

Portec Lease Corp.
300 Windsor Drive
Oak Brook, Illinois 60521

Telephone 312 920-4600



PORTEC

RECORDATION NO. 13431
FORM 1425

JAN 13 1982 -1 00 PM

January 12, 1982

INTERSTATE COMMERCE COMMISSION

2-013A043

Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, DC 20423

No. _____
Date **JAN 13 1982**
Fee \$ 50.00
ICC Washington, D. C.

JAN 13 1982
12 00 PM '82

Dear Ms. Mergenovich:

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and five counterparts of a Security Agreement dated as of July 15, 1981. This Security Agreement is a primary document.

A general description of the railroad cars covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

The names and addresses of the parties to the Security Agreement are as follows:

Debtor:	Portec Lease Corp. 300 Windsor Drive Oak Brook, Illinois 60521
Secured Party:	Aetna Life Insurance Company 151 Farmington Avenue Hartford, Connecticut 06156

The undersigned is the Debtor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and four copies of the Security Agreement to Gary Green, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

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

Chapman and Cutler - G. T. Kappeler



PORTEC

Security Agreement between Portec Lease Corp., as Debtor, 300 Windsor Drive, Oak Brook, Illinois 60521, and Aetna Life Insurance Company, as Secured Party, 151 Farmington Avenue, Hartford, Connecticut 06156 covering 85 covered hopper cars.

Very truly yours,

PORTEC LEASE CORP.

By



Its Secretary

DEBTOR AS AFORESAID

Enclosures

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Mark and Numbers (both inclusive)</u>	<u>Purchase Price of Equipment</u>
85	100-ton 3,000 cubic foot capacity center discharge covered hopper cars Manufactured by Portec, Inc.	IMCX 11600 through IMCX 11684, both inclusive	\$37,500 per Item (\$3,187,500 for 85 Items)

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

January 13, 1982

Gary Green, Esq.
Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

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 1/13/82 at 1:00PM , and assigned re-
recording number(s). 13431

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. 13431

JAN 13 1982 -1 00 PM
INTERSTATE COMMERCE COMMISSION

Matter No. 34528-0

SECURITY AGREEMENT

Dated as of July 15, 1981

FROM

PORTEC LEASE CORP.

DEBTOR

TO

AETNA LIFE INSURANCE COMPANY

SECURED PARTY

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ATTACHMENTS TO SECURITY AGREEMENT:

- EXHIBIT A -- Permitted Form of Subordinated Provisions
to be Contained in Subordinated Debt of
Portec Lease Corp.
- APPENDIX 1 -- Description of Equipment
- APPENDIX 2 -- Description of Lease Agreements

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of July 15, 1981 (the "Security Agreement") from PORTEC LEASE CORP., a Delaware corporation (the "Debtor"), whose post office address is 300 Windsor Drive, Oak Brook, Illinois 60521, to AETNA LIFE INSURANCE COMPANY, whose post office address is 151 Farmington Avenue, Hartford, Connecticut 06156, Attention: Bond Investment Department (the "Secured Party").

RECITALS:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 6 unless elsewhere defined or the context shall otherwise require.

B. The Debtor is the owner of the 85 covered hopper cars described in Appendix 1 hereto (collectively, the "Equipment" and individually an "Item" or "Item of Equipment") manufactured by Portec, Inc., a Delaware corporation (in such capacity being hereinafter referred to as the "Manufacturer").

C. The Debtor has entered into a Note Agreement dated as of July 15, 1981 (the "Note Agreement") with the institutional investor named therein (the "Purchaser"), providing for the commitment of the Purchaser to purchase on or before January 31, 1982 the 15% Secured Notes due 1982-1997 (the "Notes") of the Debtor in the principal of \$2,305,926, such Notes to be expressed to bear interest at the rate of 15% per annum prior to maturity and to mature in one installment of interest only payable on February 1, 1982, followed by 180 substantially equal monthly installments, including principal and interest, payable on March 1, 1982, and on the first day of each calendar month thereafter, with a final installment of all unpaid principal and accrued interest payable on February 1, 1997, and to be otherwise substantially in the form attached as Exhibit A to the Note Agreement.

D. The Notes and all principal thereof 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 Note Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

E. All of the requirements of law have been fully complied with and 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.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party 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 Note Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the Equipment described in Appendix 1 hereto, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, 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 Equipment, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease described in Appendix 2 hereto (the "Initial Lease") with the Lessee named therein (the "Initial Lessee"), and all rents and other sums due and to become due thereunder, including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Initial Lease including, without limitation:

(a) the immediate and continuing right to receive and collect all rental, casualty value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Debtor, as lessor, under the Initial Lease pursuant thereto; provided, however, that (i) so long as no Default or Event of Default shall have occurred and be continuing, the Debtor shall be entitled to collect and receive all such sums and (ii) in the event that a Default or Event of Default shall have occurred and is continuing, all such payments shall be made directly to the Secured Party, and the Debtor covenants and agrees that it will notify the Initial Lessee of such assignment and direct the Initial Lessee to make all such payments of such rental and other sums due and to become due to the Secured Party;

(b) the right to make all waivers and agreements and to enter into any amendments relating to the Initial Lease or any provision thereof; and

(c) the right to take such action upon the occurrence of an event of default under the Initial Lease or an event which, with the lapse of time or the giving of notice, or both, would constitute an event of default under the Initial Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Initial Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Initial Lease;

it being the intent and purpose hereof that the assignment and transfer to the Security Trustee of said rents and other sums due and to become due under the Initial Lease shall be effective and operative immediately and continue in full force and effect and the Secured Party shall have the right to collect and receive said rents and other sums 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.

1.3. Limitations to Security Interest. The security interest granted by this Security Agreement is subject to Permitted Encumbrances.

1.4. Assignment of Leases as Collateral Security. The assignment of and grant of a security interest in the Initial Lease made pursuant to this Security Agreement shall not in any way impair or diminish any obligations of the Debtor, as lessor, under the Initial Lease nor impair, affect or modify any of the terms and conditions of the Notes, the Note Agreement, this Security Agreement or the Tax Sharing Agreement, nor shall any of such obligations be imposed upon the Secured Party or any of the holders of the Notes. Without limiting the generality of the foregoing, the Secured Party shall not be obligated to perform or discharge, nor does the Secured Party hereby undertake to perform or discharge, any obligation, duty or liability under the Initial Lease and the Debtor shall, and does hereby agree, to indemnify the Secured Party and the holders of the Notes for, and to hold the Secured Party and such holders harmless from, any and all liability, loss or damage which may or might be asserted against the Secured Party or any of the holders of the Notes by reason of any alleged obligations or undertakings on its or their part to perform or discharge any of the terms, covenants or agreements contained in the Initial Lease.

1.5. Duration of Security Interest. The Secured Party, its successors 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 Note Agreement 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 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

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 Note 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 Note Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party 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 whomsoever. Without limiting the foregoing, there is no financing statement or other instrument giving notice of any security interest in which the Debtor is named as or which the Debtor has filed, as debtor, now on file in any public office covering any of the Collateral, excepting the financing statements and other instruments filed or to be filed in respect of and for the security interest provided for herein.

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. The Secured Party may at any time file financing statements with respect to the Collateral without the signature of the Debtor.

2.4. After-Acquired Property. Any and all Collateral described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, 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.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Initial 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 Secured Party hereunder, and will at its own expense furnish to the Secured Party 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 (or a financing statement in respect thereof), 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, and stating the requirements of applicable law with respect to the re-recording or re-filing of this Security Agreement and of each supplemental security agreement (or continuation statements or similar notice thereof to the extent permitted or required by applicable law) prior to the final maturity date of the Notes in order to maintain the lien and security interest granted thereunder in full force and effect as against creditors of and purchasers from the Debtor. On July 1, 1982 and on each July 1 thereafter the Debtor will furnish to the Secured Party, an Officer's Certificate satisfactory to the Secured Party as to the status of the filing or recordation, re-filing or re-recordation of the Security Agreement and all supplements, financing statements and other documents relating thereto and, stating what action, if any, has been taken or will be taken to comply with the provision of this Section 2.5.

2.6. Modification of the Initial Lease. The Debtor will not:

(a) declare a default or exercise the remedies under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification, surrender or termination of, the Initial Lease or by affirmative act consent to the creation or existence of any security interest or other Lien (other than the security interest and Lien of this Security Agreement) to secure the payment of Debt upon the leasehold estate created by the Initial Lease or any part thereof or any other interest of the Debtor in the Initial Lease;

(b) except as permitted by Section 1.2 hereof, receive or collect or permit the receipt or collection of any payment under the Initial Lease prior to the

date for payment thereof provided for by the Initial Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any payment then due or to accrue in the future under the Initial Lease in respect of the Equipment or otherwise; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Initial Lease or in any Item of Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment. Notwithstanding Section 2.6(a) above, so long as no Default or Event of Default hereunder shall have occurred and be continuing, the Debtor may, upon receipt by the Secured Party of prior written notice specifying the actions to be taken by the Debtor, enforce all rights and exercise all remedies available to it under the Initial Lease in the event of a default thereunder by any lessee; provided, however, that: (i) no such exercise of rights or remedies shall in the reasonable opinion of the Secured Party affect adversely the security interest granted to the Secured Party in the Collateral, (ii) any amounts received pursuant to the exercise of such rights and remedies shall be applied as required by this Security Agreement, (iii) the Debtor shall indemnify and hold harmless the Secured Party from any loss, liability or expense resulting from such actions of the Debtor, and (iv) any such actions shall be at the sole cost and expense of the Debtor.

