

LAW OFFICES

MILES & STOCKBRIDGE

A PROFESSIONAL CORPORATION

10 LIGHT STREET

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300 ACADEMY STREET
CAMBRIDGE, MD 21613-1865

101 BAY STREET
EASTON, MD 21601-2718

11350 RANDOM HILLS ROAD
FAIRFAX, VA 22030-7429

30 WEST PATRICK STREET
FREDERICK, MD 21701-6903

22 WEST JEFFERSON STREET
ROCKVILLE, MD 20850-4286

600 WASHINGTON AVENUE
TOWSON, MD 21204-3965

1450 G STREET, N.W.
WASHINGTON, D.C. 20005-2001

JOHN A. STALFORT
410-385-3424

December 29, 1994

19153
3
via FEDERAL EXPRESS

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423
Attention: Recordation

0100471076

Re: Our File No.: 258-1391

Madam:

Enclosed for recordation as a primary document pursuant to the provisions of 49 U.S.C. §11303 are one original and one notarized copy of the following document:

Security Agreement dated December 30, 1994 by Wheeling & Lake Erie Railway Company (100 East First Street, Brewster, OH 44613) and Portfolio Rail Corporation (6 West Hubbard Street, Suite 500, Chicago, Illinois 60610)

Also enclosed is a check in the amount of \$21.00 to cover the costs of recordation.

Once this document has been recorded, please return the same to:

John A. Stalfort, Esquire
Miles & Stockbridge
10 Light Street - 9th Floor
Baltimore, Maryland 21202

Thank you for your prompt attention to this matter. Please call me at (410) 385-3425 if you have any questions.

Sincerely,



Michele E. Sperato,
Secretary to John A. Stalfort

JAS:mes
Enclosures

19153

JAN 6 1995 - 11:22 AM

STATE OF MARYLAND, COUNTY OF ANNE ARUNDEL, TO WIT:

I HEREBY CERTIFY that the attached Security Agreement is a true and complete copy of said Security Agreement.

WITNESS my hand and seal this 5th day of December, 1994.

Deborah J. Hooper
Notary Public



My Commission Expires: 7/27/98

JAN 5 1995

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made as of this 30th day of December, 1994, by WHEELING & LAKE ERIE RAILWAY COMPANY, a Delaware corporation (the "Pledgor"), in favor of PORTFOLIO RAIL CORPORATION, an Illinois corporation (the "Lender"); witnesseth:

Recitals

The Pledgor has applied to the Lender for a loan in the principal amount of \$1,050,000 (the "Financial Accommodations") pursuant to the provisions of a certain Loan Agreement of even date herewith by and between the Lender and the Pledgor (the "Loan Agreement"). The Financial Accommodations are to be evidenced by, and repaid with interest in accordance with provisions of, a Promissory Note of even date herewith from the Pledgor payable to the Lender in the principal amount of the Financial Accommodations (the "Note"). The Lender has required, as a condition to the making of the Financial Accommodations, the execution of this Agreement by the Pledgor.

NOW, THEREFORE, in order to secure (a) the prompt payment of all past, present, and future indebtedness, liabilities, and obligations of the Pledgor to the Lender of any nature whatsoever in connection with the Financial Accommodations, including, without limitation, the Liabilities (as defined in the Loan Agreement) (collectively the "Pledgor's Liabilities"), and (b) the performance by the Pledgor of all of the terms, conditions, and provisions of this Agreement, the Loan Agreement, the Note, and of any other note, security agreement, pledge agreement, guaranty agreement, mortgage, deed of trust, loan agreement, hypothecation agreement, subordination agreement, indemnity agreement, letter of credit application, assignment, or any other document previously, simultaneously, or hereafter executed and delivered by the Pledgor and/or any other person, singly or jointly with another person or persons, evidencing, securing, guaranteeing, or in connection with any of the Pledgor's Liabilities (collectively, the "Loan Documents"), the Pledgor agrees with the Lender as follows:

1. Collateral. The Pledgor hereby grants to the Lender a security interest in the following property of the Pledgor: the railroad cars described in Exhibit A attached hereto and made a part hereof by reference, together with (i) all additions, parts, fittings, accessories, special tools, attachments, and accessions now and hereafter affixed thereto and/or used in connection therewith, (ii) all replacements thereof and substitutions therefor, and (iii) all cash and non-cash proceeds and products thereof.

