



RHODA, STOUT & BRADLEY
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RECORDATION NO. _____ FILED

JAN 28 '99

11-30AM

RECORDATION NO. 22007 FILED

JAN 28 '99

11-30AM

OUR FILE NO.

100044-0374

January 25, 1999

CERTIFIED MAIL - RRR
Z 343 752 641

Surface Transportation Board
1925 K Street, N.W.
Room 715
Washington, DC 20423-0001

Re: DeAngelo Brothers, Inc.

Dear Secretary:

Please be advised that this office represents First Union National Bank. Enclosed please find an original and two certified copies of the document described below to be recorded with your office pursuant to Section 11303 of Title 49 of the United States Code. The document is a Security Agreement, a primary document dated November 30, 1998. The names and addresses of the parties to the document are as follows:

Debtor	DeAngelo Brothers, Inc. 100 N. Conahan Drive Hazleton Commerce Center Hazleton, PA 18201
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Secured Party	First Union National Bank 1500 Market Street Philadelphia, PA 19102
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A description of the equipment covered by the document is all accounts, inventory and equipment of the Debtor, now owned or hereafter acquired by the Debtor. Included in the property covered by the Security Agreement are the railroad cars, locomotives and other rolling stock intended for use related to interstate commerce, or the interest therein, owned by DeAngelo Brothers, Inc. at the time of said Security Agreement or thereafter acquired by DeAngelo Brothers, Inc.

The fee of \$26 is enclosed. Please return the original and any extra copies not needed by the Board for recording to the undersigned. We have enclosed a self-addressed, stamped envelope for that purpose.

A short summary of the document to appear in the index follows:

Security Agreement between Debtor DeAngelo Brothers, Inc., 100 N. Conahan Drive, Hazleton Commerce Center, Hazleton, PA 18201 and Secured Party First Union National Bank, 1500 Market Street, Philadelphia, PA 19102, dated November 30, 1998 and covering all accounts receivable, inventory and equipment including, without limitation all railroad rolling stock of the Debtor.

IN VIEW OF THE IMPORTANCE OF THIS MATTER TO OUR CLIENT, PLEASE TELEPHONE THE UNDERSIGNED (COLLECT) SHOULD YOU HAVE ANY QUESTIONS OR DIFFICULTIES.

Very truly yours,

RHODA, STOUDET & BRADLEY



Eden R. Bucher

ERB:pak
Enclosures

cc: Richard Wagner, Vice President
First Union National Bank

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

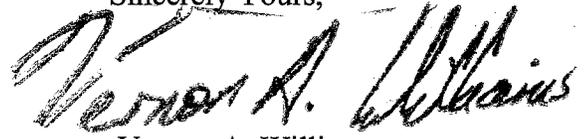
OFFICE OF THE SECRETARY

Eden R. Bucher
Rhoda, Stoudt & Bradley
501 Washington Street, 6th Floor
P.O. Box
Reading, PA., 19603-0877

Dear Sir:

The enclosed documents (s) was recorded pursuant to the provisions of 49 U.S.C.
11301 and CFR 1177.3 (c), on 1/28/99 at 11:30 AM, and
assigned recordation numbers (s): 22002.

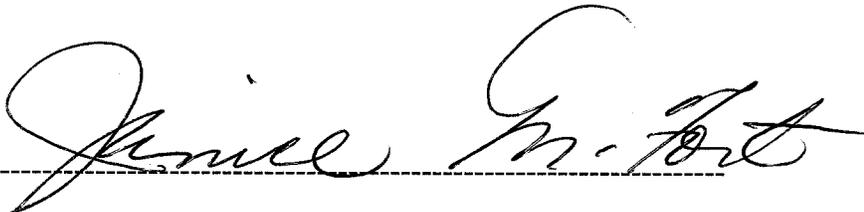
Sincerely Yours,


Vernon A. Williams

26.00

\$_____ The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid. In the event of an error or any questions concerning this fee, you will receive a notification after the Surface Transportation Board has an opportunity to examine your document.

Signature _____



RECORDATION NO. 22002 FILED

JAN 28 '99

11-30AM

SECURITY AGREEMENT - GENERAL

Borrower: DeANGELO BROTHERS, INC.