2.7. Power of Attorney in Respect of the Initial Lease.

The Debtor does hereby irrevocably constitute and appoint the Secured Party, 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 rents, income and other sums which are assigned under Sections 1.1 and 1.2 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 Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting a default or event of default under the Initial Lease or of any Default or Event of Default hereunder if the Debtor has actual knowledge of such event or condition.

2.9. Maintenance. (a) The Debtor will, and will cause each Subsidiary to, maintain its Properties in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto.

(b) Without limiting the provisions of Section 2.9(a) hereof, the Debtor agrees that it will maintain and keep each Item of Equipment (including any parts installed or replacements made to any Item and accessions thereto) in good operating order, repair and condition and eligible for railroad interchange in accordance with the Interchange Rules of the Association of American Railroads and in full compliance with any applicable laws, rules, regulations or standards which may be promulgated by the Department of Transportation, the Federal Railway Administration, the Interstate Commerce Commission or other applicable regulatory body or any successor, agency or party thereto, any insurance company insuring such Item, and any higher standards as required by any Lease of such Item of Equipment.

(c) Anything in this Section 2.9 to the contrary notwithstanding, in the case of any Equipment under lease to the Initial Lessee, an undertaking by the Initial Lessee to maintain such Equipment substantially in form and substance as currently in effect pursuant to Section 7 of the Lease described in Appendix 2 hereto shall constitute compliance by the Debtor with its undertaking in this Section 2.9 in respect of such Equipment so long as, to the knowledge of the Debtor, the Initial Lessee is not in default in respect of such maintenance obligation.

2.10. Marking of Equipment. The Debtor will cause each Item of Equipment to be kept numbered with the identifying number set forth in Appendix 1 hereto, and will use its best efforts to keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each item, in letters not less than one inch in height, the words, "LEASED FROM PORTEC LEASE CORP., AS LESSOR, AND SUBJECT TO A SECURITY INTEREST RECORDED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated or approved by the Secured Party, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Secured Party's security interest in such Item and the rights of the Secured Party under this Security Agreement under the laws of the United States of America. The Debtor will not place or permit such item to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will promptly replace or cause to be replaced any such name or words which may be removed, defaced, obliterated or destroyed. The Debtor will not change or authorize to be changed the identifying number of any Item of Equipment unless and until (a) a statement of new number or numbers to be substituted therefor shall have been filed with the Secured Party and filed, recorded and deposited by the Debtor in all public offices where the Security Agreement shall have been filed, recorded and deposited and (b) the Debtor

shall have furnished to the Secured Party an Opinion of Counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Secured Party's security interest in such Item of Equipment and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interest of the Secured Party in such Item of Equipment under the laws of the United States of America.

Except as provided in this Section 2.10, the Debtor will not authorize the name of any Person to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Debtor may authorize the Equipment to be lettered with the names, trademarks, initials or other insignias customarily used by a Lessee or its Affiliates on railroad equipment used by it of the same or similar type for convenience of identification of its right to use the Equipment under a Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of such Lessee therein.

2.11. Insurance of Equipment. (a) The Debtor will, and will cause each Subsidiary to, maintain, with financially sound and reputable insurers, insurance with respect to its Properties and business against such casualties and contingencies, of such types (including public liability insurance) and in such amounts as is customary in the case of corporations of established reputations engaged in the same or a similar business and similarly situated.

(b) Without limiting the provisions of Section 2.11(a) hereof, except to the extent provision is hereafter made for insurance coverage to be provided by the Initial Lessee, the Debtor will at all times during the period that any indebtedness hereby secured is outstanding cause to be carried and maintained in respect of the Equipment (which obligation may be met through the Initial Lessee's agreement to maintain insurance coverage substantially as currently provided in Section 7 of the Initial Lease) property and casualty insurance and public liability insurance against the risks and in the amounts customarily insured against by owners of similar equipment. Without limiting the foregoing, such insurance policy shall provide coverage at least equal to the following:

(i) with respect to public liability insurance, coverage of not less than \$5,000,000 for any one occurrence; and

(ii) with respect to casualty insurance, coverage in amounts which are at all times at least equal to the Casualty Value (as defined in Section 4.1 hereof) of any Item; provided that if the Casualty Value of all Items at any given time is less than what the deductible would be for the amounts customarily insured against

by companies in similar financial condition and engaged in a business similar to that of the Debtor on similar equipment owned by them, then no casualty insurance need be carried.

The proceeds of policies required to be maintained pursuant to this Section shall be payable to the Debtor and the Secured Party as their interests may appear. Any policies of insurance carried in accordance with this Section shall (A) require 30 days prior notice of cancellation or material change to the Secured Party, (B) name the Secured Party as an additional named insured in the case of public liability insurance and as the sole loss payee pursuant to a lender's loss payable clause acceptable to the Secured Party in the case of casualty insurance, (C) insure the interest of the Secured Party regardless of any breach or violation by the Debtor of any warranties, declarations or conditions contained in any such policy and (D) provide that all provisions of such policies, except limits of liability, will operate in the same manner as if there were a separate policy covering each insured. No such policy shall require coinsurance or assume any contracted coverage for whatever reason.

2.12. Taxes and Claims. (a) The Debtor will, and will cause each Subsidiary to, pay, before they become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or its Property and all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons, which, if unpaid, might result in the creation of a Lien upon its Property, provided that items of the foregoing description need not be paid while being contested in good faith and by appropriate proceedings and, provided, further, that adequate book reserves have been established with respect thereto and that the owing company's title to, and its right to use its Property is not materially adversely affected thereby.

(b) Without limiting the provisions of Section 2.12(a) hereof, the Debtor shall promptly pay and discharge all personal property taxes and other taxes, charges, assessments and levies of whatever kind or nature imposed upon or against the Equipment subject hereto or upon or with respect to the use or operation thereof which if unpaid might become a Lien upon or against any of the Equipment or any part thereof, or the Debtor's interest in the Initial Lease or the payments due or to become due thereunder, or any part thereof.

(c) Without limiting the provisions of Section 2.12(a) hereof, the Debtor will not directly or indirectly create, permit or suffer to be created or to remain, and will pay or discharge any and all claims made by any Person arising from, through or under the Debtor, its successors or assigns which, if unpaid might become a Lien on or with respect to any Item of Equipment or any part thereof subject hereto, or the Debtor's interest in the Equipment or in the Initial Lease or the payment due and to become due thereunder or any part thereof, other than Permitted Encumbrances, and will promptly discharge any such Lien which arises.

(d) The Debtor shall not be required to pay or discharge any tax, charge, assessment, claim or Lien or other encumbrance of the character described in clause (b) or (c) of this Section 2.12 so long as: (a) the validity thereof shall be tested in good faith and by appropriate proceedings, (b) prompt notice of such contest is given to the Secured Party, (c) the nonpayment or non-discharge of such tax, charge, assessment, claim or Lien does not materially adversely affect the interest of the Debtor or the security interest or rights of the Secured Party in or to the Equipment or the proceeds thereof or any other rights of the Secured Party under this Security Agreement or in and to the Leases and the payments due or to become due thereunder and (d) the Debtor shall have furnished the Secured Party an Opinion of Counsel to the effect set forth in clause (c) of this paragraph.

2.13. Compliance with Laws and Rules. (a) The Debtor will, and will cause each Subsidiary to, not be in violation of any laws, ordinances or governmental rules and regulations to which it is subject and will not fail to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Properties or to the conduct of its business which violation or failure to obtain might materially adversely affect the business, prospects, profits, Properties or condition (financial or otherwise) of the Debtor and its Subsidiaries.