The term "Collateral" as used herein means each and all of the items of Collateral described above and the term "proceeds" as used herein includes, without limitation, the proceeds of all insurance policies covering all or any part of such items of Collateral.

2. Payment and Performance. The Pledgor will pay the Pledgor's Liabilities as and when due and payable and will perform, comply with, and observe the terms and conditions of the Loan Documents to be performed, complied with, and observed by the Pledgor.

3. Title to Collateral. The Pledgor represents and warrants that it is the owner of the Collateral and has good and marketable title to the Collateral free and clear of all liens, security interests, and other encumbrances except for those in favor of the Lender and the subordinate lien of Bank of America National Trust and Savings Association as Collateral Agent.

4. Further Assurances. The Pledgor will defend its title to the Collateral against all persons and will, upon request of the Lender, (a) furnish such further assurances of title as may be required by the Lender, and (b) deliver and execute or cause to be delivered and executed, in form and content satisfactory to the Lender, any financing, continuation, termination, or security interest filing statement, security agreement, or other document as the Lender may request in order to perfect, preserve, maintain, or continue the perfection of the Lender's security interest in the Collateral and/or its priority. The Pledgor will pay the costs of filing any financing, continuation, termination, or security interest filing statement as well as any recordation or transfer tax required by law to be paid in connection with the filing or recording of any such statement. A carbon, photographic, or other reproduction of a security agreement or a financing statement is sufficient as a financing statement.

5. Transfer and Other Liens. The Pledgor will not sell, lease, transfer, exchange, or otherwise dispose of the Collateral, or any part thereof, without the prior written consent of the Lender and will not permit any lien, security interest, or other encumbrance to attach to the Collateral, or any part thereof, other than those in favor of the Lender and the subordinate lien of Bank of America National Trust and Savings Association as Collateral Agent.

6. Financial Statements, Books and Records. The Pledgor will (a) at all times maintain, in accordance with generally accepted accounting principles, accurate and complete books and records pertaining to the Collateral and any contracts and collections relating to the Collateral, (b) furnish to the Lender promptly upon request, and in the form and content and at the intervals specified by the Lender, such financial statements, reports, schedules, and other information with respect to the Collateral as the Lender may from time to time require, (c) at all

reasonable times and without hindrance or delay, permit the Lender or any person designated by the Lender to enter any place of business of the Pledgor or any other premises where any books, records, and other data concerning the Collateral may be kept and to examine, audit, inspect, and make extracts from and photocopies of any such books, records, and other data, and (d) mark its books and records in a manner satisfactory to the Lender so that the Lender's rights in and to the Collateral will be shown.

7. Name of Pledgor, Place(s) of Business, and Location of Collateral. The Pledgor represents and warrants that its correct legal name is as specified on the signature lines of this Agreement, and each legal or trade name of the Pledgor for the previous twelve (12) years (if different from the Pledgor's current legal name) is as specified below the signature lines of this Agreement. Without prior written notice to the Lender, the Pledgor will not change its name. The Pledgor warrants that the address of the Pledgor's chief executive office is as specified below the signature lines of this Agreement. All books and records pertaining to the Collateral have been, are, and will be located at the Pledgor's chief executive office specified below. The Pledgor will immediately advise the Lender in writing of any change in the location of the places where the books and records concerning the Collateral, or any part thereof, are kept.

8. Insurance. The Pledgor will at its expense cause to be carried and maintained with companies of reputable standing public liability insurance with respect to third party personal injury and property damage, against such risks and in such amounts as is consistent with prudent industry practice, as to which the Lender and any of the Lender's assignees will be named additional insured. The Pledgor shall maintain physical damage insurance covering the Railcars in an amount not less than the Casualty Value (as hereinafter defined) thereof with companies of reputable standing. The Pledgor will provide to the Lender and to each assignee of the Lender, upon request, a statement of the insurance maintained pursuant to the insurance provisions of this Agreement.