November 3rd 1998

The Borrower, in order to induce FIRST UNION NATIONAL BANK to make or maintain loans, extensions of credit or other financial accommodations to, for the account of, or upon the endorsement, guaranty or other accommodation of the Borrower (as defined below), and in consideration of such loans, extensions or accommodations, and intending to be legally bound, agrees with First Union National Bank as follows:

1. Definitions. As used herein the following terms shall have the meanings indicated:

(a) "Borrower" means DeAngelo Brothers, Inc., a Pennsylvania corporation having offices at 100 N. Conahan Drive, Hazleton Commerce Center, Hazleton, Luzerne County, Pennsylvania 18201, together with all of its successors and assigns thereof.

(b) "Lender" means First Union National Bank, having its principal offices located at 600 Penn Street, P.O. Box 1102, Reading, Berks County, Pennsylvania 19603, and its successors and assigns.

(c) "Collateral" means (i) all present and future accounts (which term as used herein shall include all sums now or hereafter owing to the Borrower for goods sold or leased or for services rendered), whether or not such accounts are Qualified Accounts as defined below, instruments, documents, chattel paper, contract rights and general intangibles in which the Borrower now has or may hereafter acquire an interest; (ii) any recovery in a case under the United States Bankruptcy Code arising out of a voidable preference or other claim; (iii) all deposit accounts and other funds and other property of the Borrower now or at any time hereafter on deposit with or in the possession, custody or control of the Lender or its agent or now or hereafter owing by the Lender to the Borrower or now or hereafter mortgaged, liened, pledged, or secured in favor of the Lender for any reason; (iv) all present and future inventory whether or not such items are Qualified Inventory as defined below, and goods now owned or hereafter acquired, or held by the Borrower for sale or lease, or furnished, or to be furnished to or for the account of Borrower's customers as part of services performed, or for consumption in the Borrower's business and shall include, but not be limited to, raw materials, components, work in process, finished merchandise and all wrapping, packing and shipping materials, wherever located, and all additions and accessions thereto, the resulting product or mass and any documents of title representing all or any part thereof; (v) all machinery, equipment, furnishings, furniture, fixtures, vehicles and other tangible personal property now owned or hereafter acquired, or in which the Borrower now has or may hereafter acquire an interest, wherever located, and all products thereof, all additions and accessions thereto, and all substitutions, renewals, replacements

and increases thereon, and all parts, fittings, accessories, special tools, dies and supplies in connection therewith; (vi) all present and future trademarks, trade names, brand names, copyrights, patents and franchises now owned or hereafter acquired and (vii) all cash and noncash proceeds of the foregoing property, including the proceeds of any insurance policies, all goods or documents represented by any account, all books and records, including, without limitation, computer records and magnetic/optical data storage media of any nature whatsoever, relating to any such items and all rights to payment and other rights accruing to the Borrower by reason of its interest therein.

(d) "Secured Indebtedness" means all present and future indebtedness and obligations of the Borrower to the Lender, whether direct, indirect, contingent, joint, several or otherwise, whether arising directly with the Lender or obtained by the Lender by loan assignment, subrogation or otherwise and whether arising under or evidenced by a promissory note, endorsement, suretyship, guaranty or other agreement, contract or investment by the Borrower or by overdraft on, or right to reimbursement under, a deposit account transaction or otherwise; including reasonable attorneys fees, costs, expenses and costs of any bond incurred in connection with any such indebtedness.

(e) "Loan Agreement" means that certain loan agreement by and between Lender and Borrower, bearing even date herewith, as amended, restated, modified, extended, renewed or supplemented from time to time.

2. Security Interest. As security for the prompt payment when due, on demand, at maturity or by acceleration upon default, of the Secured Indebtedness, and the timely performance of all other obligations of Borrower to Lender, the Borrower hereby grants to the Lender a lien upon and a continuing security interest in all Collateral in which the Borrower now has or may hereafter acquire an interest.

3. Default. The occurrence of any one or more of the following shall constitute an "Event of Default" under this Agreement:

(a) any "Default" or "Event of Default" as defined under, or any event entitling the Lender to immediate payment of all or any portion of the Secured Indebtedness pursuant to, the terms of the Loan Agreement and/or any of the "Related Documentation" referred to therein or other instrument or agreement obtained by the Lender with respect to any Secured Indebtedness (the "Debt Instruments"); and/or

(b) failure of the Borrower to fully perform, keep and observe any term, provision, covenant, warranty, or condition contained in this Security Agreement within thirty (30) days following the issuance of notice of such failure by Lender to Borrower.