(b) Without limiting the provisions of Section 2.13(a) hereof, the Debtor agrees to comply, and to cause each lessee under a Lease to comply, in all respects (including without limitation, with respect to the use, maintenance and operation of each Item of Equipment) with laws, rules, regulations and ordinances of the jurisdictions in which its operations involving the Items of Equipment may extend, including without limitation the Interchange Rules of the Association of American Railroads and with all rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over any Item of Equipment, to the extent that such laws, rules, regulations and ordinances affect the title, operation or use of the Items of Equipment, and in the event that such laws, rules, regulations or ordinances require any alteration, replacement, modification or addition of or to any part of any Item of Equipment (a "Required Alteration"), the Debtor will fully conform therewith and perform or cause to be performed any such Required Alteration by any required date of compliance; provided, however, that the Debtor shall not be required to comply with any such law, rule, regulation or ordinance so long as (a) the validity thereof shall be contested in good faith by appropriate proceedings, (b) prompt notice of such contest is given to the Secured Party, (c) such contest does not materially adversely affect the interest of the Debtor or the security interest or rights of the Secured Party in or to the Equipment or proceeds thereof or any other rights of the Secured Party under this Security Agreement or in and to the Initial Lease and the payments due or to become due thereunder and (d) the Debtor shall have furnished

the Secured Party an Opinion of Counsel to the effect set forth in clause (c) of this paragraph.

2.14. Maintenance of Initial Lease. The Debtor will maintain the validity and effectiveness of the Initial Lease to the extent of its obligations under the Initial Lease. The Debtor will punctually perform all obligations, covenants and agreements by it to be performed under any of the Initial Lease, strictly in accordance with the terms thereof, and will, if directed by the Secured Party, diligently enforce the rights of the lessor under the Initial Lease in accordance with its respective terms and will take such action to that end in the manner as from time to time may be directed by the Secured Party. If the Initial Lessee shall fail to perform any act required to be performed thereunder or shall otherwise default in any of its obligations thereunder, the Debtor will give notice of such failure or default to the Secured Party promptly after obtaining knowledge thereof. Except as permitted by Section 2.6(c) hereof, the Debtor will not (a) discharge or terminate the Initial Lease or consent or accept or permit any discharge or termination thereof, (b) amend, modify or otherwise change any term thereof, (c) give any waiver or consent or approval thereunder, or (d) take any other action in connection therewith if it shall not have received the written approval of the Secured Party.

2.15. Possession of Equipment; Leases. (a) So long as an Event of Default shall not have occurred and be continuing, and subject to the rights of the Initial Lessee, if any, under the Initial Lease, the Debtor shall be entitled to the possession and use of the Equipment in accordance with the terms hereof, and may also lease to others all or part of the Equipment pursuant to Leases, but only upon and subject to the terms and conditions of this Security Agreement and subject to the rights of the Security Trustee hereunder; provided that the Debtor shall use the Equipment only within the continental United States and in connection with occasional service in Canada so long as such service in Canada does not involve regular operation and maintenance outside the continental United States, but no use in Canada shall be permitted until recordation and filing pursuant to Section 2.5 hereof has been completed in respect of the Province of Ontario and an appropriate Opinion of Counsel is rendered in connection therewith and no such usage outside such Province shall be commenced except in each case after prior written notice of such proposed use from the Debtor or, so long as the Initial Lessee shall continue to lease the Equipment, from the Initial Lessee.

(b) The term "Lease" as used herein shall mean any present or future lease (other than the Initial Lease) of all or any part of the Equipment made by the Debtor which lease or leases shall be expressly subject and subordinate to the rights of the Secured Party hereunder and shall include the following clause: "It is understood that some of the cars furnished the Lessee under this agreement are subject to the terms of a Security Agreement or

similar security arrangement filed with the Interstate Commerce Commission. Lessee agrees that the cars may be stencilled or marked to indicate the rights of the security holder under such security arrangement and that this agreement and Lessee's rights hereunder are and shall be at all time subject and subordinate to any and all rights of any security holder under such security arrangement".

2.16. Equipment Reports. On or before May 1 of each year commencing with the calendar year 1982 the Debtor will furnish the Secured Party an accurate statement (a) setting forth as at the previous December 31 the amount, description and numbers of all Items of Equipment that have suffered a Casualty Occurrence (as defined in Section 4.1 hereof) and the numbers of all Items that have suffered a Casualty Occurrence during the preceding calendar year (specifying the dates of such Casualty Occurrences) or to the knowledge of the Debtor are then undergoing repairs (other than running repairs) or are then withdrawn from use pending repairs (other than running repairs) and such information regarding the condition and state of repair of the Items as the Secured Party may reasonably request, (b) stating that in the case of all Items repainted or repaired to the Debtor's knowledge during the period covered by such statement, the numbers and markings required by Section 2.10 hereof have been preserved or replaced and (c) describing all Leases relating to the Equipment, the lessees under such Leases and the Items of Equipment leased under each of such Leases.

2.17. Financial and Business Information. (a) The Debtor will deliver to each institutional holder of the then outstanding Notes known to the Debtor:

(1) Quarterly Statements - as soon as practicable after the end of each quarterly fiscal period in each fiscal year of the Debtor, and in any event within 45 days thereafter, duplicate copies of:

(A) a consolidated balance sheet of the Debtor and its Restricted Subsidiaries as at the end of such quarter, and

(B) consolidated statements of income and of surplus of the Debtor and its Restricted Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail and certified as complete and correct, subject to changes resulting from year-end adjustments, by a principal financial officer of the Debtor;

(ii) Annual Statements - as soon as practicable after the end of each fiscal year of the Debtor, and in any event within 90 days thereafter, four copies of:

(A) a consolidated balance sheet of the Debtor and its Restricted Subsidiaries at the end of such year, and

(B) consolidated statements of income and of surplus of the Debtor and its Restricted Subsidiaries for such fiscal year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an opinion thereon of Price Waterhouse & Co. or other independent certified public accountants of recognized national standing selected by the Debtor, which opinion shall state that such financial statements fairly present the financial condition of the companies being reported upon, have been prepared in accordance with generally accepted accounting principles consistently applied (except for changes in application in which such accountants concur) and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(iii) Audit Reports - promptly upon receipt thereof, one copy of each report relating to the financial condition of the Debtor or any Subsidiary submitted to the Debtor or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Debtor or any Subsidiary;

(iv) SEC and Other Reports - promptly upon their becoming available one copy of each financial statement, report, notice or proxy statement sent by the Debtor or any Subsidiary to stockholders generally, and of each regular or periodic report and any registration statement, prospectus or written communication relating to the financial condition of the Debtor or any Subsidiary (other than transmittal letters) in respect thereof filed by the Debtor or any Subsidiary with any securities exchange or with the Securities and Exchange Commission or any successor agency and copies of any orders in any proceedings to which the Debtor or any Subsidiary is a party issued by such Commission, agency or exchange;

(v) ERISA - immediately upon becoming aware of the occurrence of any (A) "reportable event", as such term is defined in Section 4043 of ERISA, or (B) "prohibited transaction", as such term is defined in Section 4975 of the

Internal Revenue Code of 1954, as amended, in connection with any Pension Plan or any trust created thereunder, a written notice specifying the nature thereof, what action the Debtor is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto;

(vi) Notice of Default or Event of Default - immediately upon becoming aware of the existence of any condition or event which constitutes a Default or an Event of Default a written notice specifying the nature and period of existence thereof and what action the Debtor is taking or proposes to take with respect thereto;

(vii) Notice of Claimed Default - immediately upon becoming aware that the holder of any Note or of any evidence of Debt or other Security of the Debtor or any Subsidiary has given notice or taken any other action with respect to a claimed default or Event of Default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or Event of Default and what action the Debtor is taking or proposes to take with respect thereto; and

(viii) Requested Information - with reasonable promptness, such other data and information as from time to time may be reasonably requested by the holder of any Note.

(b) Officer's Certificates. Each set of financial statements delivered to the Purchaser, the Security Trustee, any institutional holder of the Notes known to the Debtor pursuant to Section 2.17 will be accompanied by an Officer's Certificate setting forth:

(i) Portec, Inc. Contribution - the information (including detailed calculations) required in order to establish whether any capital contribution or loan is required to be made by Portec, Inc. pursuant to the terms of the Portec, Inc. Agreement as of the close of the period covered by the income statement then being furnished; and

(ii) Event of Default - that the signer has reviewed the relevant terms of this Security Agreement, the Note Agreement, the Tax Sharing Agreement and the Portec, Inc. Agreement and has made, or caused to be made, under his supervision, a review of the transactions and conditions of the Debtor and its Subsidiaries from the beginning of the accounting period covered by the income statements being delivered therewith to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event which constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Debtor has taken or proposes to take with respect thereto.

(c) Accountants' Certificate. Each set of annual financial statements delivered pursuant to Section 2.17(a)(ii) will be accompanied by a certificate of the accountants who certify such financial statements, stating that they have reviewed this Security Agreement, the Note Agreement, the Tax Sharing Agreement and the Portec, Inc. Agreement and stating further, whether, in making their audit, such accountants have become aware of any condition or event which then constitutes a Default or an Event of Default and, if any such condition or event then exists, specifying the nature and period of existence thereof.