Any policies of insurance carried in accordance with this Section 8 shall (i) provide that, if any such insurance is canceled for any reason whatsoever, the Lender shall receive 30 days' prior notice of such cancellation; (ii) provide that in respect of the interest of the Lender in such policies, the insurance shall not be invalidated by any action or inaction of the Pledgor or any additional insured (other than such additional insured, as to such additional insured) and shall insure the Pledgor's interests as it appears, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lender or any additional insured (other than such additional insured, as to such additional insured); (iii) provide that the Lender shall not have any obligation or liability for premiums, commissions, assessments or calls or advances in connection with such insurance; (iv) provide that the insurers shall waive (A) any rights of

setoff, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Lender, and (B) any rights of subrogation against the Lender; (v) be primary without right of contribution from any other insurance which may be carried by the lender with respect to its interests as such in the Railcars; and (vi) expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

The Pledgor shall cause the property insurance on the Railcars to provide that the proceeds up to the amount of the Casualty Value, for any loss or damage to any Railcar, if any, shall be payable to the Lender. The Pledgor shall, with respect to any renewal policy or policies, furnish certificates or binders evidencing such renewal as soon as practicable, but in no event later than thirty (30) days after such renewal is effected or the expiration date of the original policy or policies.

"Casualty Value" means for purposes of this Agreement, the respective casualty values set forth on Schedule A of the Loan Agreement.

9. Marking of the Railcars. Pledgor will not change the reporting mark of any Railcar except in accordance with a statement of new reporting marks to be substituted therefor, which statement shall be delivered to Lender by Pledgor and a supplement to this Agreement with respect to such new reporting marks shall be filed or recorded in all public offices where this Agreement shall have been filed or recorded.

10. Maintenance; Operation; Possession; Compliance with Laws. Pledgor, at its own cost and expense, shall maintain, repair and keep each Railcar (i) in accordance with prudent Class I railroad industry maintenance practices in existence from time to time, (ii) in a manner consistent with maintenance practices used by Pledgor in respect of equipment owned or leased by Pledgor similar in type to such Railcar, (iii) in accordance with maintenance requirements of insurance policies covering such Railcar, and (iv) in compliance, in all material respects, with all applicable laws and regulations, including any applicable Interchange Rules as applicable to continued use by Pledgor (other than with respect to bearing configuration which is not in compliance with the Interchange Rules but which Pledgor must maintain in a condition consistent with its current configuration, ordinary wear and tear excepted; provided, however, that Pledgor may, in good faith and by appropriate proceedings diligently conducted, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not materially adversely affect the rights or interests of Lender in the Collateral or hereunder or otherwise expose Lender to criminal sanctions.

Subject to the terms of the Loan Agreement and applicable laws and regulations, Pledgor shall be entitled to the possession of the

Railcars and to the use of the Collateral by it upon lines of railroad owned or operated by it, upon lines of railroad over which Pledgor has trackage or other operating rights or over which railroad equipment of Pledgor is regularly operated pursuant to contract and on railroad lines of other railroads in the United States, in the usual interchange of traffic or in-through or run-through service and shall be entitled to permit the use of the Railcars upon connecting and other carriers in the usual interchange of traffic or pursuant to in-through or run-through agreements. The Railcars may not be used for the shipment of any hazardous waste requiring special permits.

11. Reports. On or before March 1, 1995, and on each March 1 thereafter, Pledgor will furnish to Lender an accurate statement, as of the preceding December 31, showing any change in the amount, description and reporting marks of the Railcars during the twelve (12) months ending on December 31 and the amount, description and reporting marks of all Railcars that may have suffered a casualty during the twelve (12) months ending on December 31, and such other information regarding the condition or repair of the Railcars as Lender may reasonably request.

12. Indemnification. Pledgor hereby agrees to indemnify, defend (including attorneys' fees and expenses, consultant fees and expenses, expert fees and expenses and the burden and expense of defending Lender) and hold harmless Lender from any and all claims, suits, administrative proceedings, costs expenses, damages and liabilities, in law or in equity (including those arising as a result of the presence or release of any hazardous material or hazardous substance), arising out of or in connection with Pledgor's use or operation of the Railcars or with respect to Pledgor's negligent or wrongful acts or omissions with respect to the Railcars. "Use or operation" as used in the preceding sentence includes all causes of action, suits, claims, demands or judgments of any nature arising from injury to or death of any person, or damage to or loss of property, from management, control, use, possession, operation, storage, subleasing, assignment, or relocation of, or any defect in, the Railcars.

