association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

"Security Interest" - shall, when used with respect to any Person, mean any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person for its own use, consumption or enjoyment in its business which secures payment or performance of any obligation and shall include

any mortgage, lien, encumbrance, charge or other security interest of any kind, whether arising under a security agreement, mortgage, deed of trust, chattel mortgage, assignment, financing or similar statement or notice or as a matter of law, judicial process or otherwise.

SECTION 2 Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all Liabilities, each Assignor hereby assigns to the Bank, and grants to the Bank a continuing security interest in, all of such Assignor's property, whether now or hereafter existing, arising or acquired, including without limitation all of such Assignor's right, title and interest in, to and under the following:

- (i) All Inventory;
- (ii) All Accounts Receivable;
- (iii) All Contract Rights;
- (iv) All Equipment;
- (v) All General Intangibles of such Assignor (including, without limitation, any rights of such Assignor arising from time to time to receive payment under a billing to a Person representing such Person's obligation to reimburse such Assignor for indebtedness paid or to be paid by such Assignor for the account of such Person);
- (vi) All chattel paper and instruments evidencing any obligation to such Assignor;
- (vii) All right, title and interest of such Assignor in any goods, the sale or lease of which shall have given or shall give rise to, and in all guaranties and other property securing the payment of or performance under, any Accounts Receivable, any Contract Rights, any General Intangible, or any such chattel paper or instruments;
- (viii) All money and property now or at any time in the possession or under the control of, or in transit to, the Bank or any bailee, agent or custodian of the Bank including, without limitation, all funds on deposit in any account of such Assignor with the Bank from time to time (and all claims and demands therefor);

- (ix) All documents;
- (x) All insurance policies, including claims or rights to payment thereunder;
- (xi) All leases, licenses and other contracts;
- (xii) All goods;
- (xiii) All liens, guaranties and other rights and privileges pertaining to any of the Assigned Collateral;
- (xiv) All tax refunds;
- (xv) All books and records pertaining to the business and operations of such Assignor; and
- (xvi) All products and proceeds of any of the foregoing.

SECTION 3 Assignors to Remain Liable. Each Assignor hereby expressly agrees that, anything herein to the contrary notwithstanding, it shall remain liable under each contract, agreement, interest or obligation assigned to the Bank hereunder to observe and perform all of the conditions and obligations to be observed and performed by such Assignor thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Bank shall not have any duty, responsibility, obligation or liability under any such contract, agreement, interest or obligation by reason of or arising out of the assignment thereof to the Bank or the granting to the Bank of a Security Interest therein or the receipt by the Bank of any payment relating to any such contract, agreement, interest or obligation pursuant hereto, nor shall the Bank be required or obligated in any manner to perform or fulfill any of the obligations of such Assignor thereunder or pursuant thereto, or to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it or the sufficiency of any performance of any party under any such contract, agreement, interest or obligation, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it, in which it may have been granted a Security Interest or to which it may be entitled at any time or times.

SECTION 4 Representations and Warranties. Each Assignor represents and warrants to the Bank that:

(i) no Uniform Commercial Code financing statement (other than any which may have been filed on behalf of the Bank or in connection with a Permitted Lien) covering any of the Assigned Collateral is on file in any public office;

(ii) such Assignor is and will be the lawful owner of all of the Assigned Collateral assigned by it pursuant hereto, free of all Security Interests whatsoever, other than the Security Interest created hereby and the Permitted Liens, with full power and authority to execute this Agreement, to perform such Assignor's obligations hereunder, and to subject the Assigned Collateral to the Security Interest created hereby;

(iii) all Equipment and Inventory of such Assignor is now located in the counties and states shown in Schedule I hereto;

(iv) the execution and delivery by such Assignor of this Agreement, and the performance by such Assignor of its obligations hereunder, have been duly authorized by all necessary corporate action, do not require any filing with any governmental agency or authority, do not and will not conflict with, result in any violation of, or constitute any default under, any provision of the certificate of incorporation or by-laws of such Assignor or any agreement or other instrument binding upon or applicable to it or any law or governmental regulation or court decree or order applicable to it and will not result in and require the creation or imposition of any Security Interest in any of its properties pursuant to any provisions of any agreement or other instrument binding upon or applicable to it;

(v) this Agreement is the legal, valid and binding obligation of such Assignor enforceable in accordance with its terms, subject, as to enforcement, only to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability of the rights of creditors generally;