(d) Inspection. The Debtor will permit any representatives of any institutional holder of the Notes, at such holder's expense, to visit and inspect any of the Properties of the Debtor or any Subsidiary, to examine all their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (and by this provision the Debtor authorizes said accountants to discuss the finances and affairs of the Debtor and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested.

2.18. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its existence, rights and franchises, except as otherwise permitted by Section 2.24 hereof.

2.19. Payment of Notes and Maintenance of Office. The Debtor will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of the Notes according to the terms thereof and will maintain an office in the State of Illinois where notices, presentations and demands in respect of this Agreement, the Note Agreement or the Notes may be made upon it. Such office shall be maintained at 300 Windsor Drive, Oak Brook, Illinois 60521, until such time as the Debtor shall so notify the holders of the Notes of which it has knowledge of any change of location of such office.

2.20. Compliance with and Modification of Tax Sharing Agreement. The Debtor will at all times comply and require Portec, Inc. to comply with all of the terms and provisions of the Tax Sharing Agreement required to be performed and will not permit the happening of any event which might give rise to termination of the Tax Sharing Agreement. Without the prior written consent of the holders of not less than 51% in principal amount of the Notes, the Debtor will not modify, amend, supplement or in any way alter, or cause or permit to be modified, amended, supplemented or in any way altered, any of the provisions of the Tax Sharing Agreement and without the prior written consent of the holders of all the Notes, the Debtor will not terminate or annul or cause or permit to be terminated or annulled any of the provisions of such Agreement.

2.21. Nature of Business. The Debtor will, and will cause each of its Restricted Subsidiaries to, remain primarily in the business of manufacturing, purchasing, selling, leasing, financing, repairing, maintaining, and servicing railcars and related equipment, construction equipment and other industrial products.

2.22. Acquisition of Notes. Neither the Debtor nor any Restricted Subsidiary nor any Affiliate will, directly or indirectly, make any offer to acquire any Notes unless the Debtor or such Restricted Subsidiary or Affiliate has offered to acquire Notes, pro rata, from all holders of the Notes and upon the same terms. In case the Debtor acquires any Notes, such Notes shall thereafter be cancelled and no Notes shall be issued in substitution therefor.

2.23. Tax Consolidation. The Debtor will not file or consent to the filing of any consolidated Federal income tax return with any Person other than a Restricted Subsidiary; provided, however, that so long as the Debtor and Portec, Inc. continue to be parties to the Tax Sharing Agreement the Debtor may file a consolidated Federal income tax return with Portec, Inc. and subsidiaries of Portec, Inc.

2.24. Merger and Consolidation. The Debtor will not consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it (except that a Restricted Subsidiary may consolidate with or merge into the Debtor or another Restricted Subsidiary); provided that the foregoing restriction does not apply to the merger or consolidation of the Debtor with another corporation if:

(a) the corporation which results from such merger or consolidation (the "surviving corporation") is organized under the laws of the United States or a jurisdiction thereof and has substantially all of its assets in the United States;

(b) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants in the Notes, this Agreement, the Note Agreement and the Tax Sharing agreement to be performed or observed by the Debtor, are expressly assumed in writing by the surviving corporation;

(c) after giving effect to the proposed merger or consolidation, the surviving corporation will be engaged in substantially the same lines of business as described in Section 2.21 hereof; and

(d) immediately after the consummation of the transaction, and after giving effect thereto, no Default or Event of Default would exist.

2.25. Distribution and Subordinated Debt Payments. The Debtor will not declare or make or incur any liability to make any Distribution in respect of the capital stock of the Debtor or repay any loan made pursuant to Section (B)(5) of the Portec, Inc. Agreement unless, immediately after giving affect to the proposed Distribution or repayment of loan, no additional contribution or loan would be required under Section (B)(5) of the Portec, Inc. Agreement.

SECTION 3. RELEASE OF PROPERTY.

3.1. Release of Property. So long as no Event of Default hereunder has occurred and is continuing the Secured Party shall execute a release in respect of any Item of Equipment designated by the Debtor as having suffered a Casualty Occurrence pursuant to Section 4.1 upon receipt from the Debtor of written notice designating the Item of Equipment released and either the Casualty Value payment for such Item of Equipment in compliance with Section 4.1 hereof or completion of the replacement and substitution of New Equipment therefor where permitted and in accordance with the terms and provisions of Section 4.1 hereof.

3.2. Exercise by Initial Lessee of Option to Purchase. In the event the Initial Lessee shall elect, pursuant to Section 16 of the Initial Lease, to purchase the Equipment for the purchase price therein provided, then upon such purchase the Debtor may convey the Equipment to the Initial Lessee free and clear of the Lien of this Security Agreement, but only after the Debtor has complied by all of the terms and provisions of the following First Option, or, if the Secured Party agrees, the Second Option:

(a) First Option - Deposit of United States Obligations. Concurrently with the sale of the Equipment, the Debtor shall deposit with a trustee to be appointed by the Secured Party pursuant to a trust agreement acceptable to the Debtor and the Secured Party (the "Trustee") a sum equal to not less than the then unpaid principal balance on all Notes outstanding together with the aggregate interest accrued and to accrue to and including the earliest date provided for prepayment of the Notes pursuant to Section 4.3 hereof together with an amount equal to 7% of such unpaid principal balance, which sum is to be invested by the Trustee in such direct obligations of the United States of America or obligations for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest or repurchase agreements fully secured by one or more such obligations as from time to time may be directed by the Debtor. At such times as payments shall become due on the Notes, a sufficient portion of such obligations shall be sold to permit the Trustee to make such payments to the holders of the Notes and the

Trustee shall make such payments on the date due in the manner provided for payment thereof in the Note Agreement. So long as the fair market value of such obligations is not less than the original sum so deposited after deducting any payments made on the Notes, the earnings on such obligations may from time to time be disbursed by the Trustee to the Debtor in accordance with the Debtor's written request. All fees and expenses (including, but not limited to, counsel fees) relating to the appointment and continuing performance of the Trustee and the production of any documents relating to the appointment and continuing performance of the Trustee shall be paid by the Debtor.

(b) Second Option - Substitution of Collateral.

If the Debtor prefers to substitute new Equipment for the Equipment purchased by the Initial Lessee rather than deposit the sum as provided in the preceding first option, the Debtor may submit to the Secured Party a proposal setting forth the terms and conditions under which it would propose to subject new Equipment to the lien of this Security Agreement for the benefit of the Notes and to lease such Equipment to a proposed lessee. If the proposal is acceptable to the Secured Party, it shall consent in writing thereto and the Debtor may substitute new Equipment in accordance with such approved terms and conditions.

3.3. Release of Equipment - Deposit of Government Obligations. Upon the request of the Debtor, the Secured Party shall release the Equipment then subject to the Lien of this Security Agreement from the Lien hereof, if at any time the Debtor shall deliver to a trustee to be appointed as set forth in Section 3.2(a) a sum not less than the then unpaid principal balance on all Notes outstanding together with the aggregate interest accrued and to accrue to and including the earliest date provided for prepayment of the Notes pursuant to Section 4.3 hereof together with an amount equal to 7% of such unpaid principal balance. Thereafter such sum is to be invested, payments on the Notes from time to time are to be made thereon and earnings on such sum are to be distributed, all in the manner provided for treatment of the sum held by the Trustee pursuant to Section 3.2(a) hereof.

3.4. Release from Certain Covenants. Upon deposit of the sum required by Section 3.2(a) or Section 3.3 and compliance with the other conditions set forth therein, the Debtor shall be released from and shall no longer be required to perform under the covenants set forth in Sections 2.4 through 2.11, Sections 2.12(b) and (c), Sections 2.13(b) and (c), Sections 2.14 through 2.16, Sections 2.20 and 2.21, Section 2.23, Section 2.24(c) and Section 2.25 hereof. In all other respects this Security Agreement shall remain in full force and effect.

3.5. Release of Equipment - Consent of Noteholders. In addition to the release, sale, exchange or resale pursuant to the foregoing Section 3.1, the Debtor may sell or otherwise dispose of any Equipment then subject to the Lien of this Security Agreement, and the Secured Party 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 51% in aggregate principal amount of the outstanding Notes.

3.6. Protection of Purchaser. No Purchaser in good faith of Property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party 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 Equipment be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. CASUALTY OCCURRENCES; APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURITY TRUSTEE; OPTIONAL PREPAYMENT.

