

LEVIN, MCPARLAND, PHILLIPS, LEYDIG & HABERKORN

ATTORNEYS AT LAW

180 NORTH WACKER DRIVE, SUITE 300
CHICAGO, ILLINOIS 60606-1603

TELEPHONE (312) 634-1100

FACSIMILE (312) 634-1101

NOV 10 1994
19057
PM

WRITER'S DIRECT DIAL
312/634-1106

November 10, 1994

Interstate Commerce Commission
Recording Department

Dear Sir or Madam:

Enclosed is a certified original and two duplicate originals of a Loan and Security Agreement, Mortgage and Assignment of Leases ("Loan and Security Agreement"), between Temco Corporation and First Midwest Bank, N.A., dated November 1, 1994. The Loan and Security Agreement, creates a security interest in favor of First Midwest Bank, N.A. in 46 railroad tank cars owned by Temco and leases involving those tank cars. Attached to this letter are schedules of the 46 tank cars and current leases involving these tank cars.

Would you please record the certified original Loan and Security Agreement, pursuant to 49 U.S.C., § 11303 in order to perfect the security interest of First Midwest Bank, N.A. in the said collateral. Please return file stamped copies to the undersigned.

If you have any questions, please contact the undersigned.

Best regards,


Gary W. Leydig

GWL:sr
Enclosures

*C. Ceintorjante -
Dispute Dept. 1/10/94*

SCHEDULE I

LIST OF RAIL CARS

Forty-six (46) railcars bearing the following reporting marks:

TMCX 604	TMCX 22913	COEX 11201
" 605	" 22915	" 11202
" 606	" 22916	" 11203
" 607	" 22918	" 11204
" 608	" 22919	" 11205
" 1010	" 22920	" 11206
" 1011	" 22921	" 11207
" 1012	" 29002	" 11208
" 1016	" 29003	" 11209
" 1029	" 29004	" 11210
" 1022	" 29005	
" 1023	" 29006	
" 1026	" 29007	
" 1027	" 29008	
" 1028	" 29010	
" 22910	" 10001	
" 22911	" 29000	
" 22912	" 29009	

SCHEDULE II

BONA FIDE LEASES

LEASES

Railcars Under Lease

Temco Corporation Master Railcar Lease and Service Agreement with Unocal Chemical (Contract No. 2168) and Rider No. 1 thereto; assigned to Rohm and Haas Company.

TMCX 604-608

Railcar Lease and Service Contract between Temco Corporation and Exxon Chemical Americas (Contract No. 2066) and Rider Nos. 03 and 04 thereto.

TMCX 1010-1012, 1016, 1022-1023 and 1026-1029

Temco Corporation Railcar Lease and Service Contract with Monsanto Company (Contract No. 2111) and Rider No. 03 thereto.

TMCX 22910-22913, 22915, 22916 and 22918-22921

Temco Corporation Master Railcar Lease And Service Contract with Rampart Range (Contract No. 2176B) and Rider Nos. 07B, 09B and 14B thereto.

TMCX 29002-29006, 29008 and 10001

Temco Corporation Master Railcar Lease and Service Contract with Alchem Ltd. (Contract No. 2187B) and Rider Nos. 01B and 02B thereto.

TMCX 29007 and 29010

Temco Corporation Railcar Lease And Service Contract with Midwest Solvents Company, Inc. (Contract No. 2055) and Rider No. 02 thereto.

TMCX 29000 and 29009

Equipment Lease Agreement between Temco Corporation and Union Oil Company of California, dated April 1, 1984; assigned to Uno-Ven.

UOEX 11201-11210

Interstate Commerce Commission

Washington, D.C. 20423

11/14/94

OFFICE OF THE SECRETARY

Gary W. Leydig
Levin, McParland, Phillips, Leydig &
Haberhorn
180 North Wacker Drive, Ste. 300
Chicago, Illinois 60606-1603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/14/94 at 12:25PM. , and assigned recordation number(s). 19057.

Sincerely yours,

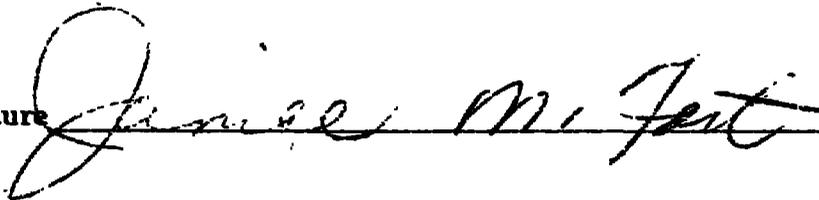
Vernon A. Williams
Secretary

Enclosure(s)

(0100429047)

\$ 21.00 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 and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

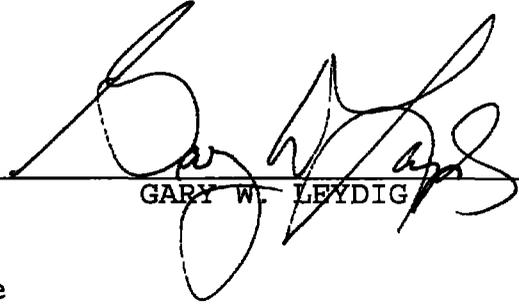
Signature



CERTIFICATION

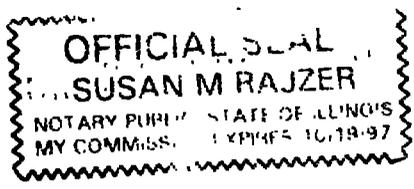
1905.7
1994

I, Gary W. Leydig, the attorney for Temco Corporation, being first duly sworn under oath, hereby certifies and states that the Loan and Security Agreement, Mortgage and Assignment of Leases, dated as of November 1, 1994, between Temco Corporation and First Midwest Bank, N.A., attached hereto is true and correct.


GARY W. LEYDIG

SUBSCRIBED AND SWORN to before me
this 9th day of November, 1994.


NOTARY PUBLIC



RECORDATION NO. 19057

1994

RECORDATION NO. 19057

LOAN AND SECURITY AGREEMENT,
MORTGAGE AND ASSIGNMENT OF LEASES

by and between

TEMCO CORPORATION,

and

FIRST MIDWEST BANK, N.A.

Dated November 1, 1994

Filed and Recorded with the Interstate Commerce Commission pursuant
to Section 11303, Title 49, United States Code on _____,
19__ at _____ Recordation No. _____

**LOAN AND SECURITY AGREEMENT,
MORTGAGE AND ASSIGNMENT OF LEASES**

LOAN AND SECURITY AGREEMENT, MORTGAGE AND ASSIGNMENT OF LEASES, dated as of November 1, 1994, between TEMCO CORPORATION, an Illinois corporation (the "Company"), and FIRST MIDWEST BANK, N.A. (the "Lender").

W I T N E S S E T H:

WHEREAS, the Company is engaged in, among other things, the business of purchasing and owning railroad tank cars for lease to others;

WHEREAS, the Company desires to obtain loans from the Lender in order to retire a portion of the Company's outstanding indebtedness to Continental Bank, N.A., and the Company's entire indebtedness to Cole Taylor Bank as well as other indebtedness and to otherwise provide working capital;

WHEREAS, the Company owns the 46 railroad tank cars listed on Schedule I, such cars being leased on the date hereof under bona fide leases as listed in Schedule II attached hereto;

WHEREAS, the Company will evidence its borrowing hereunder by the issuance of its promissory note which, together with the Company's obligations and liabilities under this Agreement will be secured by, inter alia, a lien on and security interest in such tank cars and the rights of the Company under the Leases; and

WHEREAS, the Lender is agreeable to making the loans on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1.

DEFINITIONS

1.1 Defined Terms. As used in this Agreement the following terms shall have the following meanings:

"Agreement" shall mean this Loan and Security Agreement, Mortgage and Assignment of Leases, including all Schedules and

all Exhibits hereto, as the same may from time to time be amended, supplemented or otherwise modified.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal banking holiday under the laws of the State of Illinois.

"Cash Collateral Account" shall have the meaning set forth in Subsection 6.2(b) hereof.

"Casualty Occurrence" shall mean any of the following events or conditions with respect to any Unit:

(i) such Unit shall become lost for a period of at least 30 consecutive days, or shall become stolen, destroyed or damaged beyond economic repair from any cause whatsoever; or

(ii) the confiscation, condemnation, seizure or forfeiture of, or other requisition of title to, or use of, such Unit by any governmental authority or any Person acting under color of governmental authority.

"Casualty Value" with respect to any Unit shall mean the amount obtained by multiplying the aggregate unpaid principal amount of the Note at the time Casualty Value is being determined by a fraction, the numerator of which is the Tank Car Cost of such Unit and the denominator of which is the aggregate Tank Car Cost of all Tank Cars which are then subject to the Lien and security interest of this Agreement.

"Casualty Value Determination Date" shall have the meaning set forth in Subsection 7.16 (a) hereof.

"Collateral" shall mean the Tank Cars, the Leases, the moneys at any time in the Cash Collateral Account and all other property, interests and rights described or referred to in Subsections 6.1, 6.2, 6.3 or 6.4 hereof or otherwise subjected to the Lien and security interest created by this Agreement.

"Damaged Unit" shall mean any Unit which has suffered a Casualty Occurrence.

"Default" shall mean any of the events specified in Section 9 hereof, whether or not there has been satisfied any requirement in connection with such event for the giving of notice or the lapse of time, or both.

"Event of Default" shall mean any of the events specified in Section 9 hereof, provided that there has been satisfied

any requirement in connection with such event for the giving of notice, or the lapse of time, or both.

"Guarantor" shall mean Bruce H. Borland.

"Guaranty" shall mean the Guaranty of the Guarantor in favor of the Lender, substantially in the form of Exhibit B attached hereto.

"Installment Payment Date" shall mean each date on which an installment of principal or interest is due and payable under the Note.

"Interest Rate" shall mean 8.5% per annum during the initial thirty (30) calendar months following disbursement of the Loan and shall mean 250 basis points above the yield on United States Treasury Notes maturing closest to the Maturity Date of the Note as of the first day of the thirtieth (30th) calendar month following disbursement of the Loan.

"Leases" shall mean and include the leases identified in Schedule II and any other leases which may hereafter be placed on the Tank Cars during the term of this Agreement.

"Lessees" shall mean and include all lessees under the Leases.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, security interest, Lien, charge or encumbrance, priority or other security agreement or arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as a conditional sale or other title retention agreement, the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction) and the filing of this Agreement and any other documents with the Interstate Commerce Commission.

"Loan" shall mean the loan made by the Lender under this Agreement.

"Loan Documents" shall mean the original counterparts of this Agreement, the Note, the Guaranty, the Certificates of Acceptance, the Opinions and any other documents executed by or on behalf of the Company or the Lessees in connection with the Loan.

"Non-Removable Improvement" shall mean any addition or improvement incorporated in or installed on or attached to any Tank Car which is not readily removable without causing material damage to such Tank Car or without diminishing or

impairing the utility or condition which such Tank car would have had at the time of removal had such addition or improvement not been made.

"Note" shall mean the negotiable promissory note of the Company described in Subsection 2.3 hereof.

"Obligations" shall have the meaning set forth in Section 6 hereof.

"Opinions" shall mean the opinion of Levin, McParland, Phillips, Leydig & Haberkorn in the form attached hereto as Exhibit "C".

"Payoff Letters" shall mean payoff letters in the form and substance acceptable to the Lender from Cole Taylor Bank regarding the repayment of the entire outstanding indebtedness from the Company to Cole Taylor Bank and from Continental Bank, N.A. regarding a partial payment of the outstanding indebtedness from the Company to Continental Bank, N.A.

"Permitted Liens" shall mean, with respect to any Unit, (i) the rights of the Lessee under the Lease of such Unit, (ii) Liens for taxes which are not yet due or the payment of which is not at the time required to be made in accordance with the provisions of Subsection 7.4 hereof, and (iii) materialmen's, mechanics, repairmen's and other like Liens arising in the ordinary course of business securing obligations which are not more than 30 days overdue or the payment of which is not at the time required to be made in accordance with the provisions of Subsection 7.4 hereof.

"Person" shall mean an individual, partnership, corporation, joint venture, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code of the State of Illinois and, in any event, shall include, but not be limited to (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Company from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any of the Collateral by any governmental authority (or any Person acting under color of governmental authority), and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral, including, without limitation, amounts due or to become due under any of the Leases.

"Replacement Unit" shall have the meaning set forth in Subsection 7.16(c) hereof.