(vi) except to the extent that any property described in this Agreement is subject to Permitted Liens and Security Interests listed on the schedule referred to in Section 4.1.12(f) of the Loan Agreement, the Bank will obtain, as security for the Liabilities, a first perfected security interest in all property described in this Agreement as being assigned hereby; and

(vii) all factual information heretofore or contemporaneously furnished by or on behalf of such Assignor

to the Bank for purposes of or in connection with the Loan Agreement or this Agreement or any transaction contemplated thereby or hereby is true and accurate in every material respect on the date as of which such information is dated or certified and as of the date of execution and delivery of this Agreement and not incomplete by omitting to state any material fact necessary to make such information not misleading; and all other such factual information hereafter furnished by or on behalf of such Assignor to the Bank will be true and accurate in every material respect on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information not misleading.

SECTION 5 Processing, Sale, Collections, etc.

(a) Until notice from the Bank to the contrary, each Assignor (i) may, in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the Inventory normally held by such Assignor for such purpose, and use and consume, in the ordinary course of its business, any raw materials, work in process or materials normally held by such Assignor for such purpose, (ii) will, at its own expense, endeavor to collect, as and when due, all amounts due with respect to any of the Intangible Collateral, including the taking of such action with respect to such collection as the Bank may reasonably request or, in the absence of such request, as such Assignor may deem advisable, and (iii) may grant, in the ordinary course of business, to any Person obligated on any of the Intangible Collateral, any rebate, refund or allowance to which such Person may be lawfully entitled, and may accept, in connection therewith, the return of goods, the sale or lease of which shall have given rise to such Intangible Collateral. The Bank, however, may at any time, whether before or after the maturity of any of the Liabilities, notify any Person obligated on any of the Intangible Collateral to make payment to the Bank of any amounts due or to become due thereunder and enforce collection of any of the Intangible Collateral by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Bank, each Assignor will, at its own expense, notify any Person obligated on any of the Intangible Collateral to make payment to the Bank of any amounts due or to become due thereunder.

(b) After the date of the notice referred to in the first sentence of clause (a) above, each Assignor will (except as the Bank may otherwise consent in writing) forthwith, upon receipt, transmit and deliver to the Bank, in the form received, all cash, checks, drafts, chattel paper and other instruments or writings for the payment of money (properly endorsed, where required, so that such items may be collected by the Bank) which may be received by such Assignor at any time in full or partial payment or otherwise as proceeds of any of the Assigned Collateral. Except as the Bank may otherwise consent in writing, any such items which may be received by such Assignor will not be commingled with any other of its funds or property, but will be held separate and apart from its own funds or property and upon express trust for the Bank until delivery is made to the Bank. Each Assignor will comply with the terms and conditions of any consent given by the Bank pursuant to the provisions of this paragraph.

(c) All items or amounts which are delivered by any Assignor or any other Person to the Bank on account of partial or full payment or otherwise, as proceeds of any of the Assigned Collateral shall be deposited to the credit of a deposit account (herein called the "Assignee Deposit Account") of Surviving Zeigler Coal with the Bank, as security for performance and payment of the Liabilities. No Assignor shall have any right to withdraw any funds deposited in the Assignee Deposit Account. The Bank may, from time to time, in its discretion, and shall upon request of Surviving Zeigler Coal made not more than once in any week, apply all or any of the then balance, representing collected funds, in the Assignee Deposit Account toward payment of the Liabilities then due (whether by acceleration, demand or otherwise), in such order of application as the Bank may determine. Unless an Event of Default, or a Default of the type described in Section 8.1.4 of the Loan Agreement, shall have occurred and be continuing, the Bank shall, upon request of Surviving Zeigler Coal made not more than once in any week, release all or any of such balance to Surviving Zeigler Coal.

(d) If and to the extent that a perfected Security Interest hereunder in any Assigned Collateral shall cease to be perfected for any reason whatsoever (including, without limitation, sale of Inventory or release of all or any balance in the Assignee Deposit Account or use or disposition by any Assignor of any proceeds of Assigned Collateral), then such Assigned Collateral (referred to in this paragraph as "released Assigned Collateral") shall be deemed thereby released from the Security Interest hereunder

in exchange, as of the time of such release, for any other Assigned Collateral of equivalent value in which a perfected Security Interest is being obtained contemporaneously or has been most recently obtained hereunder, but only to the extent such other Assigned Collateral does not represent either (x) Assigned Collateral in exchange for which any previously released Assigned Collateral shall have been deemed released, or (y) Assigned Collateral of equivalent value to any loan or advance (otherwise than by renewal or extension) from the Bank to Borrower in which Assigned Collateral a perfected Security Interest hereunder shall have been obtained contemporaneously with or most recently prior to such loan or advance.