4.1. Required Prepayments - Casualty Occurrences. In the event that any Item of Equipment shall become worn out, lost, stolen, destroyed, irreparably damaged, permanently rendered unfit for use from any cause whatsoever or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Debtor for a period extending beyond the remaining term of the the Notes (each such occurrence being hereinafter called a "Casualty Occurrence") the Debtor shall promptly following such occurrence and in any event not later than the next succeeding date upon which an installment of principal or interest is payable on the Notes, deliver to the Secured Party a certificate of the Debtor describing such Item of Equipment and the nature of the Casualty Occurrence and stating the Casualty Value (as hereinafter defined) of such Item as of such payment date and on such payment date the Debtor shall, in addition to the payments of principal and interest otherwise due on the Notes, (i) unless the Initial Lessee is then leasing the Equipment under the Initial Lease, pay an amount equal to the Casualty Value of such Item of Equipment as of such date, or (ii) if no Default or Event of Default has occurred and is continuing, and if the Initial Lessee is then leasing the Equipment under the Initial Lease, the Debtor may, at its option, either (1) pay an amount equal to the Casualty Value of such Item as of such date, or (2) substitute for such Item having suffered a Casualty Occurrence (the "Old Item") a new Item of Equipment (the "New Item") of the same character as the Old Item, provided that such New Item shall have a quality, utility and fair market value at least equal to the Old Item as evidenced by a certificate of an officer of the Debtor to such effect (and supported by an opinion of an independent appraiser obtained at the expense of the Debtor

if requested by the Secured Party) and such New Item shall be subjected to the Lien of this Security Agreement and to the lease thereof then in effect by such documentation and to any recordation and filing required under Section 2.5 hereof as evidenced by an Opinion of Counsel satisfactory to the Secured Party. As applied to any Items of Equipment on any such payment date, the "Casualty Value" thereof shall mean an amount equal to the product of (a) a fraction, the numerator of which is an amount equal to the number of Items having suffered a Casualty Occurrence and the denominator of which is the total number of Items then subject to this Security Agreement (including the Item or Items of Equipment for which settlement is then being made), times (b) the unpaid principal amount of the Notes after payment of the installment made or to be made on such date provided for in Section 4.2 hereof.

4.2. Required Prepayment - Application of Rents. As more fully set forth in Section 1.2 hereof, the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Initial Lease in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payments under the Leases shall be applied 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 next following receipt by the Secured Party of such payments and the balance, if any, of such amounts shall be paid to or upon the order of the Debtor.

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Debtor of the Casualty Value for any Item of Equipment pursuant to Section 4.1 hereof shall be paid and applied: to the prepayment of the Notes in an amount equal to the Casualty Value for such Item of Equipment so that each remaining installment of each Note shall be reduced in the proportion that the unpaid principal amount of the prepayment bears to the unpaid principal amounts of the Notes immediately prior to the prepayment.

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Debtor in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor as reimbursement for expenditures made for such repair upon receipt by the Secured Party of a copy of the invoice or invoices covering such repairs and a certificate of an authorized officer of the Debtor to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Debtor shall have notified the Secured Party in writing that such Item has suffered a Casualty Occurrence, then so long as no Event of Default hereunder has occurred and is continuing, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by Section 4.2(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor on the date of such prepayment of the Notes.

4.3. Prepayments at the Option of the Debtor. The Debtor may prepay the Notes in whole or part at any time after February 1, 1989 in multiples of \$50,000 at the applicable percentage set out below of the principal amount then being prepaid, together with accrued interest on the principal amount so prepaid to the prepayment date:

If the Prepayment is Made During the 12-Month Period Ending in the Year	Percentage of Principal Amount
1990	107%
1991	106%
1992	105%
1993	104%
1994	103%
1995	102%
1996	101%
1997	100%

4.4. Amortization Schedules. On the date of the partial prepayment of any Note, pursuant to Section 4.2(b) the Debtor shall deliver to each holder of the Notes two copies of an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such installment payment.

4.5. Notice of Prepayment; Partial Prepayment; Deposit of Moneys. (a) The Debtor will give notice of any optional prepayment of the Notes to each holder of the Notes not less than 30 days nor more than 60 days before the date fixed for prepayment, specifying (i) such date, (ii) the section of this Security Agreement under which the prepayment is to be made, (iii) the principal amount of the holder's Notes to be prepaid on such date, and (iv) the premium, if any, and accrued interest applicable to the prepayment. Such notice of prepayment shall also certify all facts which are conditions precedent to any such prepayment. Notice of prepayment having been so given, the aggregate principal amount of the Notes specified in such notice, together with the premium, if any, and accrued interest thereon, shall become due and payable on the prepayment date.

(b) If there is more than one holder of the Notes, the aggregate principal amount of each partial prepayment of the Notes shall be allocated in units of \$1,000 or multiples thereof among the holders of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of the Notes then outstanding, with adjustments, to the extent practicable, to equalize for any prior prepayments not in such proportion. For the purpose of this Section 4.5(b) only, any Notes reacquired by the Debtor shall be deemed to be outstanding and the Debtor shall be deemed to be the holder thereof. Partial prepayments pursuant to Section 4.3 hereof shall be applied on the installments of each Note in the inverse order of the maturities thereof.

(c) On or prior to the date fixed for any prepayment of Notes the moneys required for such prepayment shall be deposited with the Security Trustee by the Debtor. Interest on any Note designated for prepayment or on any portion of the principal amount of any Note designated for prepayment shall cease upon the date fixed for prepayment unless default shall be made in the deposit with the Security Trustee of the amount payable upon the prepayment thereof.

4.6. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 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.

5.1. Events of Default. Any of the following occurrences or acts shall constitute an "Event of Default" under this Agreement:

(a) Principal, Interest or Premium Payments. Default in payment of an installment of the principal of, or interest or premium 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 any such default shall continue unremedied for ten days; or

(b) Particular Covenant Defaults. The Debtor or any Restricted Subsidiary fails to perform or observe any covenant contained in Section 2.25 hereof; or

(c) Other Defaults. The Debtor or any Restricted Subsidiary fails to comply with any other provision of this Security Agreement, the Note Agreement or the Tax Sharing Agreement, and such failure continues for more than 30 days after such failure shall first become known to any officer of the Debtor; or

(d) Warranties or Representations. Any warranty, representation or other statement by or on behalf of the Debtor or Portec, Inc. contained in this Security Agreement, the Note Agreement or the Portec, Inc. Agreement or in any instrument furnished in compliance with or in reference to any of such agreements is false or misleading in any material respect; or

(e) Default on Indebtedness or Other Security. The Debtor or any Restricted Subsidiary fails to make any payment due on Debt having an aggregate unpaid principal balance in excess of \$250,000 or other Security or any event shall occur (other than the mere passage of time) or any condition shall exist in respect of such Debt or other Security of the Debtor or any Restricted Subsidiary, or under any agreement securing or relating to such Debt or other Security, the effect of which is (i) to cause (or permit any holder of such Debt or other Security or a trustee to cause) such Debt or other Security, or a portion thereof, to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or (ii) to permit a trustee or the holder of any Security (other than common stock of the Debtor or any Restricted Subsidiary) to elect a majority of the directors on the Board of Directors of the Debtor or such Restricted Subsidiary; or

(f) Lease Default. An event of default shall have occurred and be continuing under any Lease with the Initial Lessee if the Portec, Inc. Agreement shall have been released pursuant to Section (B)(8)(a) thereof;

(g) Portec Inc. Note Agreement. An event of default shall have occurred and be continuing under that certain

Note Agreement dated as of January 1, 1978 between Portec, Inc. and Aetna Life Insurance Company as amended from time to time; provided that if the said Note Agreement shall be terminated and this Security Agreement shall remain in effect, the occurrence of any event constituting an event of default to Portec under the Note Agreement as in effect at the time of such termination shall remain an Event of Default hereunder; provided further that any such event of default shall not constitute an Event of Default hereunder if at the time of the occurrence thereof the Portec, Inc. Agreement shall have been terminated pursuant to Section (B)(8) thereof; or

(h) Portec, Inc. Agreement Default. Portec, Inc. shall fail to observe or perform any provision of the Tax Sharing Agreement or the Portec, Inc. Agreement and, in respect of any obligation to make contributions or loans to the Debtor, such failure shall continue unremedied for ten days after an officer of Portec, Inc. has knowledge that such a contribution or loan is required to be made; or

(i) Portec, Inc. Agreement Termination. The Tax Sharing Agreement or the Portec, Inc. Agreement, for any reason whatsoever, shall cease to be in full force and effect, except for a termination of the Portec, Inc. Agreement pursuant to Paragraph (B)(8) thereof; or

(j) Voluntary Bankruptcy Proceedings. A custodian, receiver, liquidator or trustee of the Debtor, any Restricted Subsidiary or Portec, Inc., or of any of the Property of any thereof, is appointed by court order and such order remains in effect for more than 30 days; or the Debtor, any Restricted Subsidiary or Portec, Inc., is adjudicated bankrupt or insolvent or suffers an order for relief under applicable Federal bankruptcy law to be entered with respect to it; or any of the Property of any thereof is sequestered by court order and such order remains in effect for more than 30 days; or a petition is filed against the Debtor, any Restricted Subsidiary or Portec, Inc. under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 30 days after such filing; or