"Subsidiary" shall mean, when used with respect to any Person, any corporation more than 50% of the issued and outstanding shares of Voting Stock of which at the time is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person.

"Tank Cars" shall mean at any time the railroad tank cars which are described in Schedule I hereto, together with (i) any and all other Tank Cars which are subjected to the Lien and security interest of this Agreement or intended so to be including any Replacement Units, (ii) any and all parts, mechanisms, devices and replacements referred to in Subsection 7.17 hereof from time to time incorporated in or installed on or attached to any of such tank cars pursuant to requirement of law or governmental regulation and (iii) any and all Non-Removable Improvements.

"Tank Car Cost" shall mean, for each Unit (other than a Replacement Unit), \$909,000.00 divided by the number of Tank Cars listed in Schedule I. The "Tank Car Cost" of a Replacement Unit shall be the Tank Car Cost of the Unit which it replaced.

"Unit" shall mean one of the Tank Cars.

"Voting Stock" of a corporation shall mean stock having ordinary voting power for the election of a majority of the board of directors, managers or trustees of such corporation, other than stock having such power only by reason of the happening of a contingency.

"Wholly-Owned Subsidiary" shall mean, when used with respect to any person, any Subsidiary, all the issued and outstanding shares (except for directors' qualifying shares, if required by law) of Voting Stock of which at the time are owned by such Person or by one or more Wholly-owned Subsidiaries of such Person.

1.2 **Use of Defined Terms.** All terms defined in this Agreement shall have their defined meanings when used in this Agreement, the Note, or in any certificates, reports or other documents made or delivered pursuant hereto.

1.3 Other Definitional Provision.

(a) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this agreement.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural and vice versa.

SECTION 2.

AMOUNT AND TERMS OF LOAN

2.1 Commitment of the Bank. Subject to the terms and conditions of this Agreement and in reliance upon the warranties of the Company herein set forth, the Bank agrees to make a loan (the "Loan") on or before June 30, 1994 in the amount of the lessor of (a) NINE HUNDRED THOUSAND NINE DOLLARS (\$909,000.00) and (b) 75% of the appraised value of the Tank Cars.

2.2 Use of Proceeds. The Company will use the proceeds of the Loan to retire all of the Company's currently outstanding indebtedness to Cole-Taylor Bank, to retire a portion of the debt of Continental Bank, N.A. as well as other indebtedness and otherwise provide working capital.

2.3 The Note. The Loan shall be evidenced by a secured promissory note of the Company substantially in the form of Exhibit "A" hereto with appropriate insertions therein. The Note shall (a) be dated as of November 1, 1994, (b) be in the amount of NINE HUNDRED THOUSAND NINE DOLLARS (\$909,000.00), (c) bear simple interest on the unpaid principal amount thereof from the date thereof at a rate equal to the Interest Rate (calculated on the basis of the actual number of days elapsed of a 360-day year of twelve 30-day months), and (d) be payable in (i) thirty (30) equal consecutive monthly installments of principal and interest in the amount of \$14,878.28 on the first day of each calendar month, commencing on the first day of the second calendar month after the date of the Note, and (ii) thirty (30) additional equal consecutive monthly installments of principal and interest at the repriced Interest Rate based upon United States Treasury Notes in an amount that would enable the loan to be fully amortized on the tenth anniversary of the funding of the Loan on the first day of each calendar month, commencing with the thirty second (32nd) calendar month after the date of the Note. If not sooner paid the entire unpaid balance of the Loan plus accrued unpaid interest shall be paid on the first day of November, 1999. Installments received with respect to the Note shall be applied first to the payment of interest then due and then to the payment of principal. All payments on the Note shall be made without set-off or counterclaim

and shall be made in immediately available funds by the Company to the Lender. All such payments shall be made to the Lender prior to 12:30 p.m., Chicago time, at its offices at 725 Waukegan Road, Deerfield, Illinois 60015, or at such place as may be designated by the Lender to the Company in writing. Any payment received after 12:30 p.m., Chicago time, shall be deemed received on the next Business Day.

2.4 Voluntary Prepayment of Note. On any one Installment Payment Date the Company may, upon notice as provided in Subsection 2.6 hereof, prepay the then outstanding principal amount of the Note in whole or in part, provided that simultaneously with such prepayment the Company pays to the Lender accrued interest on the outstanding principal amount of the Note to the date of such prepayment.

2.5 Prepayment for Casualty occurrence or Transfer. In the event of any Casualty Occurrence under Subsection 7.16 hereof, the Company will prepay the Note in accordance with the provisions of said Subsection 7.16. In the event that the Company desires to transfer any Unit by sale, gift, assignment or otherwise to any other entity, whether related or not, other than by lease in the normal course of business, the Company shall first obtain the written approval of the Lender and shall pay to Lender the amount which would have been paid to Lender under Subsection 7.16 as if such Unit had suffered a Casualty Occurrence. Any request for approval shall be in writing and shall specify the Unit(s) to be sold and the proposed date of transfer. The Lender agrees that, upon a transfer in accordance with this Subsection 2.5, it will release its security interests in the Units so transferred, without recourse to or warranty by the Lender.

2.6 Application of Prepayments. In the event any partial prepayment of the Note is made pursuant to Subsection 2.4 or 2.5 hereof, such prepayment shall be applied to the installments of the Note in the inverse order of their maturities.

2.7 Release of Collateral. Upon any prepayment of the Note pursuant to Subsection 2.4 hereof, the Lender will promptly execute and deliver to the Company such instruments as shall be necessary to release from the Lien and security interest of this Agreement, without recourse to, or representation or warranty by the Lender, that number of Units which is equal to the number (disregarding any fraction) obtained by multiplying the total number of Tank Cars which are then subject to the Lien and security interest of this Agreement by a fraction, the numerator of which is the principal amount of the Note so prepaid and the denominator of which is the aggregate outstanding principal amount of the Note. The Company shall have the right to designate the Units to be released, subject to the approval of the Lender. Corresponding Leases shall also be released. Releases due to prepayments under Subsection 2.5 shall be effected as set forth in such subsection.

SECTION 3.

COMMITMENT FEE

The Company shall on the date hereof pay to the Lender the \$6,000.00 balance of the \$12,000.00 commitment fee.

SECTION 4.

REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement and to make the Loan, the Company represents and warrants to the Lender that:

4.1 Corporate Existence and Business. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. Neither the conduct of its business nor the ownership or lease of its properties requires the Company to qualify to do business as a foreign corporation under the laws of any jurisdiction. The Company presently is engaged solely in the business of purchasing, selling, leasing and managing railroad cars and ancillary business such as providing administrative/management services to shortline railroads.

4.2 Power and Authorization; Enforceability; Consents. The Company has full power, authority and legal right to own its properties and to conduct its business as now conducted and presently proposed to be conducted by it and to execute, deliver and perform this Agreement, the Loan Documents and the Leases and to borrow under this Agreement and the Note on the terms and conditions hereof and thereof, to grant the Lien and security interest provided for in this Agreement and to take such action as may be necessary to complete the transactions contemplated by this Agreement, the Loan Documents and the Leases, and the Company has taken all necessary corporate action to authorize the borrowing on the terms and conditions of this Agreement and the grant of the Lien and security interest provided for in this Agreement and to authorize the execution, delivery and performance of this Agreement, the Note and the Leases. This Agreement has been duly authorized, executed and delivered by the Company and constitutes, and the Note has been duly authorized by the Company and when executed and delivered by the Company will constitute, legal, valid and binding obligations of the Company enforceable in accordance with their terms. No consent of any other party (including stockholders of the Company) and no consent, license, permit, approval or authorization or, exemption by, or registration or declaration with any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the Note except for the filing

of this Agreement with the Interstate Commerce Commission and the filing of the applicable U.C.C. financing statements with respect to the Lender's security interest in the Leases, spare parts and improvements in the offices of the Secretary of State of Illinois.

4.3 No Legal Bar. The execution, delivery and performance by the Company of this Agreement, the Note, the Loan Documents and the Leases will not violate any provision of any existing law or regulation to which the Company is subject or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company or of the Articles of Incorporation, By-Laws or any preferred stock provision of the Company or of any mortgage, indenture, contract or other agreement to which the Company is a party or which is or purports to be binding upon the Company or any of its properties or assets, and will not constitute a default thereunder, and (except as contemplated by this Agreement) will not result in the creation or imposition of any Lien on any of the properties or assets of the Company. The Company is not in default in the performance or observance of any of the obligations, covenants or conditions contained in any bond, debenture or note, or in any mortgage, deed of trust, indenture or loan agreement, of the Company.

4.4 No Material Litigation. Other than as set forth in Exhibit "D" hereto, there are no actions, suits or proceedings (whether or not purportedly on behalf of the Company) pending or, to the knowledge of the Company, threatened against the Company or any of its properties or assets in any court or before any arbitrator of any kind or before or by an governmental body, which (i) relate to any of the Collateral or to any of the transactions contemplated by this Agreement, or (ii) would, if adversely determined, materially impair the right or ability of the Company to carry on its business substantially as now conducted and presently proposed to be conducted, or (iii) would, if adversely determined, have a material adverse effect on the operating results or on the condition, financial or other of the Company. The Company is not in default with respect to any order, judgment, award, decree, rule or regulation of any court, arbitrator or governmental body.

4.5 No Default. No Default or Event of Default has occurred and is continuing under this Agreement.

4.6 Financial Condition. The unaudited consolidated financial statements of the Company as of December 31, 1993 and for the twelve (12) months then ended, and the unaudited consolidated financial statements of the Company as of September 30, 1994 and for the nine (9) months then ended, compiled by the Company and the Company's accountant and certified by the president or the chairman of the Company, copies of which have heretofore been delivered to the Lender, are complete and correct, have been prepared in accordance with generally accepted accounting principles

consistently applied throughout the period involved and present fairly the consolidated financial position of the Company on December 31, 1993 and September 30, 1994, and the results of their operations for the periods then ended. There has been no material adverse change in the condition, financial or otherwise, of the Company since December 31, 1993.

4.7 Payment of Taxes. The Company has filed all federal, state and local tax returns and declarations of estimated tax which are required to be filed and has paid all taxes which have become due pursuant to such returns and declarations or pursuant to any assessments made against it, and the Company has no knowledge of any deficiency or additional assessment in connection therewith not adequately provided for on the books of the Company.

4.8 Force Majeure. Since December 31, 1993, the business, operations, properties and assets of the Company have not been materially and adversely affected in any way as the result of any fire, explosion, earthquake, disaster, accident, labor disturbance, requisition or taking of property by governmental authority, flood, drought, embargo, riot, civil disturbance, uprising, activity of armed forces, or act of God or a public enemy.

4.9 Burdensome Provisions. The Company is not a party to any agreement or instrument, or subject to any charter or other corporate restriction or to any judgment, order, writ, injunction, decree, award, rule or regulation which does or will materially and adversely affect the business, operations, properties or assets or the condition, financial or other, of the Company.

4.10 Leases.

(a) Each Lease has been duly authorized, executed and delivered by the parties thereunder and constitutes a valid and binding obligation of the Company and any other party thereunder, enforceable in accordance with its terms. No consent of any other party (including stockholders of the Company and each Lessee) and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority is required to be obtained, effected or given in connection with the execution, delivery and performance of each Lease by each party thereto except for the filing of the Leases or a Schedule to this Agreement covering the Leases with the Interstate Commerce Commission.

(b) Neither the Company nor (to the best of the Company's knowledge) the Lessee under any Lease is in default in the performance or observance of any covenant, term or condition contained in such Lease, and no event has occurred and no condition exists which constitutes, or which with the lapse of time or the giving of notice or both would

constitute, a default under any Lease. The Company has fully performed all of its obligations under each Lease, and the right, title and interest of the Company, in to and under each Lease is not subject of any defense, offset, counterclaim or claim nor have any of the foregoing been asserted or alleged against the Company as to any Lease.

4.11 Title to Tank Cars; Specifications. As of the time of the making of the Loan by the Lender under this Agreement, (i) the Company shall have good and valid title to, and be the lawful owner of each Unit described in Schedule I hereto, free and clear of all Liens whatsoever except the following: (a) the Liens in favor of Continental Bank, N.A., pursuant to a Loan and Security Agreement between the Company and Continental Bank, N.A. dated January 31, 1990 and the Liens in favor of the Cole Taylor Bank pursuant to a Loan and Security Agreement between the Company and Cole Taylor Bank dated August 11, 1992 which Liens shall be released with respect to the Tank Cars and Leases by Continental Bank, N.A. and Cole Taylor Bank pursuant to the Payoff Letters; and (b) the Lien and security interest created by this Agreement, (ii) each Unit shall conform to all Department of Transportation and Interstate Commerce commission requirements and specifications and to all standards recommended by the Association of American Railroads, in each case applicable to railroad equipment of the same type as such Unit, and (iii) each such Unit shall be in good and serviceable condition.