(e) The Bank is authorized to endorse, in the name of each Assignor, any item, howsoever received by the Bank, representing any payment on or other proceeds of any of the Assigned Collateral.

SECTION 6 Agreements of Each Assignor. Each Assignor will:

(i) keep all Inventory and Equipment, unless the Bank shall otherwise consent in writing, at the locations shown in Schedule I hereto;

(ii) keep at its address shown on the signature page hereto its records concerning Intangible Collateral, which records will be of such character as will enable the Bank or any designees of the Bank to determine at any time the status thereof, and such Assignor will not, unless the Bank shall otherwise consent in writing, duplicate any such records at any other address; provided, however, that such Assignor shall be entitled to store duplicate copies of such records in Surviving Zeigler Coal's warehouse in Bellwood, Illinois so long as such warehouse does not constitute a place of business of such Assignor;

(iii) furnish the Bank such information concerning such Assignor, the Assigned Collateral and the Account Debtors as the Bank may from time to time reasonably request;

(iv) defend such Assignor's title to the Assigned Collateral against all Persons and against all claims and demands whatsoever;

(v) keep the Equipment (other than obsolete Equipment) in good repair and condition and in good working or running order;

(vi) comply in all material respects with all laws, rules and regulations relating to, and promptly pay when due all license fees, registration fees, taxes, assessments and other charges which may be levied upon or assessed against, the ownership, operation, possession, maintenance or use of the Assigned Collateral, provided, however, that such Assignor shall not be required to comply with any such law, rule or regulation, or to pay any such fee, tax, assessment or other charge, the validity of which is being contested by such Assignor in good faith by appropriate proceedings so long as forfeiture of any part of the Assigned Collateral will not result from the failure of such Assignor to comply with any such law, rule or regulation, or to pay any such fee, tax, assessment or other charge, during the period of such contest;

(vii) permit the Bank and designees of the Bank, from time to time, to inspect the Inventory and Equipment, and to inspect, audit and make copies of and extracts from all records and all other papers in the possession of such Assignor, and will, upon request of the Bank, deliver to the Bank all of such records and papers which pertain to the Assigned Collateral and the Account Debtors;

(viii) upon request of the Bank, stamp on its records concerning the Assigned Collateral (and/or enter into its computer records concerning the Assigned Collateral), a notation, in form satisfactory to the Bank, of the Security Interest created hereby;

(ix) except for the sale or lease of Inventory in the ordinary course of its business, not sell, lease, assign or create or permit to exist any Security Interest (other than any Permitted Lien) on any Assigned Collateral to or in favor of anyone other than the Bank, provided, however, that such Assignor from time to time may sell or otherwise dispose of obsolete Equipment in the ordinary course of its business;

(x) at all times keep all Inventory and Equipment insured against loss, damage, theft and other risks in the manner required by Section 6.1.5 of the Loan Agreement (and the Bank may apply any proceeds of such insurance which may be received by it toward payment of the Liabilities then due, in such order of application as the Bank may determine) and such policies or certificates thereof shall, if the Bank so requests, be deposited with the Bank;

(xi) furnish to the Bank, as soon as possible and in any event within five (5) days after the occurrence from

time to time of any change in the location of any part of the Equipment or the Inventory from the location shown in Schedule I hereto, or such other location to which such part of the Equipment or Inventory shall have been moved, and any change in the location of such Assignor (meaning a change in location of such Assignor's place of business if it has one, or a change in location of such Assignor's chief executive office if it has more than one place of business), notice in writing of such change; and

(xii) reimburse the Bank for all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Bank in seeking to collect or enforce any rights under or with respect to the Assigned Collateral.

SECTION 7 Renewals, Amendments and Other Security; Partial Releases.