(k) Voluntary Petitions. The Debtor, any Restricted Subsidiary or Portec, Inc. files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(l) Assignments for Benefit of Creditors, etc. The Debtor, a Restricted Subsidiary or Portec, Inc. makes an assignment for the benefit of its creditors, is generally not paying its debts as they become due, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a custodian, receiver, trustee or liquidator of the Debtor, a Restricted Subsidiary or Portec, Inc. or of all or any part of the Property of any thereof; or

(m) Undischarged Final Judgments. Final judgment of judgments for the payment of money aggregating in excess of \$100,000 is or are outstanding against one or more of the Debtor and its Restricted Subsidiaries and any one of such judgments has been outstanding for more than 30 days from the date of its entry and has not been discharged in full or stayed.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, the Secured Party 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 of Illinois (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 hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Secured Party may 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 rights of the Lessee under the Lease described in Appendix 2 hereto, provided the same is not then in default, the Secured Party 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, 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 rights of the Initial Lessee under the Initial Lease, provided the same is not then in default, in the event the Secured Party shall demand possession of the Equipment then, without limiting the provisions of paragraph (b) hereof, the Debtor shall forthwith deliver possession of the Equipment to the Secured Party in good order and repair. For the purposes of delivering possession of any Equipment to the Secured Party as above required, the Debtor shall, at its own cost and expense, forthwith:

(i) assemble such Equipment and place them upon such storage tracks within the continental United States as the Secured Party shall reasonably designate;

(ii) provide storage at the risk of the Debtor for such Equipment on such storage tracks until the Secured Party shall have sold or leased the Equipment;

(iii) cause the Equipment or any thereof to be transported at the cost of the Debtor to such place or places within the continental United States as the Secured Party shall direct; and

(iv) maintain at its expense insurance coverage as required by Section 2.11(b) hereof for the entire period of such assembly, storage and transport.

The assembling, delivery, storage and transporting of the Equipment as hereinabove provided are of the essence of this Security Agreement, and upon application to any court of equity having jurisdiction in the premises, the Secured Party shall be entitled to a decree against the Debtor requiring specific performance of the covenants of the Debtor so as to assemble, deliver, store and transport the Equipment.

(d) Subject always to the rights of the Initial Lessee under the Initial Lease, provided the same is not then in default, the Secured Party 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, 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 Secured Party 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 Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(e) The Secured Party 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, 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; and

(f) The Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor, as lessor under any of the Initial Lease, 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 Secured Party.

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, any purchaser for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes (including all claims for interest matured and unpaid thereon), owned by such purchaser equal to the pro rata portion of the net proceeds of such sale to which such purchaser is entitled on account of all notes owned by such purchaser.

5.4. 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 Collateral 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 Collateral sold or any part thereof under, by or through the Debtor, its successors or assigns.

5.5. Waiver by Debtor. To the extent permitted by law, 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, to the full extent legally permitted, 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 Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

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) First, 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, payable to, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes 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) Second, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, premium and interest; 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 interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

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

5.7. Discontinuance of Remedies. In case the Secured Party 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 Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note 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 Secured Party, or the holder of any Note, 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 Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

5.9. Right To Cure Certain Defaults. So long as no other Default or Event of Default shall have occurred and be continuing hereunder, the Debtor shall have the following rights upon the occurrence of an Event of Default under Section 5.1(f):

(a) To reinstate the Portec, Inc. Agreement within five days of the date an officer of the Debtor knows or should have known of such Event of Default by sending the written notice provided for in Section 8 of the Portec, Inc. Agreement, in which case no such Event of Default shall be deemed to have occurred; or

(b) In the event of the occurrence of a default under any Lease with the Initial Lessee in respect of the payment of rental or other cash payments (referred to in this Section 5.9(b) as "Rental") under such Lease on the day it becomes due and payable (unless there shall have occurred and be continuing any default under

such Lease other than a failure to pay rental), the Debtor may, within 10 days of the date an officer of the Debtor knows or should have known of such failure to pay rental, pay to the Secured Party an amount equal to the Rental, and such payment by the Debtor shall be deemed to cure any default under such Lease which would otherwise have arisen on account of the non-payment by the Initial Lessee of such (rental under such Lease; provided, however, that the Debtor may not exercise such right in respect of payment of Rental over a period of more than six consecutive months and in no event over the non-consecutive periods in excess of an aggregate twelve months throughout the term of such Lease.

Except as hereinafter in this Section 5.9(b) provided, the Debtor shall not, by exercising the right to cure any such Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor against the Initial Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral. Upon such payment by the Debtor, the Debtor shall be subrogated to the rights of the Secured Party in respect of the Rental which was overdue at the time of such payments and interest payable by the Initial Lessee on account of their being overdue, and therefore, if no other Default or Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such payment from the Debtor, the Debtor shall be entitled to receive such Rental; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinate to the rights of the Secured Party in respect of such payment of rental payments prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

SECTION 6. INTERPRETATION OF SECURITY AGREEMENT; DEFINITIONS.

6.1. Definitions. Unless the context otherwise requires, the terms hereinafter set forth when used herein or in

any Certificate and Agreement of Portec, Inc. delivered pursuant to the Note Agreement shall have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

Adjusted Tangible Assets. The term "Adjusted Tangible Assets" shall mean all assets except:

(a) deferred assets, other than prepaid insurance and prepaid taxes;

(b) patents, copyrights, trademarks, trade names, franchises, good will, experimental expense and other similar intangibles;

(c) Restricted Investments;

(d) unamortized debt discount and expense; and

(e) assets located and notes and receivables due from obligors domiciled outside the United States of America, Puerto Rico or Canada unless adequately insured by the Import-Export Bank, the Foreign Credit Insurance Agency or an agency of the United States under a program confirmed by the Secured Party as agreeable to it.

Affiliate. The term "Affiliate" shall mean a Person (other than a Restricted Subsidiary) (a) which, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Debtor, (b) which beneficially owns or holds 5% or more of any class of the Voting Stock of the Debtor, or (3) 5% or more of Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Debtor or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Capitalized Lease Liabilities. The term "Capitalized Lease Liabilities" shall with respect to any lease mean the amount of the liability under such lease which is required to be capitalized on the balance sheet of the lessee in accordance with generally accepted accounting principles.

Consolidated Adjusted Net Income. The term "Consolidated Adjusted Net Income" shall mean net earnings after income taxes of the Debtor and its Restricted Subsidiaries determined on a consolidated basis, but excluding:

(a) any gain or loss arising from the sale of capital assets;

(b) any gain arising from any write-up of assets;

(c) earnings of any Restricted Subsidiary accrued prior to the date it became a Restricted Subsidiary;

(d) earnings of any Person, substantially all the assets of which have been acquired in any manner, realized by such other corporation prior to the date of such acquisition;

(e) net earnings of any Person (other than a Restricted Subsidiary) in which the Debtor or any Restricted Subsidiary has an ownership interest unless such net earnings shall have actually been received by the Debtor or such Subsidiary in the form of cash distributions;

(f) any portion of the net earnings of any Restricted Subsidiary which for any reason is unavailable for payment of dividends to the Debtor or any other Restricted Subsidiary;

(g) the earnings of any Person to which assets of the Debtor shall have been sold, transferred or disposed of, or into which the Debtor shall have merged, prior to the date of such transaction; and

(h) any gain arising from the acquisition of any Securities of the Company or any Restricted Subsidiary.

Consolidated Adjusted Net Worth. The term "Consolidated Adjusted Net Worth" at any date shall mean:

(a) the net book value (after deducting related depreciation, obsolescence, amortization, valuation, and other proper reserves) at which the Adjusted Tangible Assets of the Debtor and all Restricted Subsidiaries would be shown on a consolidated balance sheet at such date, but excluding any amount on account of write-ups of assets after December 31, 1980;

minus

(b) the amount at which their liabilities (other than capital stock and surplus) would be shown on such balance sheet, and including as liabilities all reserves for contingencies and other potential liabilities and all minority interests in Restricted Subsidiaries;

plus

(c) Subordinated Debt of the Debtor and its Restricted Subsidiaries.

Debt. The term "Debt" of any Person shall mean and include, without duplication, all (a) obligations of such Person for borrowed

money, (b) all obligations which have been incurred in connection with the acquisition of Property or assets and any portion of which is payable more than twelve months after the date of incurrence thereof, (c) obligations secured by any Lien or other charge upon Property or assets owned by such Person, but if such Person has not assumed or become liable for the payment of such obligations, only to the extent that such obligations for which such Person is not generally liable exceed 10% of total Debt as otherwise determined, (d) obligations created or arising under any conditional sale, financing lease or other title retention agreement with respect to Property acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of Property, (e) all Guaranties by such Person of such obligations of others, and (f) all Capitalized Lease Liabilities payable by such Person.