4.12 First Lien. Upon the filing of this Agreement and the Leases or a schedule of the Leases in the manner prescribed in Section 11303, Title 49, United States Code and in the related regulations of the Interstate Commerce Commission, the filing of the applicable U.C.C. financing statements with respect to the Lender's security interest in Leases, spare parts and improvements in the office of the Secretary of State of Illinois, and the payment to Continental Bank, N.A. and Cole Taylor Bank pursuant to the Payoff Letters and the subsequent release of Liens pursuant thereto, this Agreement will constitute a legal, valid and perfected first Lien on and first priority security interest in each of the Units (and any Proceeds thereof), each of the Leases (and the Proceeds thereof) and the Cash Collateral Account and other Collateral, as security for the Obligations, free and clear of all other Liens whatsoever other than the rights of the Lessees under the Leases. No security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record with the Interstate Commerce Commission or with any other public office, except such as may have been filed by or on behalf of the Company in favor of the Lender pursuant to this Agreement and except such as shall be released pursuant to the Payoff Letters.

4.13 Principal Office. The principal place of business, the chief executive office and the place at which the books and records

of the Company are kept is 100 East Scranton Avenue, Lake Bluff, Illinois 60044. The Company will promptly notify the Lender in writing of any change of the address of its principal office, as set forth in Subsection 7.8.

4.14 Pension and Welfare Plan. No liability, fine or penalty exists, whether to the Pension Benefit Guaranty Corporation or otherwise, with respect to any of its Pension or Welfare Benefit Plans, as such terms are defined in ERISA.

4.15 Investment Company. The Company is not an "investment company" or company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

4.16 Public Utility Holding Company. The Company is not a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

4.17 General Liability Insurance. The Company maintains general liability insurance with a face amount and policy terms and conditions which are ordinary and customary for similar businesses, and which are sufficient in type and amount to insure the Company against the risks normally incidental to the conduct of its business.

4.18 Subsidiaries and Partnerships. The Company has no Subsidiaries other than TEMCO Leasing Company, TEMCO Railcar Corporation and American Railway Repair Corporation, all of which are currently inactive and not conducting any business. The Company is not a partner or joint venturer in any partnership or joint venture.

SECTION 5.

CONDITIONS OF BORROWING

The obligation of the Lender to make the Loan hereunder shall be subject to the fulfillment, to the satisfaction of the Lender, of the following conditions precedent:

(a) The Company shall have executed and delivered to the Lender its Note meeting the requirements of Subsection 2.3 hereof;

(b) There shall have been delivered to the Lender a copy, certified by the Secretary of the Company on the date of the Loan, of the Articles of Incorporation of the Company, along with any amendments thereto;

(c) The Guarantor shall have delivered to the Lender a copy of his personal financial statement, federal income tax returns for the years 1991, 1992 and 1993 certified by the Guarantor.

(d) There shall have been delivered to the Lender a copy, certified by the Secretary of the Company on the date of the Loan, of the resolutions of the Board of Directors of the Company approving the transactions contemplated by this Agreement and authorizing the execution, delivery and performance by the Company of this Agreement, the Note and the Leases and all other documents and instruments required hereby;

(e) There shall have been delivered to the Lender a Certificate, dated the date of the Loan, signed by the President or the Chairman of the Company stating that each Lease continues in full force and effect on and after the date hereof, that the Company is aware of no current defaults under any such Lease, and that the Leases are valid and enforceable obligations of the parties thereto;

(f) There shall have been delivered to the Lender a certificate, dated the date of the Loan, with respect to the incumbency and signature of each of the officers of the Company executing this Agreement or any document relating hereto on behalf of the Company;

(g) A Guaranty, substantially in the form of Exhibit B shall have been duly executed by the Guarantor and delivered to the Lender;

(h) There shall have been delivered to the Lender evidence that this Agreement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code, and that there are no Liens on file with the Interstate Commerce Commission, other than those which may have been filed pursuant to this Agreement or the Note as well as those heretofore filed to secure obligations payable to Continental Bank, N.A. and Cole Taylor Bank;

(i) There shall have been delivered to the Lender a schedule of all Leases signed by a duly authorized officer of the Company;

(j) There shall have been delivered to the Lender evidence that each Lease or a Schedule describing each Lease has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code and that financing statements with respect to the Lender's security interest in

each Lease have been filed in the office of the Secretary of State of Illinois and in such other office as the Lender may reasonably require;

(k) The representations and warranties contained in Section 4 hereof shall be true and correct on and as of the date of the making of the Loan with the same effect as if made on and as of such date, and no Default or Event of Default shall be in existence on the date of the making of the Loan or would occur as a result of the Loan;

(l) There shall have been delivered to the Lender evidence of insurance with respect to the Tank Cars, which indicates compliance by the Company with the provision of Subsection 7.15 hereof;

(m) There shall have been delivered to the Lender a certificate, dated the date of the initial Loan and signed by the President or the Chairman of the Company, to the same effect as paragraph (k) of this Section 5 and to the further effect that (i) the Company has valid and legal title to, and is the lawful owner of, the Tank Cars, free and clear of all Liens except the Lien and security interest created by this Agreement as well as those heretofore created in favor of Continental Bank, N.A. and Cole Taylor Bank; which Liens shall be released pursuant to the Payoff Letters; and (ii) the Tank Cars have been duly leased to the Lessees under the respective Leases;

(n) There shall not have been in the judgment of the Lender, any material adverse change in the financial condition or business operations of the Company or the Guarantor;

(o) There shall have been delivered to the Lender an opinion of Levin, McParland, Phillips, Leydig & Haberkorn, Counsel for the Company dated the date of the Loan and substantially in the form of Exhibit C hereto;

(p) There shall have been delivered to the Lender an appraisal in form and substance and by an appraiser acceptable to the Lender in its absolute and sole discretion;

(q) There shall have been delivered to the Lender the Payoff Letters;

(r) There shall have been delivered to the Lender estoppel letters in substantially the form attached hereto as Exhibit "E" from each of the Lessees; and

(s) There shall have been delivered to the Lender an original copy of a \$300,000 term life insurance policy on the life of Guarantor together with an assignment thereof to the Lender and evidence of payment of twelve months premium.

(t) The Lender shall have received any other documents, instruments or certificates that the Lender may reasonably request.

SECTION 6.

GRANT OF MORTGAGE, LIEN, SECURITY INTEREST AND ASSIGNMENT OF LEASES

As collateral security for (a) the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of the unpaid principal and interest on the Note, (b) the due and punctual payment and performance by the Company of all of its obligations and liabilities under or arising out of or in connection with this Agreement (all of the foregoing being hereinafter called the "Obligations"), and in order to induce the Lender to make the Loan hereunder:

6.1 Tank Cars. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender for the benefit and on account of the Lender, and does hereby grant to Lender a continuing security interest in, all of the Tank Cars and any and all Proceeds thereof.

6.2 Leases.

(a) The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all of the right, title and interest of the Company in, to and under each of the Leases, including, without limitation, all right, title and interest of the Company in and to all rents, issues, profits, revenues and other income arising under each of the Leases and other moneys due and to become due to the Company under or arising out of each of the Leases, all accounts and general intangibles under or arising out of each of the Leases, all proceeds of each of the Leases and all claims for damages arising out of the breach of either of the Leases, the right of the Company to terminate each of the Leases and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other documents evidencing each of the Leases or any moneys due or to become due thereunder or related thereto. Each and every copy of each of the riders to the Leases pertaining to the Tank Cars which the Company directly or indirectly has in its control or

possession shall have attached thereto a notice indicating the Lender's interest therein.

(b) The Company agrees that, upon the written request of the Lender, (i) it will specifically authorize and direct the Lessee under each Lease to make payment of all amounts due and to become due to the Company under or arising out of such Lease directly to an account of the Lender, to be maintained by the Lender at the office of the Lender located at 725 Waukegan Road, Deerfield, Illinois 60015 and entitled "Temco Corporation Cash Collateral Account" (the "Cash Collateral Account"), (ii) it will hold in trust any such amount received by it and forthwith pay the same to the Lender, and (iii) it hereby irrevocably authorizes and empowers the Lender to ask, demand, receive, receipt and give acquittance for any and all such amounts which may be or become due and payable or remain unpaid to the Company by such Lessee at any time or times under or arising out of such Lease, to endorse any checks, drafts or other orders for the payment of money payable to the Company in payment therefor, and in the Lender's discretion to file any claims or take any action or proceedings either in its own name or in the name of the Company or otherwise which the Lender may deem to be necessary or advisable in the premises.

(c) It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under the Leases to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Lender shall not have any obligation or liability under the Leases by reason of or arising out of this Agreement or the assignment of the Leases to the Lender or the receipt by the Lender of any payment pursuant thereto, nor shall the Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or pursuant to the Leases, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any performance by the Lessees or to present or file any claim, or to take any action to enforce the observance of any obligations of the Lessees under the Leases.

6.3 Cash Collateral Account. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all moneys at any time held in the Cash Collateral Account, if any.

6.4 Other Accounts. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to Lender a continuing security interest in all monies at any time

held in any account of the Company with the Lender, whether deposit, operating, savings or other.

6.5 Application of Funds. The Lender hereby agrees that so long as no Default or Event of Default has occurred and is continuing, it will promptly pay or cause to be paid to the Company's demand deposit account with the Lender all amounts on deposit in the Cash Collateral Account. When the Obligations shall have been paid, performed and discharged in full, the Lender shall pay or cause to be paid to the Company all amounts then on deposit in the Cash Collateral Account and shall notify each Lessee to make all further payments under its Lease directly to the Company or as the Company shall direct. Nothing contained in Section 6 of this Agreement or elsewhere in this Agreement is intended or shall impair, diminish or alter the obligation of the Company, which is absolute and unconditional, to pay to the Lender all principal of and interest on the Note and all amounts payable under this Agreement as and when the same shall become due and payable in accordance with their respective terms.

SECTION 7.

COVENANTS

The Company hereby covenants and agrees that from the date of this Agreement and so long as any amount remains unpaid on account of the Note or otherwise with respect to the Obligations, unless the Lender shall otherwise consent in writing:

7.1 Financial Statements. The Company will furnish or cause to be furnished to the Lender:

(a) as soon as available, but in any event not later than 120 days after the end of each fiscal year of the Company, audited financial statements of the Company including both a consolidated and a non-consolidated balance sheet of the Company as of the end of such fiscal year and the related consolidated and non-consolidated statements of income and of changes in financial position of the Company for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and accompanied by a report or opinion of independent certified public accountants of recognized standing selected by the Company and satisfactory to the Lender;

(b) as soon as available, but in any event not later than 30 days after the end of each quarter, other than the last, of each fiscal year of the Company, both an unaudited consolidated and non-consolidated balance sheet of the Company as of the end of such quarter and the related unaudited

statements of income and of changes in financial position of the Company for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, compiled by the Company and independent certified public accountants of recognized standing selected by the Company and satisfactory to the Lender in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved (subject to normal year-end audit adjustments);

(c) concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer of the Company stating that, to the best of his knowledge after due inquiry, the Company has observed and performed each and every covenant and agreement of the Company contained in this Agreement, the Note and the Leases and that no Default or Event of Default has occurred during the period covered by such financial statements or is in existence on the date of such certificate or, if a Default or Event of Default has occurred or is in existence, specifying the same;

(d) concurrently with the delivery of the financial statements referred to in clause (a) above, a certificate of the independent public accountants who certified such statements to the effect that, in making the examination necessary for the audit of such financial statements, they obtained no knowledge of any Default or Event of Default, or, if they shall have obtained knowledge of any Default or Event of Default, specifying the same and permitting the Bank to rely on such financial statements;

(e) Within thirty (30) days following the date the Guarantor files his federal income tax returns, but in any event no later than November 1 of each year, a personal financial statement of the Guarantor certified by the Guarantor or an independent certified public accountant, showing such Guarantor's financial position as of December 31 of the previous calendar year along with a statement that there have been no material adverse changes since such date;

(f) during any period when the Company shall have one or more Subsidiaries, within the periods prescribed in clauses (a) and (b) above, financial statements of the character and for the period or periods and as of the date or dates specified in such clauses and certified or accompanied by a report or opinion of independent public accountants as therein provided, covering the financial condition, income and changes in financial position of the Company and each of its Subsidiaries on a consolidated basis and, if requested by the Lender, a consolidating basis;

(g) promptly upon request, such additional financial and other information with respect to the Company and the Guarantor as the Lender may from time to time reasonably require.