(a) The Bank may from time to time, whether before or after any of the Liabilities shall become due and payable, without notice to any Assignor, (i) retain or obtain a Security Interest in any property, in addition to the Assigned Collateral, to secure payment and performance of any of the Liabilities, (ii) retain or obtain the primary or secondary liability of any Person, in addition to the Assignors, with respect to any of the Liabilities, (iii) extend or renew for any period (whether or not longer than the original period) or exchange any of the Liabilities or release or compromise any obligation of any nature of any Person with respect thereto, (iv) surrender, release or exchange all or any part of any property, in addition to the Assigned Collateral, securing payment and performance of any of the Liabilities, or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any Person with respect to any such property, and (v) resort to the Assigned Collateral for payment of any of the Liabilities whether or not it shall have resorted to any other property securing payment and performance of the Liabilities or shall have proceeded against any Person primarily or secondarily liable on any of the Liabilities.

(b) No release from the Security Interest created by this Agreement of any part of the Assigned Collateral by the Bank shall in anywise alter, vary or diminish the force, effect or Security Interest created by this Agreement against the balance or remainder of the Assigned Collateral.

SECTION 8 Grant of License to Use Intangibles. Solely for the purpose of enabling the Bank to exercise rights and

remedies hereunder at such time as the Bank, without regard to this Section 8, shall be lawfully entitled to exercise such rights and remedies, each Assignor hereby grants to the Bank an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Assignor) to use, assign, license or sublicense any of the General Intangibles, now owned or hereafter acquired by such Assignor, and wherever the same may be located, including in such license reasonable acts as to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

SECTION 9 Information. The Bank and any of the officers, employees, agents or auditors of the Bank shall have the right at reasonable intervals after the date hereof to make reasonable inquiries to any Person with respect to validity and amount or any other matter (including, without limitation, the assertion by Account Debtors of claims, offsets and counterclaims) concerning any of the Assigned Collateral, by mail, telephone, telegraph or otherwise.

SECTION 10 Event of Default.

(a) Whenever an Event of Default shall be existing, the Bank may exercise from time to time any rights and remedies available to it under the Uniform Commercial Code as in effect from time to time in Illinois or otherwise available to it under applicable law. Each Assignor agrees, upon the occurrence of an Event of Default, to assemble, at the Assignors' expense, all Inventory and Equipment at a convenient place acceptable to the Bank. Any notification of intended disposition of any item of the Assigned Collateral required by law shall be deemed reasonably and properly given if given to each Assignor having an interest in such item at least five (5) days before such disposition. Any proceeds of any disposition by the Bank of any of the Assigned Collateral may be applied by the Bank to the payment of expenses in connection with the Assigned Collateral, including attorneys' fees and legal expenses, and any balance of such proceeds may be applied by the Bank toward the payment of such of the Liabilities, and in such order of application, as the Bank may from time to time elect.

(b) Without limiting any other provision of this Agreement, whenever an Event of Default shall be existing, the Bank may enter upon any premises where the Inventory and the Equipment or any part thereof may be, and take possession of all or any part thereof; and the Bank may,

without being responsible for loss or damage, hold, store, keep idle, use, lease, operate or otherwise use or permit the use of the same or any part thereof for such time and upon such terms as the Bank may deem to be commercially reasonable, and may demand, collect and retain all hire, earnings, and all other sums due and to become due in respect of the same from any Person whomsoever, accounting only for net earnings, if any, arising from such use after charging against all receipts from the use of the same or from the sale thereof, by court proceedings or pursuant to Section 10(c) hereof or otherwise, all costs and expenses of, and damages or losses by reason of, such use or sale.

(c) Without limiting any other provision of this Agreement, whenever an Event of Default shall be existing, the Bank may enter and take possession of any part or all of the Equipment and the Inventory at any time, wherever the same may be, with or without process of law and without being responsible for loss or damage, render all or part of the Equipment and the Inventory unusable, and sell or dispose of all or any part of the Equipment and the Inventory, free from any and all claims of the Assignors or of any other party claiming by, through, or under the Assignors, at law or in equity, at one or more public or private sales in such place or places, at such time or times, and upon such terms as the Bank may fix, with or without advertisement of any such sale or other disposition.

SECTION 11 Authority of the Bank. The Bank shall have and be entitled to exercise all such powers hereunder as are specifically delegated to the Bank by the terms hereof, together with such powers as are incidental thereto. The Bank may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its duties hereunder. Neither the Bank, nor any director, officer or employee of the Bank, shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith, except for its own gross negligence or wilful misconduct. The Assignors jointly and severally agree to reimburse the Bank, on demand, for all costs and expenses incurred by the Bank in connection with the administration and enforcement of this Agreement (including costs and expenses incurred by any sub-agent employed by the Bank) and agree to indemnify and hold harmless the Bank and any such sub-agent from and against any and all liability incurred by the Bank or such sub-agent hereunder or in connection herewith, unless such liability shall be due to wilful misconduct or gross negligence on the part of the Bank or such sub-agent, as the case may be.

