

850
②
New No
H

LAW OFFICES

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

12074

ALVORD AND ALVORD

ROBERT W. ALVORD
ALBERT H. GREENE
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE
MILTON C. GRACE*
GEORGE JOHN KETO
RICHARD N. BAGENSTOS

WORLD CENTER BUILDING
918 SIXTEENTH STREET, N.W.
WASHINGTON, D. C.
20006

No.
Date AUG 5 1980
Fee \$ ~~50.00~~ 50.00
ICC Washington, D. C.
OF COUNSEL
JESS LARSON
URBAN A. LESTER
CABLE ADDRESS
"ALVORD"
TELEPHONE
AREA CODE 202
393-2266

* NOT A MEMBER OF D.C. BAR
** ALSO A MEMBER OF N.C. BAR
August 4, 1980

INTERSTATE COMMERCE COMMISSION

12074
RECORDATION NO. Filed & Recorded

TELEX
440348 CDAA UI

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
Washington, D.C. 20423

AUG 5 1980 10:11 AM

INTERSTATE COMMERCE COMMISSION

Dear Madam:

Enclosed for recordation pursuant to the provisions of Section 11303(a) of Title 49 of the United States Code and the regulations thereunder are three fully executed copies of a Security Agreement dated as of July 31, 1980 and a Security Agreement Supplement - Supplement No. 1.

A general description of the railroad equipment covered by the enclosed documents is, as follows:

Sixty (60) one hundred ton fifty-two foot six inch railroad gondola freight cars bearing road numbers PBNE 4040 through 4099, inclusive.

The names and addresses of the parties to the enclosed documents are:

Borrowers: Emons Industries, Inc.
Emons Railcar Corp.
Emons Leasing Co., Inc.
490 East Market Street
York, Pennsylvania 17403

Secured Party: Manufacturers Hanover Trust Company
350 Park Avenue
New York, New York 10022

The undersigned is agent for the Borrowers for the purpose of recording the enclosed documents and has knowledge of the matters set forth therein.

Charles T. Kappler

AUG 5 1980
FEE OPENED
I.C.C.

Agatha L. Mergenovich, Secretary
August 4, 1980
Page Two

Please return the counterparts of the enclosed documents not needed for recordation purposes to Charles T. Kappler, Esq., Alvord and Alvord, 200 World Center Building, Washington, D.C. 20006.

Also enclosed is a remittance in the amount of \$50 in payment of the required recordation fees.

Very truly yours,

ALVORD AND ALVORD

By Charles T. Kappler
Charles T. Kappler

12074
RECORDATION NO. Filed & Recorded

AUG 1980 -10 40 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of July 31, 1980 by the Borrowers (as hereinafter defined) in favor of the Bank (as hereinafter defined).

W I T N E S S E T H :

EMONS INDUSTRIES, INC., a New York corporation, (hereinafter called the "Company"), EMONS RAILCAR CORP., a New York corporation ("Emons Railcar"), and EMONS LEASING CO., INC., a New Jersey corporation ("Emons Leasing"; the Company, Emons Railcar and Emons Leasing sometimes hereinafter collectively called the "Borrowers" and individually called a "Borrower"), in consideration of the granting by MANUFACTURERS HANOVER TRUST COMPANY, a New York banking corporation (hereinafter called the "Bank"), of a credit facility of up to, but not exceeding, in the aggregate principal amount at any one time outstanding the lesser of (a) \$5,000,000 and (b) 80% of the Borrowing Base (as defined in the Revolving Credit and Term Loan Agreement, dated as of February 29, 1980, among the Borrowers and the Bank, such Revolving Credit and Term Loan Agreement hereinafter called the "Credit Agreement"), in order to secure the payment of the principal of and interest on the Notes (as defined in the Credit Agreement, and hereinafter called the "Notes") and to secure the payment of all other indebtedness of the Borrowers to the Bank under the Credit Agreement and this Security Agreement and the performance and observance of all the covenants and conditions in the Credit Agreement, do hereby jointly and severally agree as follows:

1. Definitions. Terms defined in the Credit Agreement are used herein with their defined meanings, unless otherwise defined herein or the context otherwise requires.