Default. The term "Default" shall mean any event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

Distribution. The term "Distribution" in respect of any corporation shall mean:

(a) dividends or other distributions on capital stock of the corporation (except distributions in such stock); and

(b) the redemption or acquisition of such stock or of warrants, rights or other options to purchase such stock (except when solely in exchange for such stock) unless made, contemporaneously, from the net proceeds of a sale of such stock.

Event of Default. The term "Event of Default" is defined in Section 5.1 of this Security Agreement.

Fixed Charges. The term "Fixed Charges" for any period shall mean the sum of Interest Charges and 100% of all Rentals payable during such period by the Debtor and its Restricted Subsidiaries.

Guaranty. The term "Guaranty" by any Person shall mean all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Debt, dividend or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Debt or obligation or any Property or assets constituting security therefor;

(b) to advance or supply funds

(i) for the purchase or payment of such Debt or obligation, or

(ii) to maintain working capital or other balance sheet condition or any income statement condition or otherwise to advance or make available funds for the purchase or payment of such Debt or obligation;

(c) to lease Property or to purchase Securities or other Property or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of the primary obligor to make payment of the Debt or obligation; or

(d) otherwise to assure the owner of the Debt or obligation of the primary obligor against loss in respect thereof.

Initial Lease. The term "Initial Lease" is defined in Section 1.2 of this Security Agreement.

Initial Lessee. The term "Initial Lessee" is defined in Section 1.2 of this Security Agreement.

Institutional Investor. The term "Institutional Investor" shall mean any of the following Persons existing under the laws of the United States of America or any state thereof or of Canada or of any province thereof: (a) any bank, savings institution, trust company or national banking association, acting for its own account or in a fiduciary capacity, (b) any charitable foundation, (c) any insurance company, (d) any pension, retirement or profit sharing trust or fund for which any bank, trust company, national banking association or investment adviser registered under the Investment Advisers Act of 1940, as amended, is acting as trustee or agent or (e) any investment company, as defined in the Investment Company Act of 1940, as amended.

Interest Charges. The term "Interest Charges" of any Person with respect to any Debt thereof (including, without limitation, Capitalized Lease Liabilities) for any period shall mean all interest charges (including amortization of debt discount and expense or amounts imputed as interest on any Debt) paid, payable or accruing in respect of such Debt for such period excluding, however, interest payable on Debt secured by a Lien on Property or assets of any Person if such Person has not assumed or become liable for such obligations; provided that, if the interest charges on such Debt are to be determined for any period commencing after the date of computation, then in the case of any Debt evidenced by an obligation bearing interest at a variable rate or at different fixed rates, or any obligation on which interest does not begin to accrue at the date of computation of Interest Charges, or any obligation on which interest

does not become payable until a specified date more than one year after the date of computation, the interest charges attributable to such obligation shall be calculated on the basis of the maximum specified rate to be borne by such obligation, and if no such maximum rate be specified by such obligation, on the basis of the higher of on the date of computation thereof (a) the rate payable on such obligation and (b) the average interest rate payable on all Debt of such Person outstanding during the twelve months' period immediately preceding the date of computation.

Lease. The term "Lease" is defined in Section 2.15(b) of this Security Agreement.

Lien. The term "Lien" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest Lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Security Agreement, the Debtor or a Restricted Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Net Income Available for Fixed Charges. The term "Net Income Available for Fixed Charges" for any period means

(a) Consolidated Adjusted Net Income for such period

PLUS (to the extent deducted in determining Consolidated Adjusted Net Income)

(b) the sum of (i) deferred income taxes for such period, (ii) Fixed Charges of the Debtor and its Restricted Subsidiaries for such period, (iii) depreciation, depletion, obsolescence and amortization of leased property in the amounts actually deducted on the books of the Debtor and its Restricted Subsidiaries for such period, and (iv) any capital contribution or loan made to the Debtor pursuant to Section (B)(5) of the Portec, Inc. Agreement.

Officer's Certificate. The term "Officer's Certificate" shall mean a certificate signed by the President, any Vice President, the Treasurer or the Secretary of the Debtor.

Opinion of Counsel. The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel who shall be satisfactory to the Security Trustee.

Permitted Encumbrances. The term "Permitted Encumbrances" shall mean with respect to any Item of Equipment, but only to the extent applicable to such Item, (a) the right, title and interest of a lessee under any Lease covering such Item of Equipment, (b) the Lien of taxes, charges, assessments, claims or Liens not required at the time to be paid pursuant to Section 2.12 hereof and (c) the Lien of this Security Agreement.

Person. The term "Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

Portec, Inc. Agreement. The term "Portec, Inc. Agreement" shall mean that certain Agreement dated January 5, 1982 of Portec, Inc. to the Purchaser and the Security Trustee, as the same may from time to time be amended or modified.

Property. The term "Property" shall mean any interest in any kind of Property or asset, whether real, personal or mixed, or tangible or intangible.

Rentals. The term "Rentals" shall mean and include all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property) payable by the Debtor or a Restricted Subsidiary, as lessee or sublessee under a lease of real or personal Property which, in accordance with generally accepted accounting principles, is not required to be capitalized on the balance sheet of the lessee, but shall be exclusive of any amounts required to be paid by the Debtor or a Restricted Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

Restricted Investments. The term "Restricted Investments" shall mean all investments, made in cash or by delivery of Property, by the Debtor and its Restricted Subsidiaries (a) in any Person, whether by acquisition of stock, indebtedness or other obligation or Security, or by loan, advance or capital contribution, or otherwise, or (b) in any Property (items (a) and (b) herein called "Investments"), except the following:

(i) Investments in one or more Restricted Subsidiaries or any corporation which concurrently with such Investment becomes a Restricted Subsidiary;

(ii) Property to be used in the ordinary course of business;

(iii) current assets arising from the sale of goods and services in the ordinary course of business of the Debtor and its Restricted Subsidiaries;

(iv) Investments in direct obligations of the United States of America, or any agency thereof or obligations guaranteed by the United States of America, provided that such obligations mature within one year from the date of acquisition thereof;

(v) Investments in certificates of deposit maturing within one year from the date of acquisition issued by a bank or trust company organized under the laws of the United States or any state thereof having capital, surplus and undivided profits aggregating at least \$100,000,000; and

(vi) Investments in commercial paper given the highest rating by Moody's Investors Services, Inc. or Standard & Poor's Corporation and maturing not more than 270 days from the date of creation thereof.

Investments shall be valued at cost less any net return of capital through the sale or liquidation thereof or other return of capital thereon.

Restricted Subsidiary. The term "Restricted Subsidiary" shall mean a Subsidiary,

(a) organized under the laws of the United States or a jurisdiction thereof,

(b) which conducts substantially all of its business and has substantially all of its Property within the United States, Puerto Rico and Canada, and

(c) at least 80% (by number of votes) of the Voting Stock of which and 100% of all other stock and equity Securities of which are legally and beneficially owned by the Debtor and its Restricted Subsidiaries.

Security. The term "Security" shall have the same meaning in Section 2(1) of the Securities Act of 1933, as amended.

Senior Debt. The term "Senior Debt" shall mean all Debt of the Company or a Restricted Subsidiary which is not expressed to be subordinate or junior to any other Debt.

Subordinated Debt. The term "Subordinated Debt" shall mean all Debt of the Debtor and its Restricted Subsidiaries evidenced by notes, debentures or other evidences of Debt containing or having applicable thereto subordination provisions which are either:

(a) in form and substance satisfactory to the holders of at least 66-2/3% in aggregate principal amount of the Notes then outstanding (such satisfaction to be evidenced only by the written consent of such holders) subordinating such Debt to all Senior Debt of the Debtor and its Restricted Subsidiaries; or

(b) substantially identical in effect with the provisions contained in Exhibit A attached hereto subordinating the Debt evidenced thereby to all Senior Debt of the Debtor and its Restricted Subsidiaries.

Subsidiary. The term "Subsidiary" shall mean a corporation of which the Debtor owns, directly or indirectly, more than 50% of the Voting Stock.

Tax Sharing Agreement. The term "Tax Sharing Agreement" shall mean that certain Tax Sharing Agreement dated as of January 5, 1982 between the Debtor and Portec, Inc., as the same may from time to time be amended or modified in accordance with its terms and in compliance with the provisions of Section 2.20.

Voting Stock. The term "Voting Stock" shall mean Securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

6.2. Accounting Principles. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Security Agreement, this shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Security Agreement.

6.3. Directly or Indirectly. Where any provision in this Security Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, including actions taken by or on behalf of any partnership in which such Person is a general partner.

SECTION 7. MISCELLANEOUS.

7.1. Denominations; Execution of Notes. Each Note shall be in the denomination of \$50,000 or any multiple of \$1,000 in excess of \$50,000, except as may be necessary to reflect any principal amount not evenly divisible by \$1,000. The Notes shall be signed on behalf of the Debtor by the President or any Vice President.

7.2. Payment of the Notes. (a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal office of the Debtor, in lawful money of the United States of America.