SECTION 12 Termination. This Agreement shall terminate when all the Liabilities have been fully paid and performed, at which time the Bank shall reassign and redeliver (or cause to be reassigned and redelivered) to the Assignors, or to such person as Surviving Zeigler Coal shall designate, against receipt, such of the Assigned Collateral (if any) as shall not have been sold or otherwise applied by the Bank pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse upon or representation or warranty by the Bank and at the joint and several cost and expense of the Assignors.

SECTION 13 Miscellaneous Provisions.

(a) The Bank shall be deemed to have exercised reasonable care in the custody and preservation of any of the Assigned Collateral in the Bank's possession if it takes such action for that purpose as any Assignor requests in writing, but failure of the Bank to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Bank to preserve or protect any rights with respect to such Assigned Collateral against prior parties, or to do any act with respect to the preservation of such Assigned Collateral not so requested by an Assignor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Assigned Collateral.

(b) Each Assignor hereby appoints the Bank, with full power of substitution, as such Assignor's attorney-in-fact for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which the Bank may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, each Assignor agrees that the Bank shall have the right and authority to make claim for, and receive and give acquittances for payment on account of, loss under any insurance policy covering the Assigned Collateral, or any part thereof, and to receive, endorse and collect all checks, drafts and other orders for the payment of money representing the proceeds of such insurance.

(c) All notices or other communications hereunder shall be given in the manner specified under Section 9.2 of the Loan Agreement and to the addresses specified on the signature pages hereof.

(d) No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

(e) No amendment to, modification or waiver of, or consent with respect to, any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed and delivered by the Bank, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(f) This Agreement has been delivered at Chicago, Illinois, and shall be construed in accordance with and governed by the internal laws of the State of Illinois. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(g) The rights and privileges of the Bank hereunder shall inure to the benefit of its successors and assigns.

(h) At the option of the Bank, this Agreement, or a carbon photographic or other reproduction of this Agreement or of any Uniform Commercial Code financing statement covering the Assigned Collateral or any portion thereof, shall be sufficient as a Uniform Commercial Code financing statement and may be filed as such.

(i) The section headings in this Agreement are inserted for convenience of reference and shall not be considered a part of this Agreement or used in its interpretation.

(j) This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed an original and all of which are identical.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

Address:

ZEIGLER COAL COMPANY

2700 River Road
Des Plaines, Illinois 60018

By Michael K. Reilly
President

Attention: President

Address:

JEFFERSON OIL AND GAS CORPORATION

2700 River Road
Des Plaines, Illinois 60018
Attention: President

By Michael K. Reilly
Title: President

Address:

ZETO INDUSTRIES, INC.

2700 River Road
Des Plaines, Illinois 60018
Attention: President

By Michael K. Reilly
Title: President

Address:

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Mining Division

By Will E. Junp
Vice President

ACKNOWLEDGMENT

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

BE IT REMEMBERED that I, L. Verne Abendroth, a Notary Public duly qualified, commissioned, sworn and acting in and for the County and State aforesaid, hereby certify that, on this 31st day of January, 1985, there appeared before me severally each of the following persons, each being either the designated officer of the corporation or association set opposite his name, and each such corporation and association being a party to the foregoing instrument:

Michael K. Reilly, the President, of Zeigler Coal Company, an Illinois corporation, whose address is 2700 River Road, Des Plaines, Illinois 60018;

Michael K. Reilly, the President, of Jefferson Oil and Gas Corporation, an Illinois corporation, whose address is 2700 River Road, Des Plaines, Illinois 60018;

Michael K. Reilly, the President, of Zeto Industries, Inc., an Illinois corporation, whose address is 2700 River Road, Des Plaines, Illinois 60018;

Neil E. Fund, Vice President, of Continental Illinois National Bank and Trust Company of Chicago, a national banking association, whose address is 231 South LaSalle Street, Chicago, Illinois 60697.

The foregoing instrument was acknowledged before me this day by said person as the designated officer of the corporation or association set opposite their names on behalf of said corporation or association.

L. Verne Abendroth
Notary Public
(SEAL)

My commission expires:

My Commission Expires October 4, 1988