4. Remedies. Upon the occurrence of any one or more of the foregoing Events of Default, all Secured Indebtedness (or any portion thereof designated in writing by the Lender) shall, at the

option of the Lender, be immediately due and payable without notice or demand (notice and demand being hereby expressly waived by the Borrower), and the Lender shall have with respect to the Collateral, in addition to such rights as may be granted to the Lender herein and in the Debt Instruments, all rights and remedies available to a secured party under the Pennsylvania Uniform Commercial Code. In furtherance thereof, the Lender may: (a) take possession of any Collateral, books and records and computer materials relating to Collateral not then in its custody and the Borrower will at the Lender's request assemble same and deliver them to any reasonably convenient location designated by the Lender; (b) peaceably, by its own means or with judicial assistance, enter the Borrower's or any other premises and take possession of the Collateral and secure, remove or dispose of it on the Borrower's premises and the Borrower will not resist or interfere with any such action; (c) sell or otherwise dispose of the Collateral at one or more public or private sales without advertisement or notice except as required by law (it being understood that notice of any intended public or private sale or other disposition shall be deemed to have been reasonably made if delivered or mailed, postage prepaid, to the Borrower at the address of the Borrower set forth in the records of the Lender, at least five (5) days prior to the date of public sale or the date after which the private sale or other disposition is to be consummated); (d) purchase the Collateral or any portion thereof at any public sale or, as to any item of Collateral customarily sold in a recognized market or the subject of widely distributed standard price quotations, at a private sale, in either event free of all rights of redemption of the Borrower; (e) set off against the Secured Indebtedness any balance, share or assets in any deposit, trust, agency or other accounts of the Borrower or any sum owing by the Lender to the Borrower and such set off shall be deemed made at the time of the Event of Default even though the confirming entry on the records of the Lender may be subsequently made; (f) collect from any account debtor or other obligor on the Collateral all or any portion of the sums due thereon and in the course thereof the Lender may: (i) require that payment thereon be made directly to the Lender; (ii) require that all mail of the Borrower be delivered to the Lender; (iii) adjust, settle or compromise any account or other item of Collateral when, in the discretion of the Lender, same is deemed advisable, or enter into any arrangement with respect thereto; and (iv) endorse in the name of the Borrower any instrument of payment received with respect to the Collateral and, in the name of the Borrower, enter into any related release, agreement or arrangement (such endorsement or entry to be effective as that of the Borrower for all purposes); and (g) take lawful actions with respect to the Collateral in its name, or that of the Borrower, as may be necessary or, in the discretion of the Lender, advisable in the implementation of the Lender's remedies. Remedies of the Lender may be exercised separately or concurrently in the discretion of the Lender. The Borrower shall be liable to the Lender for all out-of-pocket expenses incurred by the Lender in connection with the exercise of its remedies hereunder, including the fees of the Lender's counsel in the reasonable amount of fifteen percent (15%) of the Secured Indebtedness (but in no event less than \$1,000.00) and costs of suit, and all fees, commissions and charges of any warehouseman, salesbroker, appraiser, finder, consultant or other agent engaged by the Lender for purpose of repossession, maintenance, collection and disposition of the Collateral (all herein referred to as the "Collection Costs") and same shall be included in the Secured Indebtedness, as defined herein. The proceeds of the collection, sale or other disposition of the Collateral shall be applied first to the Collection Costs, then to the Secured

Indebtedness, and the balance, if any, to be paid to the Borrower. The Borrower will remain liable to the Lender for all Collection Costs, and Secured Indebtedness remaining unpaid after the application of the proceeds of Collateral, as provided herein.

5. Other Warranties and Agreements of the Borrower. In addition to and not in limitation of such rights as the Lender may have by law or agreement, the Borrower makes the following warranties and agreements with the Lender:

(a) The Borrower warrants, represents and agrees that each item of Collateral is, and will remain at all times prior to payment in full of all Secured Indebtedness, the sole property of the Borrower, free and clear of any lien, encumbrance, security interest or claim of adverse interest, other than interests granted to the Lender herein and as otherwise permitted in the Loan Agreement.

(b) The Borrower agrees to deliver to the Lender all chattel paper, promissory notes, documents, certificates of title for vehicles and other writings evidencing the Collateral, duly endorsed or assigned and, at any time and from time to time, to execute and deliver to the Lender such certificates of interest, certificates of title for vehicles, instruments of assignment, financing statements, confirmations, and other instruments as the Lender may, in its sole discretion, deem necessary or advisable to perfect the security interest of the Lender in the Collateral or to implement and continue the rights of the Lender with respect thereto and to pay all costs incurred by the Lender in the filing, recording, releasing or terminating of the foregoing. The Lender shall have no duty or obligation to the Borrower, or any other party, to perfect the security interest of the Lender in the Collateral.