2. Grant of Security Interest. The Borrowers hereby jointly and severally sell, convey, warrant, mortgage, assign, pledge, grant a continuing security

interest in, and lien on, and hypothecate unto the Bank, its successors and assigns, the following described properties, rights, interests and privileges (all of such properties hereby sold, conveyed, warranted, mortgaged, assigned, pledged, hypothecated, liened and a security interest granted as to which or intended so to be are hereinafter collectively referred to as the "Collateral"):

(a) Each railroad freight car listed in and described on Schedule I to each Security Agreement Supplement executed by the Borrowers and delivered to the Bank pursuant to the Credit Agreement, together with all accessories, accessions, equipment, parts and appurtenances attached to any of such railroad equipment, whether now owned or hereafter acquired by any Borrower, and all substitutions, renewals and replacements of, and additions or improvements to, any and all of said railroad equipment;

(b) All right, title and interest of each of the Borrowers, as lessor, under any lease or leases or conditional sales agreements to any and all rents and other sums due and to become due pursuant to said lease or leases or conditional sales agreements, including any and all extensions and renewals thereof, insofar as the same cover or relate to the railroad freight cars of the Borrowers described in any Security Agreement Supplement; it being the intent and purpose hereof that the assignment and transfer to the Bank of said rents and other sums to become due under such lease or leases or conditional sales agreements shall be effective and operative immediately and shall continue in full force and effect, and that the Bank shall have the right to collect and receive said rents and other sums and to apply the same in payment of the Notes;

(c) The proceeds and products of all properties, assets and rights described in this Section 2.

3. Representations and Warranties. The Borrowers jointly and severally represent and warrant to the Bank that: (a) at the time of execution of each Security

Agreement Supplement, the Borrowers shall have title to the Collateral described in Schedule I to such Security Agreement Supplement free and clear of all Liens, other than the Liens referred to in paragraph F of Section 2 of the Credit Agreement; (b) at the time of execution of each Security Agreement Supplement, no financing or other statement or security agreement covering any of the Collateral described in Schedule I to such Security Agreement Supplement shall be filed in any public office; (c) such Borrower's certificate of incorporation and by-laws do not prohibit the security interest granted hereby; (d) the execution and delivery of this Security Agreement and each Security Agreement Supplement will not violate any law or any regulation or any agreement to which such Borrower is a party and this Security Agreement is a valid, legally binding agreement enforceable in accordance with its terms, except as the enforceability hereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally and except as to the availability of specific performance as a remedy; (e) at the time of execution of each Security Agreement Supplement, financing statements and other statements or documents shall have been filed in each and every jurisdiction or office necessary or advisable to perfect the first security interest herein granted to the Bank in the Collateral described in Schedule I to such Security Agreement Supplement under the Uniform Commercial Code and any other law including, without limitation, filings of this Security Agreement and of such Security Agreement Supplement with the Interstate Commerce Commission; (f) this Security Agreement constitutes a valid, presently effective and continuing first Lien on and first security interest in the Collateral described in Schedule I to each Security Agreement Supplement executed pursuant to the Credit Agreement in favor of the Bank, prior to all other Liens or security interests or other encumbrances (other than Liens existing on the date hereof for corporate income taxes of the State of Pennsylvania that are being contested in good faith by appropriate proceedings for which adequate reserves have been provided on the books of the Company and its Subsidiaries, which Liens do not in the aggregate secure claims in excess of \$60,000) and is enforceable as such against creditors of and purchasers from the Borrower; (g) the Borrowers' principal place of business and the place where their records concerning the Collateral are kept is at 490 East Market Street, York, Pennsylvania 17403, and the

Borrowers will not change such principal place of business or remove such records unless they have provided the Bank with notice thereof at least 60 Business Days prior to any such change; and (h) the Borrowers will not change their respective corporate names unless they have provided the Bank with notice thereof at least 30 Business Days prior to the effective date thereof.