7.2 Reports.

(a) on or before March 31 of each year, commencing with the year 1995, the Company shall furnish or cause to be furnished to the Lender a report, certified by the Chief Financial Officer of the Company, (i) setting forth as of the preceding December 31 (A) the amount, description and identifying numbers of all Units then subject to this Agreement and (B) the amount, description and identifying numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year (or since the date of this Agreement in the case of the first such report) and (ii) stating that, in the case of all Units repaired or repainted during the period covered by such report, the numbers and markings required by Subsection 7.21 hereof have been preserved or replaced.

(b) The Company will prepare and deliver to the Lender within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lender) all reports (other than income tax returns), if any, relating to the maintenance, registration and operation of the Tank Cars required to be filed with any federal, state or other regulatory agency by reason of the Lender's Lien on and security interest in the Tank Cars or the Leases or the provisions of this Agreement.

7.3 Limitation on Fundamental Changes. The Company will not convey, sell, lease, transfer, pledge or otherwise dispose of, in one transaction or a series of related transactions, all or any substantial part of its properties, assets or business or change the form of organization of its business or liquidate or dissolve itself (or suffer any liquidation or dissolution), provided, however, that the Company may lease the Tank Cars, and any other equipment held by it, in the ordinary course of business. The Company will not enter into any transaction of merger or consolidation.

7.4 Payment of Taxes. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes, assessments and governmental charges or levies imposed upon the Company, or upon any property, real, personal or mixed, belonging to the Company, or upon any part thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any such

property or any part thereof; provided, however, that the Company shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as (i) the validity thereof shall be contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any danger of the sale, forfeiture or loss of such property or any part thereof, and (iii) the Company shall have set aside on its books adequate reserves with respect thereto.

7.5 Conduct of Business; Maintenance of Existence. The Company will engage primarily in the business presently conducted by it, and will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises necessary to continue such business. The Company will qualify as a foreign corporation and remain in good standing under the laws of each jurisdiction in which it is required to be qualified by reason of the ownership of its assets or the conduct of its business.

7.6 Compliance with Laws and Rules. The Company will (i) comply, and use its best efforts to cause each Lessee and every user of the Tank Cars to comply in all material respects (including, without limitation, with respect to the use, maintenance and operation of the Tank Cars), with all laws of the jurisdictions in which its or such Lessee's or such user's operations involving the Tank Cars may extend, with the interchange rules of the American Association of Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other governmental authority exercising any power or jurisdiction over the Tank Cars, to the extent that such laws or rules affect the title to, or the operation or use of, or the Lender's Lien and security interest in, the Tank Cars, and in the event that such laws or rules require any alteration of, or any replacement or addition of or to any part on, any Unit, the Company will conform therewith at its own expense, and, (ii) comply in all material respects with all other applicable laws and regulations of any governmental authority relative to the conduct of its business or the ownership of its properties or assets, provided, however, that the Company may, in good faith, contest the validity or application of any such law or rule by appropriate proceedings which do not, in the opinion of the Lender, involve any danger of the sale, forfeiture or loss of the Tank Cars or any part thereof.

7.7 Maintenance of Properties. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all property of the Company used or useful in the conduct of its business, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereof, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

7.8 Principal Office. The Company will not change the location of its principal place of business, its chief executive office or the place at which its books and records are kept from the address specified in Subsection 4.13 hereof unless it shall have given the Lender at least 90 days prior written notice of such change, and the Company will at all times maintain its principal place of business, chief executive office and the place at which its books and records are kept within the United States of America.

7.9 Indemnities, etc.

(a) In any suit, proceedings or action brought by the Lender under any of the Leases or to enforce any provision thereof, the Company will save, indemnify and hold the Lender harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the Lessee thereunder, arising out of a breach by the Company of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such Lessee from the Company, and all such obligations of the Company shall be and remain enforceable against and only against the Company and shall not be enforceable against the Lender.

(b) The Company agrees to indemnify and hold the Lender harmless against any and all liabilities, obligations, losses, damages, claims, suits, costs, expenses and disbursements (including reasonable legal fees and expenses) incurred by or asserted against it with respect to claims for personal injury or property damage arising from its participation in the transactions contemplated by this Agreement, the Leases or the Note except for claims arising due to the gross negligence or willful misconduct of the Lender, or its employees or agents.

7.10 Performance of Leases. The Company 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 Company will use its best efforts to cause each other party thereto to so perform and comply.

7.11 Preservation of Collateral.

(a) The Company will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien, claim or right in or to the Collateral (other than the Lien and security interest created by this Agreement, Permitted Liens relating thereto), and will defend the right, title and interest of the Lender in and to the Company's rights under the Leases and rights in the Tank Cars and in and to the

Proceeds thereof against the claims and demands of all other Persons whomsoever.

(b) The Company will not sell, transfer or otherwise dispose of any of the Collateral or attempt to offer to do so, except as provided in Subsections 2.4, 2.5, and 6.3.

(c) The Company will advise the Lender promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Collateral and of any event affecting the Lender's Lien on and security interest in the Collateral.

(d) The Company shall use its best efforts to keep the Tank Cars under lease at all times at rental rates which are favorable to the Company. The Company shall be subject to the minimum debt coverage requirement of Subsection 7.23. The Company shall promptly provide the Lender with each Lease entered into with respect to any of the Tank Cars after the date hereof. Any such Lease shall instruct the lessee thereunder to make its lease payments to the Cash Collateral Account as set forth in Subsection 6.2(b).

7.12 Location of Tank Cars. The Company will not permit any of the Tank Cars to be located outside the continental United States of America or Canada at any time, except that not more than 10% of the Tank Cars may be temporarily or incidentally used in Mexico, provided that each Lease covering Tank Cars so used shall provide that if a Tank Car is so used, the Lessee thereof shall have first obtained the permission of the Company.

7.13 Further Assurances; Recordation and Filing. The Company will, at its sole cost and expense, do, execute, acknowledge and deliver all further acts, supplements, mortgages, security agreements, conveyances, transfers and assurances necessary or advisable for the perfection and preservation of the Lien and security interest created by this Agreement in the Collateral, whether now owned or hereafter acquired. The Company will cause this Agreement and any supplements hereto, and all financing and continuation statements and similar notices requested by the Lender or required by applicable law, at all times to be kept, recorded and filed at no expense to the Lender in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Lender hereunder.

7.14 ICC Jurisdiction. The Company will not take or permit to be taken any action within its control which would subject it to the jurisdiction of the Interstate Commerce Commission as a "carrier", "railroad carrier" or "common carrier", as such terms are defined in Title 49, United States Code, if such jurisdiction will adversely affect the ability of the Company to perform its obligations under this Agreement, the Note or the Leases or

adversely affect the validity or enforceability of this Agreement, the Note or the Leases.

7.15 Maintenance of Insurance.

(a) The Company will maintain or cause to be maintained with financially sound and reputable insurance companies having an A plus rating by A. Best and acceptable to Lender, insurance policies (i) insuring the Company and the Lender against liability for personal injury and property damage caused by or relating to such Tank Cars or their use with coverage in the amount of at least \$2,000,000.00, all such insurance policies to be in such form and to have such coverage as shall be satisfactory to the Lender, with losses payable to the Company and the Lender as their respective interests may appear. In addition, the Company shall maintain worker's compensation insurance and key man life insurance on life of Bruce H. Borland in the minimum amount of \$300,000.00.

(b) All insurance required by this Subsection 7.15 shall (i) be with the carriers designated above or other carriers acceptable to the Lender, (ii) name the Lender as assured and loss-payee, as its interests may appear, (iii) provide for at least 30 days' prior written notice to the Lender before any cancellation, reduction in amount or change in coverage thereof shall be effective, (iv) contain a breach of warranty clause in favor of the Lender, (v) provide that the Lender shall have no obligation or liability for premiums, commissions, assessments or calls in connection with such insurance and (vi) in the case of the key man life insurance, be assigned to the Lender.

(c) The Company shall, if so requested by the Lender, deliver to the Lender within a reasonable time and as often as the Lender may reasonably request a report of a reputable insurance broker with respect to the insurance on the Tank Cars.

(d) The Lender may waive any or all of the requirements of this Subsection 7.15 if it receives a written opinion, from an insurer or insurance broker acceptable to Lender, stating that certain losses set forth above are the risks of the shippers, railroads, and/or repair shops rather than risks imposed upon the Company.

(e) All premiums for insurance coverage described herein shall be paid when due and the life insurance shall be renewed annually with twelve months premiums paid in advance.

7.16 Casualty Occurrence.

(a) In the event of a Casualty Occurrence with respect to any Unit, the Company shall, promptly after it has knowledge of same, give the Lender written notice of such Casualty Occurrence, which notice shall (i) identify the Unit which has suffered the Casualty Occurrence, (ii) set forth the Casualty Value of such Damaged Unit (and the calculations used in the determination thereof) as of the date which is not less than 10 days nor more than 45 days after the date of such notice (the "Casualty Value Determination Date"), and (iii) specify whether the Company will, on the Casualty Value Determination Date, prepay the Note pursuant to paragraph (b) of this Subsection 7.16 or replace the Damaged Unit pursuant to paragraph (c) of this Subsection 7.16.

(b) If the notice given pursuant to paragraph (a) of this Subsection 7.16 specifies that the Company will prepay the Notes on the Casualty Value Determination Date, the Company will, on such date, (i) prepay the Note in an aggregate principal amount equal to the Casualty Value of the Damaged Unit as of such date and (ii) pay the accrued interest on the principal amount so prepaid to the date of prepayment. Any principal prepayments under this paragraph (b) will be applied to the installments of the Note in the inverse order of their maturities.

(c) If the notice given pursuant to paragraph (a) of this Subsection 7.16 specifies that the Company will replace the Damaged Unit, the Company will, on or prior to the Casualty Value Determination Date:

(i) replace the Damaged Unit with a Tank Car of the same type, which has a value and utility at least equal to, and which is in as good condition as, the Damaged Unit immediately prior to the Casualty occurrence (assuming that such Damaged Unit was then in the condition required to be maintained by Subsection 7.17 hereof) and which is free and clear of all Liens other than Permitted Liens,

(ii) take all steps necessary to subject such replacement tank car (the "Replacement Unit") to the Lien and security interest of this Agreement and to subject such Replacement Unit to the applicable Lease, and

(iii) deliver to the Lender such documents evidencing the foregoing as the Lender may reasonably request, including, without limitation, (A) a duly executed supplement to the Agreement, satisfactory in form and substance to Lender and its counsel, describing the Replacement Unit and subjecting the Replacement Unit to the Lien and security interest of this Agreement, together with evidence that such supplement has been duly

filed, registered and recorded with Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code, and (B) documents and opinions of counsel with respect thereto corresponding to those described in paragraphs (l), (m) and (o) of Section 5 hereof;

Upon the Company's compliance with the foregoing provisions of this Section 7.16, the Lender will, if no Default or Event of Default has occurred and is continuing, execute and deliver to the Company such instruments as shall be necessary to release such Damaged Unit from the Lien and security interest of this Agreement (without recourse to, or representation or warranty by, the Lender).

7.17 Maintenance. The Company will, at no expense to the Lender, keep and maintain or cause to be kept and maintained, the Tank Cars in good repair, condition and working order, eligible for interchange with other railroads pursuant to Association of American Railroads Interchange Standards, and will cause to be furnished all parts, mechanisms, devices and servicing required therefor so that the value, condition and operating efficiency thereof will at all times be maintained and preserved, ordinary wear and tear excepted.

7.18 Notice of Default; etc. The Company will promptly give written notice to the Lender of (a) the occurrence of any Default or Event of Default; (b) any litigation or proceedings relating to the Collateral; (c) any litigation or proceedings affecting the Company or any of its properties or assets which, if adversely determined, might have a material adverse effect upon the financial condition, business or operations of the Company; and (d) any dispute between the Company and any governmental regulatory body that might materially interfere with the normal business operations of the Company.

7.19 Books and Records. The Company will keep proper books of record and account in which full, true and correct entries in accordance with generally accepted accounting principles will be made of all dealings or transactions in relation to its business and activities.

7.20 Inspection. The Company will permit the Lender and any persons designated by it to visit and inspect any of the properties, corporate books and financial records of the Company and to discuss the affairs, finances and accounts of the Company with its respective officers, all at such reasonable times and as often as the Lender may reasonably request.

