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FILE NUMBER

DIRECT DIAL

RECORDATION NO. 1 5134 Filed & Recorded

DEC 23 1986 2- 3 5 PM

INTERSTATE COMMERCE COMMISSION

December 23, 1986

Ms. Noretta R. McGee, Secretary
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

P.A. McGee
Date: 12/23/86
Fee: 10.00
CC Washington, D.C.

Dear Ms. McGee:

Enclosed are the original, two counterparts and two copies of the document described below to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

This document is a Security Agreement, a primary document, dated December 16, 1986, and executed by J.L. Industries, Inc. for the benefit of First Illinois Bank of Arlington Heights. The names and addresses of the parties to the document are as follows:

Secured Party: First Illinois Bank of Arlington Heights
311 South Arlington Heights Road
Arlington Heights, Illinois 60010

Debtor: J.L. Industries, Inc.
200 Applebee Street
Barrington, Illinois 60010

The equipment consists of 5 used E.M.D. Locomotives identified by the road numbers and serial numbers listed on Exhibit A to the Security Agreement. For your convenience, a copy of Exhibit A is attached to this letter.

A fee of \$10.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the person presenting this letter with the enclosures.

A short summary of the documents to appear in the index is as follows:

Security Agreement between First Illinois Bank of Arlington Heights, 311 South Arlington Heights Road,

Candyman

KECK, MAHIN & CATE

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Arlington Heights, Illinois 60010 and J.L. Industries,
Inc., 200 Applebee Street, Barrington. Illinois 60010,
dated December 16. 1986 and covering 5 locomotives.

Very truly yours.

A handwritten signature in black ink, appearing to read "William L. Rawson", with a long, sweeping horizontal stroke extending to the right.

William L. Rawson

Counsel for First Illinois Bank
of Arlington Heights

(875/FF)

DEC 23 1986 2:35 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of the 16th day of December, 1986, by J.L. INDUSTRIES, INC. ("Debtor"), a Rhode Island corporation, with its principal place of business located at 200 Applebee Street, Barrington, Illinois 60010, for the benefit of FIRST ILLINOIS BANK OF ARLINGTON HEIGHTS ("Secured Party"), an Illinois banking corporation with an office located at 311 South Arlington Heights Road, Arlington Heights, Illinois 60005.

WITNESSETH:

WHEREAS, Debtor has entered into a Loan and Security Agreement with Secured Party dated as of December 16, 1986 (the "Loan Agreement") pursuant to which Secured Party has agreed to make certain loans and advances to Debtor in accordance with the terms and provisions contained therein;

WHEREAS, Debtor has issued to Secured Party its promissory note of even date herewith payable as provided therein and in the Loan Agreement (the "Note").

NOW THEREFORE, in consideration of the terms and conditions contained herein and in the Loan Agreement, and of any extension of credit heretofore, now or hereafter made by Secured Party to Debtor, Debtor agrees as follows:

1. CREATION OF SECURITY INTEREST; COLLATERAL. For value received, Debtor, hereby grants to Secured Party a security interest in the locomotives described on Exhibit A attached hereto and made a part hereof and all accessions to, substitutions for and all replacements, products and proceeds of the foregoing, including without limitation proceeds of insurance policies insuring the foregoing (collectively, the "Collateral").

2. OBLIGATIONS. The security interest granted hereby is given to secure the payment of the Note and any and all other "Liabilities" (as defined in the Loan Agreement).

3. WARRANTIES. Debtor represents and warrants as follows: (a) Debtor is duly organized and existing under the laws of State of Rhode Island and is duly qualified and in good standing in Illinois and each other jurisdiction in which the failure to be so qualified would have a material adverse effect on Debtor; (b) the execution, delivery and performance hereof are within Debtor's corporate powers, have been duly authorized, are not in contravention of law or the terms of Debtor's Certificate of Incorporation, Bylaws or of any indenture, agreement or undertaking to which Debtor is party or by which it is bound; (c) except for the security interest granted hereby Debtor is, or, as to Collateral to be acquired after the date hereof, will be, the owner of the Collateral free from any adverse lien, security

interest or encumbrance; and Debtor agrees that it will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

4. INSPECTION OF COLLATERAL AND RECORDS. Debtor shall at all reasonable times and from time to time allow Secured Party, by or through any of its officers, agents, attorneys or accountants, to examine and inspect the Collateral and to examine and inspect and make extracts from Debtor's books and records.