(c) At all times prior to payment in full of the Secured Indebtedness, the Borrower will: (i) collect its accounts and sell its inventory only in the ordinary course of business in accordance with its usual and customary practices with respect to terms of sale, credits, allowances and credit policies; (ii) maintain accurate and complete books and records with respect to the Collateral at the location set forth in paragraph 13 of this Security Agreement; (iii) maintain the Collateral at the location(s) set forth in paragraph 12 of this Security Agreement; (iv) upon request provide the Lender with periodic reports acceptable to the Lender indicating the amount and aging of all accounts, by customer; (v) permit the Lender to inspect, copy and verify all invoices, shipping documents, credit reports and other records maintained by the Borrower with respect to the Collateral; and (vi) upon notice from the Lender, cause all proceeds of its accounts to be directed to a lock box in the name of the Lender for processing by the Lender in accordance with the Lender's usual lock box procedures, instruments of payment to be endorsed in the name of the Borrower by the Lender for collection, and proceeds to be applied, in the discretion of the Lender, against the Secured Indebtedness.

(d) With respect to each item of Collateral, the Borrower will, at its expense: (i) take all action necessary to protect, preserve and maintain the interest of the Borrower and the Lender therein

free and clear of any liens, encumbrances, security interest or other adverse claims except as permitted in the Loan Agreement; (ii) preserve and maintain the Collateral in good working order, and protect it from deterioration (other than normal wear), theft or other hazard; and (iii) obtain and keep in effect at all times, as provided for in the Loan Agreement, policies of casualty insurance with respect to the Collateral in such amounts and with such coverages and insurers as may be approved by the Lender, with loss payee (under a Standard Lender's Loss Payable Clause) and non-cancellation (with a minimum of thirty (30) days prior written cancellation notice to Lender) endorsements in favor of the Lender. The Borrower will not sell, assign or otherwise dispose of any item of Collateral except in trade or exchange for a substitute item of at least comparable value included in the Collateral or in disposition of obsolete or worn out equipment, and will not grant any further lien, security interest or encumbrance on the Collateral except as permitted in the Loan Agreement.

(e) The Lender shall have the right at any time and from time to time, without notice to or further consent of the Borrower and without incurring any obligation to the Borrower or impairing its security interest in any Collateral: (i) to inspect the Collateral and all books, records and other documents of the Borrower pertaining to the Collateral and make extracts therefrom and require any certificate of title or document evidencing the Collateral to be delivered to the custody of the Lender; (ii) to take any action with respect to the preservation and/or insurance of the Collateral required of the Borrower pursuant to this Security Agreement upon failure by the Borrower to do so (though the Lender shall be under no obligation to take any such action) and to charge the cost thereof to the Borrower, which cost shall be payable on demand, with interest at the highest rate of interest included in the Secured Indebtedness; (iii) to subordinate or exchange any item of Collateral or surrender or release any such item or compromise or release the obligation of any person or entity jointly, severally or contingently liable with the Borrower with respect to the Secured Indebtedness; (iv) to transfer any item or items of Collateral to an assignee in conjunction with the assignment of all or any portion of the Secured Indebtedness (in which event the Lender will have no further responsibility with respect to such item or items of Collateral transferred); and (v) to notify any insurer with respect to any item of Collateral or any obligor thereon of the security interest of the Lender therein and to collect all sums owing to the Borrower thereon and to compromise same if, in the discretion of the Lender, such compromise shall be deemed advisable and following an Event of Default endorse or execute for such purpose in the name of the Borrower any instrument of payment or release or compromise received with respect thereto, such endorsement and execution to be effective as that of the Borrower for all purposes.

(f) Failure by the Lender to exercise any right or to take any action with respect to any Collateral in Lender's possession shall not be deemed a failure to exercise ordinary care in the custody and preservation of such Collateral, if the availability of the right or action is known to the Borrower, and the Borrower shall not have recommended in writing to the Lender a course of action with respect thereto. The Lender shall be deemed to have exercised reasonable care if it shall, with respect to such Collateral, take any action requested in writing by the Borrower, provided, however, that

failure to take any action so requested shall not in and of itself be deemed a failure to exercise reasonable care.