4. Covenants. The Borrowers jointly and severally covenant and agree that the Borrowers: (a) will keep the Collateral or cause the Collateral to be kept in good working order, repair and running condition, and will replace any worn, broken or defective parts; (b) will promptly pay all taxes levied or assessed against the Collateral, and will keep the Collateral free and clear of all Liens, attachments and encumbrances (other than the Liens referred to in paragraph F of Section 2 of the Credit Agreement); (c) will allow the Bank and its representatives free access to the Collateral at all reasonable times for the purpose of inspection; (d) will promptly notify the Bank in writing of any loss or damage to the Collateral; (e) will indemnify the Bank against all claims against the Bank or its representatives or agents arising out of or connected with the ownership or use of the Collateral; (f) will reimburse the Bank upon demand for all expenses incurred in connection with perfecting the security interest granted hereby or the satisfaction thereof; (g) will not abandon the Collateral; (h) will not sell, assign, lease, mortgage, grant a security interest in or otherwise suffer a Lien on or dispose of the Collateral or any interest in the Collateral, except that the Borrowers may lease items of the Collateral to other corporations in the ordinary course of business, provided that any such lease of the Collateral shall be subordinate to the security interest granted hereby to the Bank, and provided, further, that the Borrowers shall provide the Bank with a true copy of any such lease agreements within 10 Business Days after execution thereof; (i) will not use or permit the Collateral to be used for any unlawful purpose or in violation of any Federal, state or municipal law, statute or ordinance; (j) will perform and comply in all material respects with all its obligations under each lease and all other agreements to which it is a party or by which it is bound relating to the Collateral, and the Borrowers will use their best efforts to cause each other party to any thereof to so perform and comply; (k) will

maintain, with financially sound and reputable companies, insurance policies insuring the Borrowers and the Bank against liability for personal injury and property damage caused by or relating to such railroad freight cars or their use with coverage in such an amount as is usually carried by owners of similar businesses and properties in the same general areas in which the Company and its Subsidiaries operate; (l) at such time as any insurance may be obtained by any Borrower as to any railroad freight car owned by any Borrower, will maintain insurance substantially identical to such insurance on each railroad freight car in which the Bank shall have a security interest; (m) will insure that all railroad freight cars included in the Borrowing Base are used predominantly in the continental United States of America except to the extent that the conditions contained in clauses (i) and (ii) of the definition of Borrowing Base shall have been satisfied in respect of any such cars; and (n) will, as soon as any Borrower obtains knowledge or information to the effect that any railroad freight car included in the Borrowing Base has been located outside of the continental United States of America for 20 consecutive days, provide the Bank with notice thereof.

5. Assignment of Insurance and Other Rights.

The Borrowers hereby assign to the Bank any and all moneys (including, but not limited to, proceeds of insurance and returned or unearned premiums) received by any Borrower by virtue of governmental seizure or condemnation or which may become due under any policy or agreement insuring the Collateral against any loss due to damage, destruction, theft, and the like, and the Borrowers shall direct the insurance company or other party issuing such policy or agreement or otherwise paying such money to make payment thereof directly to the Bank. The Bank may, at its option, apply any insurance or other moneys so received to the cost of repairs to the Collateral or to payment of any of the Notes, or to both such repairs and such payment, in any order the Bank may determine, whether or not due, and shall remit any surplus to the Borrowers. The Borrowers hereby irrevocably appoint the Bank as the Borrowers' attorney-in-fact, with full power of substitution, to receive all such moneys, to execute proof of claim, to endorse drafts, checks and other instruments for the payment of insurance or other moneys to the Borrowers, to adjust and compromise any claim, to execute releases, to cancel any insurance policy covering the Collateral when such policy is not required to protect the Borrowers or

the Bank's interest and to do all other acts and things that may be necessary or required to carry into effect the power herein granted and to protect the Bank's rights and privileges granted hereunder.