5. MAINTENANCE OF COLLATERAL. Debtor will maintain or cause the Collateral to be maintained in a state of repair, working order and condition at least as good as the Collateral is in as of the date hereof and will make or cause to be made all appropriate repairs, renewals and replacements thereof.

6. FURTHER ASSURANCE. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party may require, to more completely vest in and assure to Secured Party its rights hereunder and in or to the Collateral.

7. PRESERVATION AND DISPOSITION OF COLLATERAL. Debtor will keep the Collateral free from any adverse lien, security interest, or encumbrance and will not sell, lease or otherwise dispose of the Collateral without the prior written consent of Secured Party.

8. EVENTS OF DEFAULT. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions: (a) Debtor fails to pay the principal of or interest on the Note or any other of the Liabilities when due and payable or declared due and payable; or (b) an Event of Default occurs under the Loan Agreement.

9. ACCELERATION; RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any such event of default, and at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable, and shall have the rights and remedies of a secured party under the Uniform Commercial Code, in addition to the rights and remedies provided herein, in the Loan Agreement or in any other agreement by and between Debtor and Secured Party. Debtor shall pay to Secured Party on demand any and all expenses, including legal expenses and reasonable attorneys' fees, incurred or paid by Secured Party in protecting or enforcing the obligations and other rights of Secured Party hereunder, and such expenses shall be one of the obligations hereby secured.

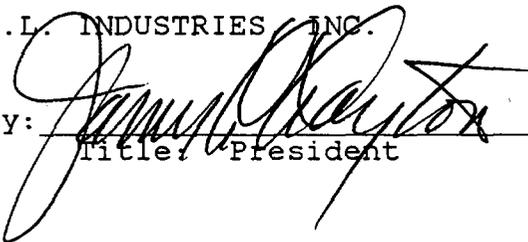
10. ADDITIONAL SECURITY. Any and all instruments, documents, policies and certificates of insurance, securities, goods, accounts receivable, choses in action, chattel paper, cash, property and the proceeds thereof (whether or not the same are Collateral hereunder) owned by Debtor or in which Debtor has

an interest, which now or hereafter are at any time in the possession or control of Secured Party, shall constitute additional security for the obligations hereby secured and may be applied at any time to said obligations which are then due whether by acceleration or otherwise.

11. GENERAL. Secured Party shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All of Secured Party's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind its successors and assigns. The unenforceability or invalidity of any one or more provisions, clauses or sentences hereof shall not render any other provision, clause or sentence herein contained unenforceable or invalid. This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the law of the State of Illinois. This Agreement shall constitute an "Other Agreement" as defined in the Loan Agreement.

IN WITNESS WHEREOF, Debtor has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

J. L. INDUSTRIES, INC.

By: 

Title: President

(Affix Corporate Seal)

(889/K)

EXHIBIT A

<u>Description</u>	<u>Road #</u>	<u>Serial #</u>	<u>Date Built</u>
E.M.D. Locomotive	3230	34694	November, 1968
E.M.D. Locomotive	3238	34702	December, 1968
E.M.D. Locomotive	3240	34704	December, 1968
E.M.D. Locomotive	3243	34707	December, 1968
E.M.D. Locomotive	3252	34716	December, 1968
E.M.D. Locomotive	3256	34720	December, 1968

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this 16th day of December, 1986, before me personally appeared James L. Layton, to me personally known, who being by me duly sworn says that he is the President of J.L. Industries, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Carol Lynn Jung

Notary Public

My commission expires:

February 7, 1990

(889/K)