(g) Borrower agrees that the Collateral is not now and will not at any time be so affixed or related to realty as to be or become a fixture. If the Collateral at any time is or may become subject to the lien of either a landlord or a mortgagee under a real estate mortgage, Borrower agrees immediately to obtain and deliver to Lender, in form and substance satisfactory to Lender, a Landlord's and/or a Mortgagee's Waiver, as the case may be, subordinating the interest of either or both to that of the Lender hereunder.

6. General. This Agreement shall apply with respect to all future Secured Indebtedness of the Borrower to the Lender and to all after-acquired Collateral as and when same shall arise or be acquired, and may be terminated with respect to future Collateral or Secured Indebtedness only by written notice of termination by the Borrower, effective upon actual receipt by the Lender. This Agreement shall continue to apply after receipt of notice of termination to all Collateral then existing and thereafter acquired until such time as all Secured Indebtedness then outstanding, and any renewals, amendments, modifications or extensions thereof, in whole or in part, and all Secured Indebtedness thereafter incurred pursuant to any commitment to lend or extend credit outstanding to the Borrower or any of them (or to any third party upon the guaranty or accommodation of the Borrower or any of them) as of the date and time of receipt by the Lender of such notice of termination shall have been paid in full.

For the purposes of exercising the Lender's rights hereunder and under the Debt Instruments, the Borrower does hereby make, constitute and appoint any officer or agent of the Lender as the Borrower's true and lawful attorney-in-fact with power to sign and endorse the name of the Borrower on any notes, checks, drafts, money orders, or other instruments of payment of Collateral that may come into possession of the Lender in full or part payments of any amounts owing to the Borrower, to sign and endorse the name of the Borrower on any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against account debtors, assignments, verifications and notices in connection with accounts, and any instrument or document relating thereto or to the Borrower's rights therein, to give written notice upon the occurrence of an Event of Default in the name of the Borrower to officers and officials of the United States Post Office to effect a change or changes of address so that all mail addressed to Borrower may be delivered directly to the Lender, granting the Borrower's said attorney full power to do any and all things necessary to be done in and about the premises as fully and effectually as the Borrower might or could do, and hereby ratifying all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until payment in full of all Secured Indebtedness.

7. Construction. This Agreement shall be construed and enforced in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, and may be modified, amended or waived only in writing signed by the Lender.

Waiver of an Event of Default by the Lender shall not constitute a waiver by the Lender of any subsequent Event of Default. Any provision herein found to be invalid shall be invalid only with respect to the offending provision. This Agreement shall be binding on the undersigned Borrower and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns.

8. Notification of Account Debtors. After the occurrence of an Event of Default, Lender shall have the right to notify the account debtors obligated on any or all of the Borrower's accounts receivable, to make payment directly to the Lender, which right the Lender may exercise at any time whether or not the Borrower is then in default hereunder and/or under any Secured Indebtedness and whether or not the Lender has theretofore made collections thereon. Until such time as the Lender elects to exercise such right by mailing to the Borrower written notice thereof, the Borrower is authorized, as agent of the Lender, to collect and enforce said accounts receivable. The costs of such collection and enforcement, including reasonable attorneys' fees and out-of-pocket expenses, shall be borne solely by the Borrower whether or not the same are incurred by the Lender or the Borrower. The Lender is hereby authorized to endorse any instrument of payment received in the name of the Borrower, including instruments containing notation such as "Payment in Full" and the like.

9. Borrowers' Rights to Inventory. So long as the Borrower is not in default hereunder and/or under any Secured Indebtedness, the Borrower shall have the right, in the regular course of its business, to process and sell the Borrower's inventory. The Lender's security interest hereunder shall attach to all proceeds of all sales or other dispositions of said inventory.

10. Qualified Accounts - Advance Limitation.

(a) Advance Limitation. Subject to the terms and conditions of this Security Agreement, the Loan Agreement and such other documents as may be applicable, the Lender has agreed to extend to Borrower a line of credit ("Line of Credit") secured by, among other things, the Collateral. The aggregate unpaid principal amount of all loans under the Line of Credit shall not exceed the "Borrowing Base", as defined in the Loan Agreement and subject to any exceptions specifically set forth in the Loan Agreement. In the event that loans under the Line of Credit exceed such limitation at any time, the Borrower will immediately, upon telephone or other notice from Lender, reduce the amount of such loans by an amount adequate to reduce the aggregate amount of such loans to a sum equal to or less than the limitation.