6. Rights of the Bank upon Default. The Borrowers agree that upon the occurrence of any Event of Default under the Credit Agreement, the Bank shall have the following rights and remedies to the extent permitted by applicable law: (a) upon the demand of the Bank, the Borrowers will specifically authorize and direct the lessee under each lease to which any item of the Collateral is subject to make payment of all moneys due and to become due under or arising out of such lease on account of such Collateral directly to the Bank and upon such demand the Borrowers irrevocably authorize and empower the Bank to ask, demand, receive, receipt and give acquittance for any and all such amounts which may be or become due or payable or remain unpaid to any Borrower by such lessee at any time under or arising out of its lease, to endorse any checks, drafts or other orders for payment to any Borrower in payment therefor, and to give notification, in its own name or in the name and on behalf of the Borrowers, to any lessee that payment is to be made directly to the Bank; (b) to enter the premises of any of the Borrowers or such place or places where any of the Collateral may be located and take and carry away the same by any of its representatives, with or without legal process, to a place of storage; (c) to sell the Collateral at public or private sale (the Borrowers hereby expressly agreeing that the Bank need not give more than 10 days' notice of the time and place of any public sale or of the time after which a private sale may take place and that such notice is reasonable notification of such matters), whether or not the Collateral is present at such sale and whether or not the Collateral is in the constructive possession of the Bank or the person conducting the sale, in one or more sales, as an entirety or in parcels, for the best price that the Bank can obtain and upon such terms as the Bank may deem desirable; (d) to be the purchaser at any such sale; (e) to require the Borrowers to pay all expenses of such sale, taking, keeping and storage of the Collateral, including reasonable attorneys fees; (f) to apply the proceeds of such sale to all expenses in connection with the taking and sale of the Collateral, and any balance of such proceeds toward the payment of the Notes in such

order of application as the Bank may from time to time elect; (g) to require the Borrowers to assemble the Collateral upon the Bank's demand, at the Borrowers' expense, and make it available to the Bank at a place designated by the Bank which is reasonably convenient to both parties; and (h) to exercise any one or more rights or remedies afforded to a secured party under the Uniform Commercial Code. If the proceeds of any such sale are insufficient to pay in full the Notes and any such expenses, the Borrowers agree to pay any deficiency to the Bank upon demand, and if such proceeds are more than sufficient to pay in full the Notes and such expenses, the Bank agrees to remit such surplus to the Borrowers.

7. Personal Property Contained in the Collateral. If at the time of repossession of any of the Collateral the Collateral contains other personal property not subject to this Security Agreement, the Bank may take such personal property into custody and store it at the risk and expense of the Borrowers. The Borrowers agree to notify the Bank within 48 hours after repossession of the Collateral of any such other personal property contained in the Collateral and further agree that the failure to supply the Bank with such timely notice will release the Bank and its representatives from any liability for loss or damage thereto.

8. Filings; Appointment of Bank as Borrowers' Attorney. At the request of the Bank, the Borrowers will join with the Bank in filing financing statements or other statements, certificates or documents in all places or jurisdictions necessary or advisable to perfect the Bank's security interest in the Collateral, including, without limitation, filings with the Interstate Commerce Commission. The Borrowers hereby further authorize the Bank to file financing statements or other statements, certificates or documents signed only by the Bank in all places and jurisdictions where necessary or advisable to perfect the Bank's security interest in the Collateral, including, without limitation, filings with the Interstate Commerce Commission. Without limiting the foregoing, the Borrowers hereby agree that whenever a lease or conditional sales agreement requires any Borrower to sign a financing statement or other document for filing purposes, the Bank or any of the Bank's representatives are authorized to act

as the Borrowers' attorney and agent, with full power of substitution, to sign or endorse the Borrowers' name on any such financing statement or other document and to file any such financing statement or other document; and the Borrowers hereby ratify and adopt all acts of the Bank or its representatives acting as such attorney and such substitute and agree to hold the Bank and its representatives acting as such attorney and such substitute harmless from any acts of commission or omission or any error of judgment or mistake of fact or law pertaining thereto.