7.21 Marking of Tank Cars. The Company will cause each Unit to be numbered at all times with the identification number set forth in Schedule I hereto pertaining to such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously

marked on each side of each Unit, in letters not less than one inch in height, the following words: "TITLE TO THIS CAR SUBJECT TO DOCUMENTS RECORDED WITH INTERSTATE COMMERCE COMMISSION", or other appropriate words designated by the Lender, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lender's interest in the Tank Cars and their rights under this Agreement. The Company will replace or will cause to be replaced promptly any such words which may be removed, defaced or destroyed. The Company will not permit the identifying number of any Unit to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been delivered to the Lender and filed, recorded and deposited by the Company in all public offices where this Agreement shall have been filed, recorded or deposited.

7.22 Additional Leases. The Company shall cause any Leases subject hereto, or which may from time to time hereafter become subject hereto, which are not described in Schedule II hereof, (i) to be duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code, by executing a supplement to this Agreement in a form acceptable to Lender, setting forth such Leases as additional security hereunder, and effecting the filing, registering and recording of same, and (ii) to be added as additional security of the Lender by the filing of the applicable UCC financing statement with the Secretary of State of Illinois identifying such Leases as collateral of the Lender.

7.23 Notification to Leases. The Company shall, upon the written request of the Lender, mail a letter to each Lessee, dated the date of such request and in a form acceptable to the Lender requesting such Lessee to affirm that such Lessee (i) acknowledges notice of the assignment to the Lender of all of the Company's right, title and interest in, to and under its respective Lease, (ii) agrees to make payment of all money under or arising out of such Lease directly to the Cash Collateral Account until such time as it shall have received notice from the Lender otherwise, (iii) agrees that each such payment shall be final and that such Lessee shall not seek to recover from the Lender for any reason whatsoever, any moneys paid by such Lessee to the Lender by virtue of this Agreement and that such Lessee will not seek recourse against the Lender by reason of this Agreement or such Lease, and (iv) certifies to the effect that such Lease is in full force and effect and constitutes a valid and binding agreement of such Lessee, enforceable in accordance with its terms; the Company shall use its best efforts to obtain an acknowledged copy of such letter back from each Lessee;

7.24 Loan to Shareholders. The Company will not lend or otherwise extend credit to its shareholders in an amount exceeding, in the aggregate at any one time outstanding, \$100,000.00.

7.25 Debt Service Coverage. As of the first day of the thirtieth (30th) calendar month following disbursement of the Loan, Borrower must present written evidence reasonably satisfactory to the Lender on or before May 15, 1997 that Borrower exhibits a Debt Service Coverage of 1.25 to 1 or the Maturity Date (as that term is defined in the Note) of the Note shall be accelerated to May 30, 1997. For purposes of this Section 7.25, the following terms shall have the following meanings:

"Net Operating Income from Tank Cars. Defined as annualized net income from Leases prior to depreciation and debt service."

Debt Service Coverage. Defined as Net Operating Income from Tank Cars divided by the annualized principal and interest payable on the Loan following repricing of the Interest Rate."

7.26 Depository/Operating/Savings Accounts. The Borrower and the Guarantor shall maintain all deposit/operating/savings accounts with Lender.

7.27 Liens. The Company will not permit its assets, or any of those of any of its Subsidiaries, to be subject to any Lien, except:

(a) Liens with respect to the Company's current indebtedness with Continental Bank, N.A. or any refinancing thereof and Liens for current taxes not delinquent or taxes being contested in good faith and by appropriate proceedings and as to which such reserves or other appropriate provisions as may be required by GAAP are being maintained;

(b) carriers', warehousemen's, mechanics', materialmen's and other like statutory Liens arising in the ordinary course of business securing obligations which are not overdue for a period of more than 30 days or which are being Contested in good faith and by appropriate proceedings and as to which such reserves or other appropriate provisions as may be required by GAAP are being maintained;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation.

(d) Permitted Liens; and

(e) Liens in favor of the Lender.

7.28 Inspection of Tank Cars and Holdback. There shall be a holdback in the amount of \$1,000.00 per tank car for each of the thirty-two tank cars which were not sampled for the appraisal which

was completed for the Lender. These thirty-two Tank Cars shall be inspected during the ninety (90) day period following the opening of the Loan and the holdback amount with respect to such Tank Cars shall be released upon completion of the inspection provided that inspection does not recommend that material maintenance of such Tank Cars will be required. The cost of the appraisal shall be paid for by the Company. An additional \$6,000,00 shall be held back until such time as the six Tank Cars which are scheduled for stub sill inspection have passed such inspection.

SECTION 8.

POWER OF ATTORNEY

8.1 Appointment. The Company hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the company or in its own name, from time to time in the Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Company hereby gives the Lender the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) (i) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral and (ii) to endorse any checks, drafts or other orders for the payment of money payable to the Company in connection with the Collateral;

(b) upon default by the Company in the performance of Subsection 7.4 or 7.15, the Lender may, but shall not be obligated to, (i) effect any insurance called for by the terms of Subsection 7.15 and pay all or any part of the premiums therefor and the costs thereof and (ii) pay and discharge any taxes, Liens and encumbrances on the Collateral; and

(c) upon the occurrence and continuance of any Event of Default or of any Default specified in paragraph (i) Section 9 hereof, (i) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents relating to the Collateral; (ii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any

thereof and to enforce any other right in respect of any of the Collateral; (iii) to defend any suit, action or proceeding brought against the Company with respect to any of the Collateral; (iv) to settle, compromise or adjust any suit, action or proceeding described in clause (iii) above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and (v) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender was the absolute owner thereof for all purposes, and to do, at the Lender's option and the Company's expense, at any time or from time to time, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do.

The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable,

8.2 No Duty. The powers conferred on the Lender hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for its or their own gross negligence or willful misconduct.

8.3 Additional Rights.

(a) The Company authorizes the Lender at any time and from time to time, (i) to communicate in its own name with regard to the assignment of the Leases and other matters related thereto and (ii) to execute, in connection with the sale provided for in Section 10(c) of this Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(b) If the Company fails to perform or comply with any of its agreements contained herein, the Lender may perform or comply, or otherwise cause performance or compliance, with such agreement, and the expenses of the Lender incurred in connection with such performance or compliance, together with interest thereon at the default rate of interest under the Note which shall be payable by the Company to the Lender on demand and shall constitute part of the Obligations secured hereby.

SECTION 9.

EVENTS OF DEFAULT

If any of the following Events of Default shall occur and be continuing:

(a) Failure to pay any principal, premium, if any, or interest on the Note when due and the continuance of such failure for five days after notice thereof shall have been given to the Company by the Lender;

(b) Any representation or warranty made by the Company in this Agreement, by the Guarantor in the Guaranty, or by the Company or the Guarantor or any officer of the Company in any document, certificate or financial or other statement furnished at any time under or in connection with this Agreement or the Guaranty, shall prove to have been untrue or inaccurate in any material respect at the time when made;

(c) The default by the Company in the observance or performance of any covenant contained in Subsection 6.2(b), 7.3, 7.11(a), 7.11(b), 7.12, 7.15(a), 7.15(b), 7.15(e), 7.16, 7.17, 7.23, 7.24 or 7.25 hereof;

(d) The failure, neglect or refusal by the Company or the Guarantor, to deliver to Lender any report pursuant to Section 7.2 hereof and the continuance of such failure for five (5) days after written notice thereof by Lender;

(e) The default by the Company in the observance or performance of any other covenant or agreement contained in this Agreement and the continuance of such default for 30 days after written notice, specifying such default, shall have been given to the Company by the Lender;

(f) The default by the Company or the Guarantor in any payment of principal of, or interest on, any obligation for borrowed money (other than the Note) or for the deferred purchase price of any property or asset or any obligation guaranteed by it or in respect of which it is liable, for a period equal to the period of grace, if any, applicable to such default, or in the performance or observance of any other term, condition or covenant contained in any such obligation or in any agreement or instrument relating thereto if the effect of such default is to cause, or to permit the holder or holders of such obligation (or a trustee or agent on behalf of such holder or holders) to cause, such obligation to become due and payable prior to its stated maturity or to realize upon any collateral given as security therefor, unless the aggregate amount of all such obligations as to which any such default shall have occurred does not exceed \$50,000.00;

(g) the Guarantor shall breach or disaffirm any of his obligations or covenants under his Guaranty or the Guaranty shall cease to be in full force and effect;

(h) Filing by the Company or the Guarantor of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing or any action by the Company or the Guarantor indicating its consent to, approval of, or acquiescence in, any such petition or proceeding; the application by the Company or the Guarantor for, or the appointment by consent or acquiescence of, a receiver or trustee for the Company or the Guarantor or for all or a substantial part of its property; the making by the Company or the Guarantor of an assignment for the benefit of creditors; the inability of the Company or the Guarantor, or the admission by the Company or the Guarantor in writing of its inability, to pay its debts as they mature;

(i) Filing of an involuntary petition against the Company or the Guarantor in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, insolvency, reorganization, liquidation dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or the involuntary appointment of a receiver or trustee of the Company or the Guarantor or for all or a substantial part of its property; or the service on the Company or the Guarantor of a warrant of attachment, execution or similar process against any substantial part of its property; and the continuance of any of such events for 30 days undismissed, unbonded or undischarged;

(j) Judgment for the payment of money in excess of \$50,000 shall be rendered against the Company or the Guarantor and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed;

(k) Default under any other agreement between the Company and the Bank;

then, and in any such event, the Lender may exercise any and all remedies granted to it under this Agreement and under applicable law, and may further, by notice of default given to the Company by the Lender declare the Note to be forthwith due and payable (except that, if an Event of Default under paragraph (g) or (h) occurs, the

Note and all other Obligations shall become immediately due and payable without declaration or notice of any kind), whereupon the unpaid principal amount of the Note, together with accrued interest thereon, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Note to the contrary notwithstanding.

SECTION 10.

REMEDIES

If an Event of Default shall occur and be continuing:

(a) The obligations may be (or shall be, in the case of insolvency) accelerated as provided in Section 9.

(b) All payments received by the Company in connection with or arising out of any of the Collateral shall be held by the Company in trust for the Lender, shall be segregated from other funds of the Company and shall forthwith upon receipt by the Company be turned over to the Lender, in the same form as received by the Company (duly endorsed by the Company to the Lender if required); any and all such payments so received by the Lender (whether from the Company or otherwise) may, in the sole discretion of the Lender, be held by the Lender as collateral security for the Obligations, and/or then or at any time thereafter applied in whole or in part by the Lender against all or any part of the Obligations; any excess shall be paid over to the Company or as otherwise required by law;

(c) The Lender may exercise in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the obligations, all rights and remedies of a secured party under the Uniform Commercial Code of the State of Illinois and the Interstate Commerce Act, 49 U.S.C. 10101 et seq. Without limiting the generality of the foregoing, the Company expressly agrees that in any such event the Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral or any part thereof and may take possession of the Tank Cars and/or may forthwith sell, assign, give option or options to purchase, or sell, lease or otherwise dispose of and deliver the Collateral, or any part thereof, in any manner permitted by applicable law (or contract to do so) in one or more parcels at public or private sale or sales, at the office of

any broker or at the Lender's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of the Lender upon any such sale or sales, public or private, to purchase in the name and on behalf of the Lender the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity of redemption is hereby expressly waived and released. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least fifteen (15) days before such disposition, by registered or certified mail, postage prepaid, addressed to the Company at the address set forth in Subsection 11.2 hereof. The Company further agrees, at the Lender's request, to collect the Tank Cars and make them available to the Lender as hereinafter provided. The Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization and sale after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safe-keeping or otherwise of any or all of the Collateral or in any way relating to the rights of the Lender hereunder, including reasonable attorney's fees and legal expenses, to the payment in whole or in part of the Obligations, in such order as the Lender may elect, the Company remaining liable for any deficiency remaining unpaid after such net proceeds and after the payment by the Lender of any other amount required by any provision of law, including Section 9.504(1)(c) of the Uniform Commercial Code of the State of Illinois. Any surplus after payment in full of the Obligations shall be returned to the Company as soon as reasonably practical. To the extent permitted by applicable law, the Company waives all claims, damages and demands against the Lender arising out of the repossession, retention or sale of the Collateral. The Company shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which the Lender is entitled, the Company also being liable for the fees of any attorneys employed by the Lender to collect such deficiency. The Company hereby waives presentment, demand, protest and any notice (to the extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral. The Company also hereby waives any right of redemption which may be available under the laws of the State of Illinois; and

(d) In the event that the Lender shall request that the Tank Cars be collected as provided in paragraph (c) of this Section 10, the Company shall, at its own risk and expense (i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and to all railroads to

which any Unit or Units so interchanged) place such Units upon such storage tracks as the Lender reasonably may designate; (ii) permit the Lender to store such Units on such tracks until such Units have been sold, leased or otherwise disposed of by the Lender; and (iii) transport the same to any connecting carrier for shipment, all as directed by the Lender. The assembling, delivery, storage and transporting of the Tank Cars as hereinabove provided shall be at the expense and risk of the Company and are of the essence of this Agreement, and upon application to any court of equity having jurisdiction in the premises, the Lender shall be entitled to a decree against the company requiring specific performance of the covenants of the Company so to assemble, deliver, store and transport the Tank Cars. During any storage period, the Company will, at its own cost and expense, maintain and keep the Tank Cars in good order and repair and will permit the Lender or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessor or manager of any Unit, to inspect the same. The Company hereby expressly waives any and all claims against the Lender and its agent or agents for damages of whatsoever nature in connection with any retaking of any Unit in any reasonable manner.