(b) Qualified Accounts. The term "Qualified Accounts" as used herein shall mean those accounts which continuously meet all of the following requirements, until such accounts are collected in full:

- (1) The account is due and payable not more than thirty (30) days from invoice date and remains unpaid for not more than ninety (90) days past the due date;

(2) The account arose from the performance of services or an outright sale of goods by Borrower, such goods have been shipped to the account debtor, and Borrower has possession of, or has delivered to the Lender, shipping and delivery receipts evidencing such shipment;

(3) The account is not subject to any prior (in time and/or in right) assignment, claim, lien, or security interest, and the Borrower will not make any further assignment therefore or create any further security interest therein, nor permit the Borrower's rights therein to be reached by attachment, levy, garnishment or other judicial process;

(4) The account is not subject to set-off, credit, allowance or adjustment by the account debtor, except discount allowed for prompt payment, and the debtor has not complained as to his liability thereon and has not returned any of the goods from the sale of which the account arose;

(5) The account arose in the ordinary course of the Borrower's business and no notice of the Bankruptcy, insolvency or financial embarrassment of the account debtor has been received;

(6) The Lender has not notified the Borrower that the account or the account debtor is unsatisfactory;

(7) The account debtor is not a subsidiary, parent company, division, employee, shareholder, officer, or director of Borrower, nor any other entity related to Borrower through common ownership and/or management ("Related Entity"), nor a shareholder, officer, director, or general partner of a Related Entity;

(8) The account is based upon an enforceable order or contract, written or oral, for goods shipped or services performed, and the same were shipped or performed in accordance with such order or contract;

(9) The title of the Borrower to the account is absolute and is not subject to any prior (in time and/or in right) assignment, claim, lien or security interest, except as permitted in this Agreement;

(10) The account is not an account which the Borrower has agreed to sell or assign to a factoring entity;

(11) The amount shown on the books of the Borrower as an account, and on any invoice or other document delivered to the Lender indicating an account, is owing to the Borrower, less any partial payment made thereon by anyone;

(12) The account debtor has not returned or refused to retain any of the goods from the sale with respect to which the account arose;

(13) The account does not arise out of a contract with, or order from, an account debtor that, by its terms, forbids or makes void or unenforceable the assignment by the Borrower to the Lender of the account arising with respect thereto;

(14) The Borrower has not received any note, trade acceptance, draft or other instrument with respect to or in payment for the account, and, if any such instrument is received, the Borrower will immediately notify the Lender and, at the request of the Lender, will endorse or assign and deliver the same to the Lender;

(15) The Borrower has not received any notice of the dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the filing of a petition in Bankruptcy or the commencement of any proceeding under any Bankruptcy or insolvency laws by or against the account debtor, and, if any such notice is received, the Borrower will immediately give the Lender express and specific written advice thereof;

(16) The account does not represent a progress billing which requires or may require for its enforcement and collection the delivery of additional goods or the performance of additional services; and

(17) The account debtor is not an agency or department of the United States of America.

Borrower will notify Lender telephonically and in writing immediately of any account which originally was a Qualified Account but which has ceased to be a Qualified Account. The disqualification of an account which has ceased to be a Qualified Account shall occur immediately upon said account ceasing to be a Qualified Account under the criteria set forth herein, regardless of the nature, timing, and/or receipt of any notice to or from Borrower and/or Lender. In the event of any dispute as to whether an account is or has ceased to be Qualified Account the decision of the Lender shall control.

11. Qualified Inventory - Advance Limitation.

(a) Advance Limitation. Subject to the terms and conditions of this Security Agreement, the Loan Agreement and such other documents as may be applicable, the Lender has agreed to extend to Borrower a line of credit ("Line of Credit") secured by, among other things, the Collateral. The aggregate unpaid principal amount of all loans under the Line of Credit shall not exceed the "Borrowing Base", as defined in the Loan Agreement and subject to any exceptions specifically set forth in the Loan Agreement. In the event that loans under the Line of Credit exceed such limitation

at any time, the Borrower will immediately, upon telephone or other notice from Lender, reduce the amount of such loans by an amount adequate to reduce the aggregate amount of such loans to a sum equal to or less than the limitation.

(b) **Qualified Inventory.** The term "Qualified Inventory" as used herein shall mean only raw materials and finished goods but shall not include work in process, nor any inventory deemed not saleable or useable due to (i) spoilage, (ii) damage, (iii) obsolescence, or (iv) expiration of any expiration code, product freshness code or other code placed upon product packaging which identifies a last date for the sale of the product as a "fresh" or properly saleable product. Qualified Inventory shall not include any property of the Borrower which is not located at the address set forth in Section 12 hereinbelow unless and until the Borrower shall have delivered to Lender executed financing statements, amendments to this Security Agreement, landlord-mortgagee waivers and such other documents as Lender may require with respect to any such additional inventory location, all of which documents must be satisfactory to Bank in its sole discretion.