(b) Notwithstanding the provisions of the preceding paragraph (a), if any Note is held by a Person whose name has

been furnished in a written notice to the Debtor stating that the provisions of this paragraph shall apply the Debtor shall make payment of interest on such Note and shall make payments or prepayments of the principal thereof, and any premium, by wire transfer in immediately available federal reserve funds to such bank in the continental United States as shall be specified in writing to the Debtor by such holder or at the election of such holder. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Secured Party shall be deemed to have given such notice, and payments shall be made as set forth in Schedule I to the Note Agreement.

7.3. Transfers and Exchanges. (a) Any Note shall be treated as negotiable and title thereto shall pass by endorsement and delivery. Each holder of a Note, by its acceptance thereof, agrees that if such holder shall sell or transfer such Note, such holder will notify the Debtor of the name and address of the transferee, and such holder will prior to the delivery of such Note, make a notation on such Note of the date to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof.

(b) The holder of any Note may at any time surrender such Note at the principal office of the Debtor in exchange for an equal aggregate principal amount of Notes.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the holder or by his attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any payment date with respect thereto.

(d) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver, a new Note in exchange and substitution for the mutilated Note, or in lieu of and substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by them to save each of them harmless from all risks, and the applicant shall also furnish to the Debtor evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as they may require to save them harmless, and evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such

Note and of the ownership thereof. If an Institutional Investor or its nominee is the owner of any mutilated, destroyed, lost or stolen Note, then the affidavit of its President, Vice President, Assistant Vice President or Treasurer in form reasonably satisfactory to the Debtor setting forth the fact of destruction, loss or theft and the Institutional Investor's ownership of the Note at the time of such mutilation, destruction, loss or theft shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of the Institutional Investor, in form satisfactory to the Debtor, to indemnify the Debtor.

(e) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.3, and the holder of any Note issued as provided in this Section 7.3 shall be entitled to any and all rights and privileges granted under this Agreement and the Note Agreement to a holder of a Note.

7.4. The New Notes. (a) Each new Note (herein in this Section 7.4 called a New Note) issued pursuant to Section 7.3(b) or (d) in exchange for or in substitution or in lieu of an outstanding Note (herein in this Section 7.4 called an Old Note) shall be dated the date of such Old Note. The Debtor shall mark on each New Note (i) the date to which principal and interest have been paid on such Old Note, and (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.3(b) or (d), the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor in connection with the transfer or exchange.

(c) All New Notes issued pursuant to Section 7.3(b) or (d) in exchange for in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Agreement and the Note Agreement to the same extent as the Old Notes.

7.5. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Agreement.

7.12. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois.

7.13. 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.

7.14. 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 Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and its corporate seal to be hereunto affixed, all as of the day and year first above written.

[SEAL]

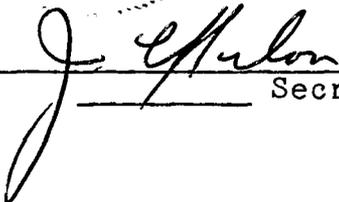
PORTEC LEASE CORP.

ATTEST:

By

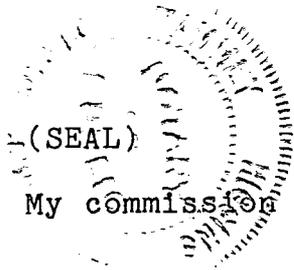

Its Senior Vice President - Finance

DEBTOR


Secretary

STATE OF ILLINOIS)
) SS
COUNTY OF DU PAGE)

On this 12th day of January, 1982, before me personally appeared T. J. Vena, to me personally known, who being by me duly sworn, says that he is a Senior Vice President-Finance of PORTEC LEASE CORP., 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.



James Higgins
Notary Public

My commission expires: September 19, 1984

PERMITTED FORM OF SUBORDINATION PROVISIONS
TO BE CONTAINED IN SUBORDINATED DEBT
OF PORTEC LEASE CORP.

The holder hereof by acceptance of this Subordinated Note agrees that the indebtedness evidenced by this Subordinated Note, and any renewals or extensions thereof, shall at all times and in all respects be subordinate and junior in right of payment to (i) the indebtedness of the Company evidenced by the 15% Secured Notes due February 1, 1997 of the Company in the aggregate principal amount of \$2,305,926 issued or to be issued under and pursuant to the Note Agreement dated as of July 15, 1981 entered into by the Company with Aetna Life Insurance Company, and (ii) any other indebtedness for money borrowed of the Company not expressed to be subordinate or junior to any other indebtedness of the Company; and any and all extensions or renewals of any such indebtedness in whole or in part. The indebtedness described in the preceding clauses (i) and (ii) is hereinafter sometimes referred to as "Senior Debt":

"(i) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, and in the event of any proceedings, for voluntary liquidation, dissolution or other winding-up of the Company, whether or not involving insolvency or bankruptcy, then the holder of Senior Debt shall be entitled to receive payment in full of all principal, premium and interest on all Senior Debt before the holder of this Subordinated Note is entitled to receive any payment on account of principal, premium or interest upon this Subordinated Note, and to that end (but subject to the power of a court of competent jurisdiction to make other equitable provisions reflecting the rights conferred in this Subordinated Note upon the Senior Debt and the holders thereof with respect to the subordinate indebtedness represented by this Subordinated Note and the holder hereof by a lawful plan of reorganization under applicable bankruptcy law) the holders of Senior Debt shall be entitled to receive for application in payment thereof any payment or distribution of any kind or character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of this Subordinated Note, except securities which are subordinate and junior in right of payment to the payment of all Senior Debt then outstanding;

(ii) In the event that any default shall occur and be continuing with respect to any Senior Debt permitting the holders of such Senior Debt to accelerate the maturity thereof, the holders of this Subordinated Note shall not be

entitled to receive any payment on account of principal, premium or interest thereon (including any such payment which would cause such default) unless payment in full shall have been made of all principal of, and premium and interest on, all Senior Debt if either (a) notice of such default, in writing or by telegram, shall have been given to the Company provided that judicial proceedings shall be commenced in respect of such default within 180 days in the case of a monetary default and within 90 days in the case of other than a monetary default after the giving of such notice, and provided further that only one such notice shall be given pursuant to this paragraph (ii) in any twelve month period, or (b) judicial proceedings shall be pending in respect of such default. The Company, forthwith upon receipt of any notice received by it pursuant to this paragraph (ii), shall send a copy thereof by registered mail or by telegram to the holder of this Subordinated Note.

No present or future holder of Senior Debt shall be prejudiced in his right to enforce subordination of this Subordinated Note by any act or failure to act on the part of the Company. The provisions of this Subordinated Note are solely for the purpose of defining the relative rights of the holders of Senior Debt on the one hand and the holders of this Subordinated Note on the other hand and nothing herein shall impair as between the Company and the holder of this Subordinated Note the obligation of the Company, which is unconditional and absolute, to pay to the holder hereof the principal, premium, if any, and interest thereon in accordance with its terms, nor shall anything herein prevent the holder of this Subordinated Note from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights, if any, under this Subordinated Note of holders of Senior Debt to receive cash, property or securities otherwise payable or deliverable to holders of this Subordinated Note.

The Company agrees, for the benefit of the holders of Senior Debt, that in the event that this Subordinated Note or portion thereof shall become due and payable before its expressed maturity for any reason other than the mere passage of time (a) the Company will give prompt notice in writing of such happening to the holders of Senior Debt and (b) any and all Senior Debt shall forthwith become immediately due and payable upon demand by the holder thereof, regardless of the expressed maturity thereof.

Each and every holder of this Subordinated Note by acceptance hereof shall undertake and agree for the benefit of each holder of Senior Debt to execute, verify, deliver and file any proofs of claim, consents, assignments or other instruments which any holder of Senior Debt may at any time require in order to prove and realize upon any rights or claims pertaining to this Subordinated Note and to

effectuate the full benefit of the subordination contained herein; and upon failure of the holder of this Subordinated Note so to do any such holder of Senior Debt shall be deemed to be irrevocably appointed the agent and attorney-in-fact of the holder of this Subordinated Note to execute, verify, deliver and file any such proofs of claim, consents, assignments or other instruments."

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Mark and Numbers (both inclusive)</u>	<u>Purchase Price of Equipment</u>
85	100-ton 3,000 cubic foot capacity center discharge covered hopper cars manufactured by Portec, Inc.	IMCX 11600 through IMCX 11684, both inclusive	\$37,500 per Item (\$3,187,500 for 85 Items)

DESCRIPTION OF LEASE AGREEMENT

<u>Lessee</u>	<u>Date of Lease</u>	<u>Expiration Date of Lease</u>	<u>Car Numbers (both inclusive)</u>
International Minerals & Chemical Corporation	Lease of Railroad Equipment dated as of May 1, 1981	April 30, 1986	IMCX 11600 to IMCX 11684, both inclusive