(e) Beyond the use of reasonable care in the custody thereof the Lender shall not have any duty as to any Collateral in their possession or control or in the possession or control of any agent or nominee of Lender or as to any income therefrom.

Notwithstanding any provision of this Agreement to the contrary, the Lender shall not, so long as any Lessee is not in default under its Lease, take any action which would interfere with such Lessee's rights under its Lease, including right to the possession and use of the Tank Cars subject thereto, except in accordance with the provisions of such Lease.

SECTION 11.

MISCELLANEOUS

11.1 Reimbursement of Lender, etc. Upon Lender making the aforementioned Loan to Company, Company agrees to pay or reimburse Lender for all costs and expenses (including the reasonable legal fees and disbursements of counsel for Lender, relating to the negotiation and implementation of the Loan. The Company also agrees to pay or reimburse the Lender for all costs and expenses (including the reasonable legal fees and disbursements of counsel for the Lender) incurred by the Lender in connection with the enforcement of (or the preservation of any rights hereunder) or any subsequent modification of this Agreement, the Note and the

Guaranty. The Company also agrees to pay, and to hold the Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying documentary, excise, recording, filing, stamp or similar taxes, fees and other governmental charges (including interest and penalties), if any, which may be payable or determined to be payable in respect of the execution, delivery or recording of this Agreement, the Note or the Guaranty or any modification of any thereof or any waiver or consent under or in respect of any thereof. The obligations of the Company under this Subsection 11.1 shall survive payment of the Note and termination of this Agreement.

11.2 Notices. All notices, requests and demands to or upon the respective parties to this Agreement shall be in writing and shall be deemed to have been given or made when delivered by hand or deposited in the mail, by registered or certified mail, postage prepaid, addressed as follows or to such other address as may be hereafter designated in writing by the respective parties hereto:

The Company: TEMCO Corporation
100 East Scranton Avenue
Lake Bluff, Illinois 60044
Attention: Mr. Bruce H. Borland

Lender: First Midwest Bank, N.A.
725 Waukegan Road
Deerfield, Illinois 60015
Attention: President

With a copy to: Bernard A. Schlifke
Miller, Shakman, Hamilton,
Kurtzon & Schlifke
208 South LaSalle Street
Suite 1100
Chicago, Illinois 60604

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Lender, any right, power or privilege under this Agreement, the Note, the Guaranty or any of the Collateral shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercises of any other right, power or privilege. The rights and remedies provided herein and therein are cumulative and not exclusive of any rights or remedies provided by law.

11.4 Amendments and Waivers. The provisions of this Agreement may from time to time be amended, supplemented or otherwise

modified or waived only by a written agreement signed by the Company and the Lender.

11.5 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and the Lender and their respective successors and assigns, except that the Company may not transfer or assign any of its rights hereunder without the prior written consent of the Lender.

11.6 Survival of Representations. All representations and warranties herein contained or made in writing in connection with this Agreement shall survive the execution and delivery of this Agreement and the making of the Loan hereunder and shall continue in full force and effect until all Obligations due and to become due hereunder and under the Note shall have been paid in full.

11.7 Construction. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Illinois.

11.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.9 Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TEMCO CORPORATION

By: 
Chairman

FIRST MIDWEST BANK, N.A.

By: 
Vice President

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 8th day of November, 1994, before me personally appeared BRUCE H. BORLAND, to me personally known, who being by me duly sworn, says that he is the Chairman of TEMCO CORPORATION, that said instrument was signed on behalf of said Corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

(SEAL) "OFFICIAL SEAL"
 KATHLEEN T. BUREK
 NOTARY PUBLIC, STATE OF ILLINOIS
 MY COMMISSION EXPIRES 3/15/98

Kathleen T. Burek
Notary Public

My commission expires: March 15, 1998

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 8th day of November, 1994, before me personally appeared Edward Masten, to me personally known, who being by me duly sworn, says that he is a Vice President of FIRST MIDWEST BANK, N.A., that said instrument was signed on behalf of said Corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

(SEAL) "OFFICIAL SEAL"
 LISA C. WODEK
 Notary Public, State of Illinois
 My Commission Expires 5/5/98

Lisa C. Wodek
Notary Public

My commission expires: 5/5/98

EXHIBIT "A"

SML1144
11/03/94

\$909,000.00

Deerfield, Illinois
November 1, 1994

SECURED TERM PROMISSORY NOTE

1. Promise to Pay. FOR VALUE RECEIVED, TEMCO CORPORATION, an Illinois corporation ("Borrower"), hereby promises to pay to the order of First Midwest Bank, N.A. ("Lender", Lender and any and all subsequent holders hereof are hereinafter referred to as "Holder"), at its principal office and place of business at 725 Waukegan Road, Deerfield, Illinois 60015, or at such other place as Holder may from time to time direct, on or before the "Maturity Date" (as hereinafter defined), the principal amount of Nine Hundred Thousand Nine 00/100 Dollars (\$909,000.00), together with interest thereon as hereinafter provided. As used herein, the term "Maturity Date" shall mean November 1, 1999 or such earlier date as is provided in Paragraph 3 herein or such earlier date on which the entire principal amount evidenced by this Note shall be paid or be required to be paid in full, whether by prepayment, acceleration or otherwise.

2. Principal and Interest. Interest shall be computed on the principal balance hereof, from time to time unpaid, from the date of disbursement to and including May 31, 1997 at a rate per annum equal to eight and one-half percent (8 1/2%). Interest shall be computed on the principal balance hereof, from time to time unpaid, from and after June 1, 1997 at a rate per annum of two hundred fifty (250) basis points above the yield on United States Treasury Notes maturing closest to the Maturity Date. Interest after the Maturity Date (whether by acceleration or otherwise) or the occurrence of an Event of Default (as that term is defined in Paragraph 6 herein) shall continue to accrue until paid at a rate equal to the interest rate then in effect under this Note plus five (5%). Commencing with the first day of December, 1994 and continuing on the first day of each succeeding calendar month through and including May 1, 1997, Borrower shall make installment payments of principal and interest in the amount of \$14,878.28, each installment representing interest due hereunder and the balance as a payment of principal. Commencing June 1, 1997 and continuing on the first day of each succeeding calendar month thereafter, Borrower shall make equal payments of principal and interest sufficient to fully amortize the then outstanding principal balance hereunder with interest at the rate then payable under this Note over the balance of the period which is ten (10) years after the date of this Note. Each installment representing interest due and the balance as a payment of principal with a final balloon payment of the then outstanding principal balance (together with any and all accrued and unpaid interest thereon) being due and payable on the Maturity Date. Borrower shall pay Holder a late

charge in an amount equal to five percent (5%) of the payment then due for and with each periodic payment not paid on or before the tenth (10th) day after such payment shall have been due.

3. Acceleration of Maturity Date. Notwithstanding anything to the contrary provided in this Note, the Maturity Date hereof shall be May 31, 1997 in the event that Borrower does not present written evidence reasonably satisfactory to the Holder on or before May 15, 1997 that Borrower exhibits a "Debt Service Coverage" (as that term is defined in the Agreement) of at least 1.25 to 1 as of May 1, 1997 assuming the restated interest rate as provided in Paragraph 2 herein.

4. Payments. All payments on account of the indebtedness evidenced by this Note shall be first applied to any late charges due hereunder, then to accrued and unpaid interest on the unpaid principal balance, and the remainder to principal. All payments on account of the indebtedness evidenced by this Note shall be made in immediately available United States funds at Holder's principal office prior to 11:00 A.M. Chicago time on the date due; funds received after that time shall be deemed to have been received by Holder on the next business day. As used herein, "business day" shall mean a day of the year on which banks are not required or authorized to close in Chicago, Illinois. In the event Borrower fails to make any payment due hereunder, Borrower authorizes Holder to charge or deduct any or all of Borrower's accounts or assets held by Holder for the payment, when due, of all amounts payable by Borrower under this Note, whether or not there are sufficient funds therefor in any or all of Borrower's accounts. Whenever any payment on account of the indebtedness evidenced by this Note is stated to be due on a day which is not a business day, such payment will be payable on the next succeeding business day, and such extension of time will in such case be included in the computation of interest.

5. Prepayments. This Note may be prepaid in whole or in part, at any time, without premium or penalty. Any prepayment of less than the full amount owing under this Note shall be applied to the installments due hereunder in the inverse order of their respective maturities.

6. Defaults. This Note evidences indebtedness incurred under, is secured pursuant to, and payment hereof may be accelerated as provided in, that certain Loan and Security Agreement, Mortgage and Assignment of Leases dated as of even date herewith (such Agreement, as the same may be amended, modified or supplemented from time to time, being hereinafter referred to as the "Agreement"), by and among Borrower and Lender, to which Agreement reference is hereby made for a statement of the terms and provisions applicable to this Note. Upon the occurrence of an Event of Default (as described in the Agreement, and in any other document or instrument given by Borrower in connection with the Agreement), including, without limitation, the failure to make any payment provided for herein or in the Note, and the failure to cure

such default prior to the expiration of all applicable grace or cure periods, if any, provided for in the Agreement, Note or any of the Loan Documents, all indebtedness evidenced hereby, including, without limitation, principal and all accrued and unpaid interest thereon, shall become, at the option of Holder and without further demand or notice of any kind, immediately due and payable. Holder shall advise Borrower of any such declaration, but failure to do so shall not impair the effect of such declaration.

7. Lawful Rate of Interest. In no event whatsoever shall the amount of interest paid or agreed to be paid to Holder pursuant to this Note exceed the highest lawful rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Note, the Agreement, or any other document securing the indebtedness evidenced by this Note, at the time performance of such provision shall be due, shall involve exceeding the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the highest lawful rate of interest permissible under such law and if, for any reason whatsoever, Holder shall ever receive as interest an amount which would be deemed unlawful under such applicable law, such interest shall be applied to the payment of the indebtedness evidenced hereby (whether or not due and payable), and not to the payment of interest, or refunded to Borrower if such principal has been paid in full.

8. Costs of Collection. If any amount owing under this Note or in connection with the indebtedness evidenced hereby is not paid when due, whether at maturity, by acceleration, or otherwise, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and legal expenses incurred by Holder on account of such collection, whether or not suit is filed hereon, and all other expenses incurred in connection with the protection or realization of any security given for the payment hereof.

9. Waivers, Etc. No delay on the part of Holder in the exercise of any right or remedy shall operate as a waiver thereof. The remedies of Holder are cumulative and no single or partial exercise of any right or remedy available to Holder shall preclude other or further exercise thereof or the exercise of any other right or remedy.

Borrower and all sureties, endorsers, and guarantors of this Note, severally, (a) waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or enforcing any of the security herefor, (b) agree to any substitution, exchange or release of any party primarily or secondarily liable hereon, (c) agree that Holder shall not be required first to institute suit or to exhaust its remedies hereon against Borrower or others liable or to become liable hereon or to enforce its rights against any security herefor in order to enforce payment of

this Note by any of them, (d) consent to any renewal of or substitution for this Note in accordance with the Agreement without notice thereof to any of them, (e) consent to any extension or postponement of time of payment of this Note and to any other indulgence with respect hereto without notice thereof to any of them, and (f) agree that the failure to exercise any option or election herein provided upon the occurrence of any default in respect hereto shall not be construed as a waiver of the right to exercise such option or election at any later date or upon the occurrence of a subsequent default in respect hereto.

10. Valid Obligation. Borrower represents and warrants that it has full power, authority and legal right to execute and deliver this Note and that the indebtedness evidenced hereby constitutes its valid and binding obligation, strictly enforceable in accordance with its terms.