13. Taxes. Except to the extent that the validity or the amount thereof is being contested in good faith and by appropriate proceedings, the Pledgor will pay as and when due and payable all taxes, levies, license fees, assessments, and other impositions levied on the Collateral or any part thereof or for its use and operation .

14. Performance by the Lender. If the Pledgor fails to perform, observe, or comply with any of the conditions, terms, or covenants contained in this Agreement, the Lender, after notice to and demand upon the Pledgor prior to an Event of Default and without notice to or demand upon the Pledgor after an Event of Default and without waiving or releasing any of the Pledgor's Liabilities or any Event of Default, may (but shall be under no

obligation to) at any time thereafter perform such conditions, terms, or covenants for the account and at the expense of the Pledgor, and may enter upon any place of business or other premises of the Pledgor for that purpose and take all such action thereon as the Lender may consider necessary or appropriate for such purpose. All sums paid or advanced by the Lender in connection with the foregoing and all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection therewith (collectively, the "Expense Payments") together with interest thereon at a per annum rate of interest which is equal to the then highest rate of interest charged on the principal of any of the Pledgor's Liabilities, plus one percent (1%) per annum, from the date of payment until repaid in full, shall be paid by the Pledgor to the Lender on demand and shall constitute and become a part of the Pledgor's Liabilities secured hereby.

15. Default. The occurrence of any one or more of the following events shall constitute an event of default (an "Event of Default") under this Agreement: (a) failure of the Pledgor to perform, observe, or comply with any of the provisions of this Agreement or of the other Loan Documents, and such failure shall remain uncured for a period of thirty (30) days after the date of written notice from the Lender to the Pledgor; or (b) the occurrence of an event of default (as defined therein) under any of the other Loan Documents.

16. Rights and Remedies Upon Default. Upon the occurrence of an Event of Default hereunder (and in addition to all of its other rights, powers, and remedies under this Agreement), the Lender may, at its option, and after notice to the Pledgor, declare the unpaid balance of the Pledgor's Liabilities to be immediately due and payable. The occurrence or non-occurrence of an Event of Default shall in no manner impair the ability of the Lender to demand payment of any portion of the Pledgor's Liabilities which are payable on demand. The Lender shall have all of the rights and remedies of a secured party under the Maryland Uniform Commercial Code and other applicable laws. Upon the occurrence of an Event of Default hereunder, the Lender or its agents may enter upon the Pledgor's premises to take possession of the Collateral, to remove it, to render it unusable, or to sell or otherwise dispose of it, all without judicial process or proceedings.

Any written notice of the sale, disposition, or other intended action by the Lender with respect to the Collateral which is required by applicable laws and is sent by certified mail, postage prepaid, to the Pledgor at the address of the Pledgor's chief executive office specified below, or such other address of the Pledgor which may from time to time be shown on the Lender's records, at least ten (10) days prior to such sale, disposition, or other action, shall constitute reasonable notice to the Pledgor. The Pledgor shall pay on demand all costs and expenses, including, without limitation, attorneys' fees and expenses, incurred by or on behalf of the Lender (a) in enforcing the Pledgor's Liabilities,

and (b) in connection with the taking, holding, preparing for sale or other disposition, selling, managing, collecting, or otherwise disposing of the Collateral. All of such costs and expenses (collectively, the "Liquidation Costs") together with interest thereon at a per annum rate of interest which is equal to the then highest rate of interest charged on the principal of any of the Pledgor's Liabilities, plus one percent (1%) per annum, from the date of payment until repaid in full, shall be paid by the Pledgor to the Lender on demand and shall constitute and become a part of the Pledgor's Liabilities secured hereby. Any proceeds of sale or other disposition of the Collateral will be applied by the Lender to the payment of the Liquidation Costs and Expense Payments, and any balance of such proceeds will be applied by the Lender to the payment of the remaining Pledgor's Liabilities in such order and manner of application as the Lender may from time to time in its sole discretion determine. For purposes of calculating the amount of additional interest owing in the event of any such sale or other disposition, the railroad cars constituting a portion of the Collateral shall be considered to have been retained in service by Pledgor.

17. Remedies Cumulative. Each right, power, and remedy of the Lender as provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by the Lender of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by the Lender of any or all such other rights, powers, or remedies.