9. Marking of Freight Cars. The Borrowers will cause each railroad freight car subject to any Security Agreement Supplement to be lettered and numbered with an identifying letter and number and will keep and maintain each such railroad freight car plainly, distinctly, permanently and conspicuously marked, on each side, in letters not less than one inch in height, with the following: "SUBJECT TO A SECURITY INTEREST UNDER A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, 49 U.S.C. §11303", or other appropriate words designated by the Bank, with appropriate changes therein and additions thereto as may be required from time to time by law to protect the Bank's interest in such railroad freight cars and under this Security Agreement.

10. Miscellaneous. This Security Agreement is in addition to, and not in limitation of, any other right and remedy the Bank may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Borrowers or by law or otherwise. If any provision of this Security Agreement is contrary to applicable law, such provision shall be deemed ineffective without invalidating the remaining provisions hereof. If and to the extent that applicable law confers any right or imposes any duty inconsistent with or in addition to any of the provisions hereof the affected provision shall be considered amended to conform thereto. The Bank shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder. A waiver by the Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to or waiver of any such right or remedy which the Bank would have had on any future occasion, nor shall the Bank be liable for exercising or

failing to exercise any such right or remedy. It is expressly understood and agreed that whenever the service of any notice to the Borrowers is required hereby or is otherwise required, such notice may be sent to the Borrowers by ordinary mail to the address specified in the Credit Agreement, and if so mailed, such notice shall be deemed sufficient notice thereof. All notices, requests and demands to or upon the Bank shall be prior and in writing and shall be deemed to have been duly given or made when received by the Bank at the address specified in the Credit Agreement. This Security Agreement shall be construed and interpreted in accordance with the laws of the State of New York. This Security Agreement shall be binding upon and shall inure to the benefit of the Borrowers and the Bank and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed all as of the day and year first above written.

ATTEST:

By J. P. McNeill
Title: Asst Secy

EMONS INDUSTRIES, INC.

By R. L. Maltin
Title: Sec & Treas.

ATTEST:

By J. P. McNeill
Title: Asst Secy

EMONS RAILCAR CORP.

By R. L. Maltin
Title: Sec & Treas.

ATTEST:

By J. P. McNeill
Title: Asst Secy

EMONS LEASING CO., INC.

By R. L. Maltin
Title: Sec & Treas.

ATTEST:

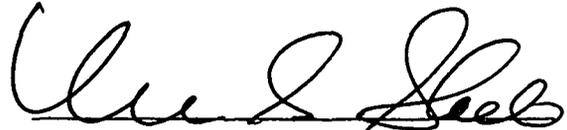
By James T. Gillman
Title: AS

MANUFACTURERS HANOVER TRUST COMPANY

By Roger R. Marninney
Title: A.V.P.

STATE OF NEW YORK)
 ss.:
COUNTY OF NEW YORK)

On this 4 day of August 1980, before me personally appeared J. S. Maltese, to me personally known, who, being by me duly sworn, says that he is the Secretary and Treasurer of EMONS LEASING CO., INC., one of the corporations described in and which executed the foregoing instrument; that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of the Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public

MELVIN S. SLADE
Notary Public, State of New York
No. 31-3700630
Qualified in New York County
Term Expires March 30, 1981

STATE OF NEW YORK)
 : SS.:
COUNTY OF NEW YORK)

On this *1st* day of August 1980, before me personally appeared *Roger R. Marwinny*, to me personally known, who, being by me duly sworn, says that he is ~~the~~ *an A.V.P.* of MANUFACTURERS HANOVER TRUST COMPANY, one of the corporations described in and which executed the foregoing instrument; that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of the Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



NOTARY PUBLIC

My Commission Expires:

OLGA M. LOPEZ
Notary Public, State of New York
No. 41-4616879
Qualified in Queens County
Certificate filed in New York County
Commission Expires March 30, 1981