11. Notice. All correspondence between Borrower and Holder, and all notices, if any, required to be given under the terms of this Note or which either Borrower or Holder desires to give hereunder, shall be in writing and shall be delivered personally or by overnight courier or be sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Holder,
addressed to:

First Midwest Bank, N.A.
725 Waukegan Road
Deerfield, Illinois 60015
Attn: President

with a copy to:

Bernard A. Schlifke
Miller, Shakman, Hamilton,
Kurtzon & Schlifke
208 South LaSalle Street
Suite 1100
Chicago, Illinois 60604

If to Borrower,
addressed to:

TEMCO Corporation
100 East Scranton Avenue
Lake Bluff, Illinois 60044
Attn: Mr. Bruce H. Borland

or to such other address as Borrower or Holder may from time to time designate in writing to the other party. Any notice given in accordance with the foregoing shall be deemed to have been given when delivered in person or by overnight courier or, if mailed, two (2) days after the day on which it shall have been deposited in the mail, as aforesaid.

12. Governing Law; Severability. This Note has been delivered in Deerfield, Illinois, and shall be governed by the laws

of the State of Illinois, which laws shall, without limitation, govern the enforceability, validity and interpretation of this Note. Whenever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of the Note.

13. Jurisdiction; Venue; Service of Process. Borrower irrevocably agrees that, subject to Holder's sole and absolute election, all actions or proceedings in any way, manner or respect arising out of, or from, or related to, this Note, the Agreement and the Loan Documents shall be litigated only in courts having situs within Lake County or Cook County, Illinois (as Lender, in its sole discretion elects). Borrower hereby consents and submits to the jurisdiction of any local, state or federal court located within such counties. Borrower hereby irrevocably appoints and designates Gary Leydig whose address is 180 North Wacker Drive, Suite 300, Chicago, Illinois 60606 or any person having and maintaining a place of business in Lake or Cook County, Illinois whom Borrower may from time to time hereafter designate (having given five (5) days' written notice thereof to Holder), as Borrower's true and lawful attorney and duly authorized agent for acceptance of service of legal process. Borrower agrees that service of such process upon such person shall constitute personal service of such process upon Borrower. Such party, within five (5) days after receipt of any such process, shall forward the same by certified or registered mail, together with all papers affixed thereto, to Borrower as set forth in this agreement. Borrower hereby waives any right it may have to transfer or change the venue of any litigation brought in accordance with this paragraph. Maker hereby irrevocably waives the right to trial by jury with respect to any action in which Maker and Payee are parties.

14. Successors and Assigns. This Note shall inure to the benefit of Holder and its successors and assigns and shall be binding upon the undersigned and its successors and assigns. Without limiting the generality of the foregoing, Holder, or its successors or assigns, may from time to time and without notice to the undersigned, assign any or all of its rights under this Note without in any way affecting or diminishing the obligations of the undersigned hereunder, who shall remain bound by and obligated to perform under and with respect to this Note as though there had been no such assignment by Holder or its successors or assigns.

15. Terminology. All personal pronouns used in this Note, whether used in the masculine, feminine or neutral gender, shall include all other genders; the singular shall include the plural, and plural shall include the singular, as the context requires.

IN WITNESS WHEREOF, the Borrower has executed this Note as of the day and year first above written.

TEMCO CORPORATION, an Illinois corporation

By: _____
Its: _____

EXHIBIT "B"

SML1145
11/03/94

GUARANTY

WHEREAS, TEMCO Corporation, an Illinois corporation ("Borrower"), desires to obtain financial accommodations from First Midwest Bank, N.A. (hereinafter referred to as the "Lender"); and

WHEREAS, the undersigned, Bruce H. Borland ("Guarantor") is the sole shareholder of Borrower and expects to derive advantage from each and every such financial accommodation and represent and warrant to Lender that it is and will be to the Guarantor's direct interest and financial benefit and advantage to assist Borrower in procuring financial assistance from the Lender; and Guarantor desires to induce the Lender to enter into that certain Loan and Security Agreement, Mortgage and Assignment of Rents dated of even date herewith, with Borrower (the "Loan Agreement"). (All capitalized terms used herein shall have the same meanings and definitions as are set forth in the Loan Agreement.)

NOW, THEREFORE, FOR VALUE RECEIVED, and in consideration of advances, credit or other financial accommodations that heretofore, now or hereafter, at any time, may be extended to the Borrower by the Lender, Guarantor hereby unconditionally guarantees, irrespective of the validity, regularity or enforceability of any instrument, writing or agreement relating to, or the subject of, any such financial accommodation, (i) the full and prompt payment to the Lender, at maturity, whether by acceleration or otherwise, and at all times thereafter, of any and all indebtedness, obligations and liabilities of every kind and nature of the Borrower to the Lender [including, but not limited to, the Loan Agreement and the \$909,000.00 Secured Term Promissory Note dated of even date herewith (the "Note") executed by Borrower in favor of Lender], howsoever evidenced, whether now existing or hereafter created or arising, direct or indirect, primary or secondary, absolute or contingent, due or to become due, or joint or several, and howsoever owned, held or acquired, whether through discount, overdraft, purchase, direct loan or as collateral, or otherwise, (hereinafter collectively called the "Indebtedness"), and (ii) the prompt, full and faithful performance and discharge by the Borrower of each and every of the terms, conditions, agreements, representations and warranties on the part of the Borrower contained in the Loan Agreement and/or the Note, or in any modification of addenda thereto or substitution thereof, in connection with any advance, credit or financial accommodation afforded by the Lender to the Borrower. Guarantor further agrees to pay all expenses legal and/or otherwise (including, but not limited to, court costs and reasonable attorneys' fees of counsel selected by Lender), paid or incurred by the Lender in endeavoring to collect the Indebtedness, or any part thereof, or in enforcing this Guaranty or in defending any suit based on any act of commission or omission of the Lender with respect to the Indebted-

ness, collateral, or this Guaranty or in connection with any recovery claim hereinbelow defined.

The term "Guaranteed Debt," as used herein, shall be deemed to mean and include all the Indebtedness and items described in (ii) in the preceding paragraph of the Borrower to the Lender, including interest and all such expenses.

In case of the death, adjudicated incompetency, dissolution, liquidation or insolvency (howsoever evidenced) of the Borrower or Guarantor, as the case may be, or in case any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution, liquidation or receivership proceeding, is instituted by or against the Borrower, or Guarantor (provided, however, that Borrower and Guarantor shall have a period of sixty (60) days to have any order, judgment or decree approving a petition filed against Borrower or Guarantor seeking any of the foregoing to cause such order, judgment or decree to be vacated or stayed), or in case of the inability of the Borrower or Guarantor to pay debts as they mature, or in case of the assignment by the Borrower or Guarantor for the benefit of creditors, then upon the occurrence of any such event, all Guaranteed Debt then existing shall, at the option of the Lender, without notice to anyone, immediately become due or accrued and be payable from the Guarantor.

All payments received from the Borrower, or on account of the Guaranteed Debt from whatsoever source, shall be taken and applied by the Lender toward the payment of such of the Guaranteed Debt, and in such order of application, as the Lender may, in its sole discretion, from time to time, elect, and this Guaranty shall apply to, and secure, any ultimate balance that shall remain owing to the Lender. The Lender shall have the exclusive right to determine how, when and what application of payments and credits, if any, whether derived from the Borrower or any other source, shall be made on the Guaranteed Debt, and such determination shall be conclusive upon Guarantor.

This Guaranty shall, in all respects, be a continuing, absolute and unconditional Guaranty, and shall remain in full force and effect with respect to Guarantor until all Guaranteed Debt shall have been fully paid. In case of any such death or disability of Guarantor, this Guaranty shall nevertheless continue and remain in force against such Guarantor and his or her estate. No compromise, settlement, release or discharge of, or indulgence with respect to, or failure, neglect or omission to enforce or exercise any right against the Guarantor, or the fact that, at any time or from time to time, all the Guaranteed Debt may have been paid in full, shall release or discharge the Guarantor. In the event of death or disability of the Guarantor, or either of them, this Guaranty shall continue as to all debts theretofore incurred by Borrower even though evidence of such debts be renewed or the time

of maturity of Borrower's obligations be extended without the consent of the executors or administrators of Guarantor.

The liability hereunder shall not be affected or impaired by any of the following, any or all of which may be done or omitted by the Lender, in its sole discretion, without notice to anyone, and irrespective of whether the Guaranteed Debt shall be increased or decreased thereby, and such Lender is hereby expressly authorized at its sole discretion, to make, from time to time, without notice to anyone, any sale, pledge, surrender, compromise, settlement, exchange, release, renewal, extension, modification, election with respect to any collateral under any provision or section of the Bankruptcy Code now existing or hereafter amended; or other disposition of or with respect to any of such Guaranteed Debt or any security or collateral therefor; and such liability shall not be affected or impaired by any acceptance by the Lender of any security for, or any other guarantors or obligors of any of the Guaranteed Debt, or by any forbearance or indulgence by the Lender in the collection of, or any failure, neglect or omission on its part to realize upon any thereof, or to enforce any claims against any person or persons primarily or secondarily liable thereon, or upon any collateral or security therefor, or to enforce any lien upon or right of appropriation of any moneys, credits or property of the Borrower in the possession or control of the Lender, or by any application of payments or credits on the Guaranteed Debt. Any act of commission or omission of any kind or at any time upon the part of the Lender with respect to any matter whatsoever, other than the execution and delivery by the Lender to the Guarantor of an express written release or cancellation of this Guaranty shall not in any manner whatsoever affect or impair this Guaranty or the liability thereunder. The Guarantor hereby consents to all acts of commission or omission of the Lender hereinabove set forth.

In order to hold the Guarantor liable hereunder and to enforce this Guaranty, there shall be no obligation on the part of the Lender at any time to resort for payment to the Borrower, or to any collateral, security, property, liens or other rights or remedies of the Lender in respect to the Guaranteed Debt or any part thereof all of which is hereby expressly waived by the undersigned.

All diligence in collection, and all presentment for payment, demand, protest and/or notice, as to any and everyone, of protest, dishonor, default or nonpayment, and notice of the creation and existence of any and all of the Guaranteed Debt, and of any security therefor, and of the acceptance of this Guaranty, or of extensions of credit or indulgences hereunder or of any other matters or things whatsoever relating hereto are expressly waived.

The payment by the Guarantor of any amount pursuant to this Guaranty shall not in anywise entitle the undersigned to any right, title or interest (whether by way of subrogation or otherwise) in

or to any of the Guaranteed Debt or any proceeds thereof, or any security therefor.

ANY AND ALL MONEYS, CREDITS OR OTHER PROPERTY BELONGING TO THE GUARANTOR IN TRANSIT TO, OR IN THE POSSESSION OR UNDER THE CONTROL OF LENDER, OR ANY AGENT OR BAILEE OF LENDER, MAY, AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT, WITHOUT NOTICE AND OPPORTUNITY TO BE HEARD, BE APPROPRIATED AND APPLIED AGAINST THE LIABILITY OF THE GUARANTOR HEREUNDER. Guarantor hereby assigns and transfers to the Lender any and all cash, negotiable instruments, documents of title, chattel paper, securities, certificates of deposit, deposit accounts, other cash equivalents, and other assets of the Guarantor in transit to, or in the possession or control of, Lender, or any agent or bailee of Lender, for any purpose and apply the same on any or all of the Guaranteed Debt. The Guarantor waives every defense, counterclaim or setoff which the Guarantor may now have, or hereafter may have, to any action by Lender in enforcing this Guaranty, including, without limitation, every defense, counterclaim or setoff which the Guarantor may now have, or hereafter may have, against the Borrower or any other party liable to the Lender in any manner. In the event of any default by Borrower under the Loan Agreement or the Note, any and all debts and liabilities now or hereafter arising and owing to Guarantor by the Borrower, or any other party liable to the Lender, shall immediately, without further notice or instrument, be subordinated and inferior to the Lender's claims and are hereby collaterally assigned to the Lender. The undersigned ratifies and confirms whatever Lender may do pursuant to the terms hereof and with respect to any collateral for the Guaranteed Debt, and agrees that Lender shall not be liable for any error of judgment not made in bad faith or mistakes of fact or law.