18. Waiver. No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant, or agreement of this Agreement or of the other Loan Documents, or to exercise any right, power, or remedy consequent upon a breach thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Lender from exercising any such right, power, or remedy at any later time or times. By accepting payment after the due date of any of the Pledgor's Liabilities, the Lender shall not be deemed to have waived the right either to require payment when due of all other Pledgor's Liabilities or to declare an Event of Default for failure to effect such payment of any such other Pledgor's Liabilities. The Pledgor waives presentment, notice of dishonor, and notice of non-payment with respect to accounts and chattel paper.

19. Miscellaneous. The paragraph headings of this Agreement are for convenience only and shall not limit or otherwise affect any of the terms hereof. Neither this Agreement nor any term, condition, covenant, or agreement hereof may be changed, waived,

discharged, or terminated orally but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought. This Agreement shall be governed by the laws of the State of Maryland and shall be binding upon the heirs, personal representatives, successors, and assigns of the Pledgor and shall inure to the benefit of the successors and assigns of the Lender. As used herein, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine, or neuter gender shall include all genders, as the context may require, and the term "person" shall include an individual, a corporation, an association, a partnership, a trust, and an organization. Unless varied by this Agreement, all terms used herein which are defined by the Maryland Uniform Commercial Code shall have the same meanings hereunder as assigned to them by the Maryland Uniform Commercial Code.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

The signature and seal of the Pledgor are subscribed to this Agreement the day and year written above.

ATTEST:

WHEELING & LAKE ERIE RAILWAY COMPANY

[Signature]

By: [Signature] (SEAL)

Name: Larry R. Parsons

Title: President & CEO

Address of Pledgor's chief executive office:

100 East First Street
Brewster, OH 44613

Previous legal and/or trade name(s) of the Pledgor: NONE

STATE OF Ohio, COUNTY OF Stark, TO WIT:

I HEREBY CERTIFY, that on this 28 day of December, 1994, before me, the undersigned, a Notary Public of the State of Ohio, personally appeared Larry R. Parsons, who acknowledged himself to be the President & CEO of Wheeling & Lake Erie Railway Company, a Delaware corporation, known (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained as the duly authorized President & CEO of said corporation by signing the name of the corporation by himself as President & CEO.

AS WITNESS my hand and Notarial Seal.

[Signature]
Notary Public

(SEAL)

My Commission Expires: Oct. 18, 1995

A:FN149210.SEC/Portfolio/Disk1/cmr

(Security Agreement)

EXHIBIT A

Cars to be stencilled either PLE or WE.

62087	63819	64024	64310
63101	63823	64025	64323
63106	63831	64028	64332
63160	63837	64029	64334
63309	63840	64033	64368
63371	63844	64034	64389
63407	63846	64035	64390
63481	63850	64040	64395
63499	63854	64043	64399
63505	63858	64057	64406
63607	63864	64061	64425
63704	63875	64083	64427
63709	63881	64145	64467
63712	63887	64151	64476
63714	63898	64181	64477
63715	63899	64191	64478
63717	63902	64193	64483
63720	63903	64197	64484
63721	63907	64200	64486
63723	63923	64204	64489
63726	63938	64206	64494
63733	63941	64207	64499
63735	63943	64214	64507
63737	63944	64216	64512
63738	63949	64217	64516
63741	63950	64221	64518
63747	63962	64223	64520
63749	63968	64235	64521
63753	63971	64236	64522
63756	63973	64238	64523
63759	63975	64243	64524
63763	63978	64244	64532
63766	63980	64248	64533
63769	63987	64255	64534
63772	63992	64259	64540
63773	63993	64263	64545
63774	63998	64266	64556
63777	63999	64267	64557
63778	64001	64273	64558
63781	64004	64274	64561
63785	64005	64277	64568
63790	64006	64285	64569
63793	64007	64287	64571
63798	64009	64289	64574
63803	64013	64290	64577
63806	64015	64297	64578
63812	64018	64300	64580
63815	64020	64305	64582
63816	64021	64306	64586
63818	63871	64084	64436

Cars to be stencilled either PLE or WE.

64754	64670
64755	64688
64756	64693
64757	64746
64758	64762
64764	64804
64766	64806
64770	64845
64771	64589
64781	64598
64784	64606
64785	64608
64787	64611
64792	64824
64796	64827
64797	64828
64800	64832
64803	64834
64809	64836
64810	64838
64812	64847
64816	64848
64818	64856
64656	64858
64657	64861