The terms "raw materials", "work in process" and "finished goods" shall have the meanings normally ascribed to such terms in the normal practice of the Borrower's business. Borrower will notify Lender telephonically and in writing immediately of any inventory which originally was Qualified Inventory but which has ceased to be Qualified Inventory. The disqualification of inventory which has ceased to be Qualified Inventory shall occur immediately upon said inventory ceasing to be Qualified Inventory under the criteria set forth herein, regardless of the nature, timing, and/or receipt of any notice to or from Borrower and/or Lender. In the event of any dispute as to whether any inventory is or has ceased to be Qualified Inventory, the decision of the Lender shall control.

12. Location of Collateral. The Collateral is located at the following locations only:

(a) 100 N. Conahan Drive, Hazleton Commerce Center, Hazleton, Luzerne County, Pennsylvania 18201; and

(b) 930 N. Olive Street, Kansas City, Jackson County, MO 64120

;

and will remain at those locations during the term of this Security Agreement unless the Lender shall give its written approval prior to the moving of any item of Collateral.

13. Location of Chief Executive Office. The Borrower warrants that the Borrower's chief executive office and all of its offices where it keeps its records concerning accounts and contract rights and all locations at which it maintains a place of business are listed in this Section 13. The Borrower shall promptly notify the Lender in writing of any change in the location of the Borrower's chief executive office, in the location of any records, or in the location of any place of business and of the establishment of any new place of business.

Address: 100 N. Conahan Drive, Hazleton Commerce Center, Hazleton, Luzerne County, Pennsylvania 18201.

14. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Agreement or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. **THE BORROWER AND LENDER EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING.** In connection therewith, Borrower agrees that any suit, action or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of Berks County, Pennsylvania, or the United States District Court for the Eastern District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. **THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS AGREEMENT.**

15. Arbitration. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any claim or controversy arising out of, or relating to this undertaking and all agreements related hereto between parties (a "Dispute") hereto shall be resolved by binding arbitration conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. Disputes may include, without limitation, tort claims, counterclaims, a dispute as to whether a matter is subject to arbitration, claims brought as class actions, or claims arising from documents executed in the future. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements. All arbitration hearings shall be conducted in the city named in the address of Lender first stated above. A hearing shall begin within 90 days of demand for arbitration and all hearing shall conclude within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of 60 days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties do not waive applicable Federal or state substantive law except as provided herein. Notwithstanding the preceding binding arbitration provisions, the parties agree to preserve, without diminution, certain remedies that any party may exercise before or after an arbitration proceeding is brought. The parties shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or

other security by exercising a power of sale or under applicable law by judicial foreclosure including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Any claim or controversy with regard to any party's entitlement to such remedies is a Dispute. The parties agree that they shall not have a remedy of punitive or exemplary damages against other parties in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially. **THE UNDERSIGNED ACKNOWLEDGE AND AGREE THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS UNDERTAKING AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS UNDERTAKING.**

BORROWER:
DeANGELO BROTHERS, INC.

By: 
Name: Paul D. DeAngelo
Title: President, COO

(CORPORATE SEAL)

Attest: 
Name: Neal A. DeAngelo
Title: Secretary, CEO

**ADDENDUM TO SECURITY AGREEMENT
("SECURITY AGREEMENT") BY AND BETWEEN DeANGELO BROTHERS, INC.
("DEBTOR") AND FIRST UNION NATIONAL BANK ("BANK") DATED
NOVEMBER 30th 1998**

1. Unless otherwise noted, capitalized terms used herein shall have the same meanings ascribed thereto in the Security Agreement; however, the term "Equipment" shall also be deemed to include all railroad cars, locomotives, and other railroad rolling stock now owned or hereafter acquired by the Debtor, including, without limitation, all those certain railroad cars and other rolling stock set forth on the list attached hereto, made a part hereof, and marked as Exhibit "A".

2. The Debtor shall use and maintain the Equipment in compliance with all laws, government regulations, and standards of the Association of American Railroads and any other national organization, applicable to the use, maintenance and interchange of the Equipment, and shall at its own expense make such alterations to the Equipment as may be required for time to time for such compliance.

3. The Debtor shall affix and maintain on each side of each unit of the Equipment (a) the reporting marks, if any, assigned to the Debtor by the Association of American Railroads, (b) the identification number set forth on Exhibit A for such unit, and (c) such other markings as from time to time may be required by law or deemed necessary by the Bank to protect the interests of the Bank in the Equipment.

4. The Debtor hereby warrants and represents that the Equipment is and shall at all times remain based in Missouri. Unless the Bank shall otherwise agree, the Equipment shall not be used or assigned for use in service involving the regular operation or maintenance outside of the United States of America. This shall not prohibit use in Canada or Mexico on a temporary basis, not expected to exceed ninety (90) days in any calendar year.

5. This Security Agreement or a counterpart or a certified copy hereof may be filed or recorded in any public office as may be necessary or appropriate to protect the interests of the Bank in the Equipment. The Debtor shall, at its own expense, title and record this Security Agreement, and any assignments hereof and amendments hereto with the Surface Transportation Board, pursuant to Section 11303 of Title 49 of the United States Code, and shall execute and file any other instruments requested by the Bank from time to time that are deemed necessary or appropriate by the Bank to protect such interests.

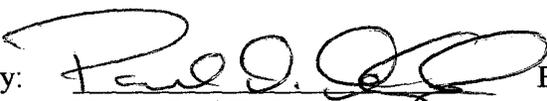
November 24, 1998 (11:23am)

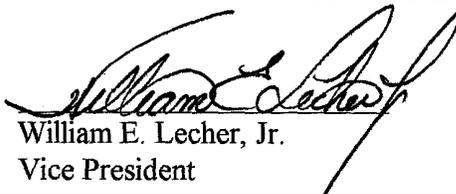
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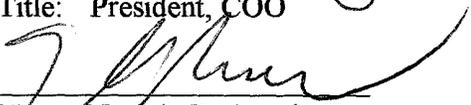
IN WITNESS WHEREOF, the Debtor and the Bank have caused this Addendum to Security Agreement to be executed by their duly authorized agents this 2nd day of November, 1998.

DEBTOR:
DeANGELO BROTHERS, INC.

BANK:
FIRST UNION NATIONAL BANK

By:  By:
Name: Paul D. DeAngelo
Title: President, COO


William E. Lecher, Jr.
Vice President

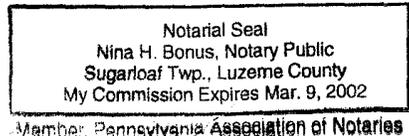
Attest: 
Name: Neal A. DeAngelo
Title: Secretary, CEO

COMMONWEALTH OF PENNSYLVANIA :
 : SS.
COUNTY OF Luzerne :

On this, the 30th day of November, 1998, before me, Nina H. Bonus the undersigned officer, personally appeared Neal A. DeAngelo, who acknowledged himself to be the Secr/Treas of DeAngelo Brothers, Inc., a corporation, and that he as such Secr/Treas, being authorized to do so, executed the foregoing Security Agreement and Addendum to Security Agreement for the purposes therein contained by signing the name of the corporation by himself as Secr/Treas.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Nina H. Bonus
Notary Public



COMMONWEALTH OF PENNSYLVANIA :
 : SS.
COUNTY OF Schuylkill :

On this, the 30th of November, 1998, before me Elizabeth A. Stoppie the undersigned officer, personally appeared WILLIAM E. LECHER, JR., who acknowledged himself to be a Vice President of First Union National Bank, and that he as such Vice President, being authorized to do so, executed the foregoing Security Agreement and Addendum to Security Agreement for the purposes therein contained by signing the name of First Union National Bank, by himself as Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Elizabeth A. Stoppie
Notary Public

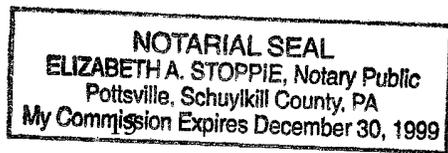


EXHIBIT "A"

DeANGELO BROTHERS, INC.

RAILCARS

<u>RAILCAR #</u>	<u>RAILCAR TYPE</u>
HABX 206	Spray Car
HABX 311	Agitator
HABX 316	Agitator
HABX 470	Flat
HABX 602	Slurry Car
HABX 611	Box
HABX 613	Box
HABX 897	Box
HABX 945	Box
HABX 955	Box
HABX 958	Box
HABX 992	Box
HABX 994	Box