To secure payment of the Guaranteed Debt, Guarantor grants to Lender a security interest in all property of Guarantor delivered to Lender concurrently herewith or now or at any time hereafter in the possession or control of the Lender, and all proceeds of all such property. The Guarantor agrees that the Lender shall have the rights and remedies of a secured party under the Uniform Commercial Code of Illinois with respect to all of the aforesaid property, including, without limitation thereof, the right to sell or otherwise dispose of any or all of such property upon the occurrence of an Event of Default. The Lender may without notice to anyone after the occurrence of an Event of Default, apply or set off any balances, credits, deposits, accounts, moneys or other indebtedness at any time credited by or due from the Lender to the Guarantor against the amounts due hereunder. Any notification of intended disposition of any property required by law shall be deemed reasonably and properly given if given at least five (5) days before such disposition.

In the event the Lender shall sell, assign or transfer the Guaranteed Debt, or any part hereof, or grant participations

therein, each and every immediate or remote successive assignee, transferee, holder of or participant therein, of all or any part of the Guaranteed Debt shall have the right to enforce this Guaranty by suit or otherwise for the benefit of such assignee, transferee, holder or participant, as fully as if such assignee, transferee, holder or participant were herein by name specifically given such rights, powers and benefits; but the Lender shall have an unimpaired, prior and superior right to enforce this Guaranty for its benefit as to so much of the Guaranteed Debt as it has not sold, assigned or transferred.

No release or discharge of any person or entity, whether primarily or secondarily liable for and obligated with respect to the Guaranteed Debt, or the institution of bankruptcy, receivership, insolvency, reorganization, dissolution or liquidation proceedings by or against any such person or entity, or the entry of any restraining or other order in any such proceeding, shall release or discharge the Guarantor of the Guaranteed Debt, or any other person, firm or corporation liable to the Lender for the Guaranteed Debt, unless and until all of the Guaranteed Debt shall have been fully paid.

No delay on the part of the Lender in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Lender of any right or remedy shall preclude other or further exercise thereof, or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guaranty by binding upon the Lender except as expressly set forth in a writing duly signed and delivered on behalf of the Lender. No action of the Lender permitted hereunder shall in any way affect or impair the rights of the Lender and the obligation of the undersigned under this Guaranty.

All references herein to the Borrower shall be deemed to include any successor or successors, whether immediate or remote, to such corporation.

This Guaranty has been delivered at Deerfield, Illinois, and shall be construed according to the laws of the State of Illinois. To induce Lender to enter into the Loan Agreement, Guarantor, irrevocably, agrees that, subject to Lender's sole and absolute election, all actions or proceedings in any way, manner or respect arising out of or from or related to the Loan Agreement, and any or all of the notes executed and delivered pursuant thereto, shall be litigated only in courts having situs within Lake County or Cook County, Illinois (as Lender in its sole discretion elects). Guarantor hereby consents and submits to the jurisdiction of any local, state or federal court located within such counties. Guarantor hereby irrevocably appoints and designates Gary Leydig, whose address is 180 North Wacker Drive, Suite 300, Chicago, Illinois 60606, or any person having and maintaining a place of

business in Lake or Cook County, Illinois whom Guarantor may from time to time hereafter designate (having given five (5) days' written notice thereof to Lender), as Guarantor's true and lawful attorney and duly authorized agent for acceptance of service of legal process. Guarantor agrees that service of such process upon such person shall constitute personal service of such process upon Guarantor. Such party, within five (5) days after receipt of any such process, shall forward the same by certified or registered mail, together with all papers affixed thereto, to Guarantor. Guarantor hereby waives any right he may have to transfer or change the venue of any litigation brought in accordance with this paragraph. Guarantor hereby irrevocably waives the right to trial by jury with respect to any action in which Guarantor and Lender are parties.

Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

This Guaranty, and each and every part hereof, shall be binding upon the undersigned and upon the heirs, legal representatives and assigns of the undersigned, and shall inure to the benefit of the Lender, its successors and assigns.

SIGNED AND SEALED by the undersigned as of the 1st day of November, 1994.

Bruce H. Borland

EXHIBIT "C"

LEVIN, MCPARLAND, PHILLIPS, LEYDIG & HABERKORN

ATTORNEYS AT LAW

180 NORTH WACKER DRIVE, SUITE 300

CHICAGO, ILLINOIS 60606-1603

TELEPHONE (312) 634-1100

FACSIMILE (312) 634-1101

WRITER'S DIRECT DIAL

October ____, 1994

First Midwest Bank, N.A.
725 Waukegan Road
Deerfield, IL 60015

RE: Loan by First Midwest Bank, N.A. ("Lender")
to Temco Corporation, an Illinois corporation ("Borrower")

Gentlemen:

We have acted as counsel for borrower and Bruce H. Borland ("Guarantor") in connection with a \$909,000 Loan (the "Loan") being made by Lender to Borrower pursuant to a Loan and Security Agreement, Mortgage and Assignment of Leases, of even date herewith ("Loan and Security Agreement"), and all documents and instruments (including, without limitation, the "Note" as defined in the Loan and Security Agreement) delivered to Lender in connection with the Loan (hereinafter collectively called the "Loan Documents"). In addition, in order to induce Lender to make the Loan, Guarantor is executing and delivering to Lender his Guaranty of the Loan of even date herewith (the "Guaranty").

Lender, as a condition precedent to making the Loan pursuant to the Loan Documents, has requested that we execute and deliver this letter of opinion to Lender. Terms used herein which are defined in the Loan and Security Agreement shall have the respective meanings ascribed thereto set forth in the Loan and Security Agreement, unless otherwise defined herein.

For purposes of rendering this opinion, we have examined the following:

- (i) The Loan and Security Agreement;
- (ii) The Note executed by Borrower;
- (iii) UCC-1 Financing Statement executed by Borrower;
- (iv) The Guaranty;
- (v) Certified Articles of Incorporation and Bylaws of Borrower and all amendments thereto and/or restatements thereof;

First Midwest Bank, N.A.

October _____, 1994

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(vi) Certificate of Good Standing of Borrower furnished by the Secretary of State of Illinois, attesting to the continued corporate existence and/or good standing of Borrower in such jurisdiction: and

(vii) Such other agreements (including, without limitation, the Leases), instruments and documents as we have deemed necessary.

For the purposes of this opinion, we have assumed that:

A. The execution and delivery of all Loan Documents and other documents reviewed by us, and the entry into and performance of the transactions contemplated by the Loan Documents by all parties other than the Borrower and the Guarantor, have been duly authorized by all necessary actions; the Loan Documents constitute the valid and binding obligations of all parties other than the Borrower and the Guarantor.

B. All natural persons who are signatories to the Loan Documents were legally competent at the time of execution; all signatures on the Loan Documents and other documents reviewed by us are genuine; the copies of all documents submitted to us are accurate and complete and conform to originals; all material terms and conditions of the relationship between the Borrower, the Guarantor and the Lender with respect to the Loan are correctly and completely reflected in the Loan Documents.

Based upon the foregoing, but subject to the assumptions, qualifications and limitations set forth herein, we are of the opinion that:

1. Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. To our knowledge, Borrower is not doing business nor does it own any property in any other jurisdiction and, therefore, is not required to qualify as a foreign corporation under the laws of any other jurisdiction.

2. Borrower has the corporate power and authority to own its properties and to carry on its business as presently conducted by it.

3. Borrower has full corporate power and authority to enter into, execute and deliver the Loan Documents and to perform the transactions, covenants and obligations described therein or contemplated therein in accordance with their respective terms.

First Midwest Bank, N.A.

October _____, 1994

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4. Guarantor has full power and authority to enter into, execute and deliver the Guaranty and to perform the transactions, covenants and obligations described therein or contemplated thereby in accordance with its terms.

5. To our knowledge and except as set forth on a schedule attached hereto, there is no default by Borrower and/or Guarantor under any order, writ, injunction or decree of any court, any applicable law, order, regulation or demand of any governmental agency or instrumentality, or contract, lease (including the Leases), agreement, instrument or commitment, to which Borrower and/or Guarantor is a party or by which Borrower and/or Guarantor are bound or subject.

6. All corporate and other proceedings or actions required under Borrower's Articles of Incorporation or By-laws, or otherwise to be taken by or on behalf of Borrower, to authorize the execution and delivery of the Loan Documents and the consummation of the transactions contemplated therein have been taken, and the Loan Documents and the Guaranty are the legal, valid and binding agreement of Borrower and/or Guarantor, as the case may be, and each is enforceable against Borrower and/or Guarantor, as the case may be, in accordance with its respective terms.

7. The execution, delivery and performance by Borrower and/or Guarantor of the Loan Documents and/or the Guaranty will not: (a) violate any provision of, or constitute a default under, any existing law or regulation to which Borrower and/or Guarantor is subject; (b) to our knowledge, violate any provision of or constitute a default under any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to Borrower and/or Guarantor; (c) violate any provision of the Articles of Incorporation or By-laws of Borrower; (d) conflict with, constitute an event of default under, or result in a breach of or violation of the provisions of any mortgage, indenture, loan agreement, contract or other agreement of which we have knowledge to which Borrower and/or Guarantor is a party or by which Borrower or Guarantor or any of their respective properties or assets may be bound, other than the interests of Continental Bank, N.A., and Cole Taylor Bank, which interests shall be released in connection with this transaction; and (e) to our knowledge, result in the creation or imposition of any lien (other than the lien and security interest created by the Loan Documents) on any of the properties or assets of Borrower and/or Guarantor.

8. No consent or approval of, or other action by, any federal or state governmental or regulatory body, court or other person or entity, which has not been obtained or taken, is

First Midwest Bank, N.A.

October _____, 1994

Page 4

required for the execution, delivery, performance, validity or enforceability by Borrower and/or Guarantor of the Loan Documents and/or the Guaranty, as the case may be.

9. To the best of our knowledge, the Company has obtained and is in compliance with every license, registration, permit or bond required for the conduct of its business.

10. The Loan and Security Agreement has been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code and a UCC-1 Financing Statement has been duly filed with the Secretary of State of Illinois and, to our knowledge and other than as disclosed on the ICC search attached hereto, no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien on the Tank Cars or Leases which has not been fully released, terminated and extinguished as of the date hereof. Provided that the Tank Cars are utilized solely in the United States, no other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as security for the Note and the other Obligations, the Lien on and security interest in the Tank Cars and the Leases created by the Loan and Security Agreement.

11. To our knowledge, the Company has good and valid title to the Tank cars and the Leases. To our knowledge and based on the information disclosed on the ICC search attached hereto, the filing of the Loan and Security Agreement with the Interstate Commerce Commission and the filing of the UCC-1 Financing Statement with the Secretary of State of Illinois creates a legal, valid and perfected first Lien on and first priority security interest in each of the Tank Cars (and the Proceeds thereof) and in each of the Leases (and the Proceeds thereof) as security for the Note and the other Obligations.

12. Except as set forth on a schedule attached hereto, to our knowledge there are no outstanding judgments against Borrower or Guarantor, nor is there now pending or threatened any action or proceeding before any court, governmental agency or arbitrator against or affecting Borrower or Guarantor or any of the property of the Borrower or Guarantor, including the Collateral, or any of the transactions contemplated by the Loan Documents.

13. The Note and the making of the Loan described therein are not usurious under Illinois law, which governs the enforceability of the Note.

Our opinions are qualified as follows:

(a) Wherever we indicate that our opinion with respect to the existence or absence of facts is based on our knowledge, our opinion is based solely on (i) the current actual knowledge of the attorneys with the firm who have represented the Borrower and the Guarantor in connection with the transactions contemplated by the Loan Documents and of any other attorneys presently in our firm whom we have determined are likely, in the course of representing any of said parties, to have knowledge of the matters covered by this opinion; (ii) the representations and warranties of said parties contained in the Loan Documents; and (iii) the certificate or certificates of an officer of Borrower and/or Guarantor attached hereto. We have made no independent investigation as to such factual matters; however, we know of no facts which lead us to believe such factual matters are untrue or inaccurate.

(b) Our opinion in paragraph 5 above is subject to the following:

(i) Your ability to enforce the Loan Documents may be limited by applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally;

(ii) Enforcement of your rights and remedies may be limited by general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law, and in this regard we have assumed that you will exercise your rights and remedies under the Loan Documents in good faith and in circumstances and a manner which are commercially reasonable;

(iii) Certain provisions of the Loan Documents may be rendered unenforceable or limited by applicable laws and judicial decisions but such laws and judicial decisions do not render the Loan Documents invalid as a whole, and there exist in the Loan Documents or pursuant to applicable law legally adequate remedies for the realization of the principal benefits and security intended to be provided by the Loan Documents, and

(iv) We express no opinion as to the enforceability of the waiver of jury demand provision contained in the Note.

Our opinion is limited to the laws of the United States and the laws of the State of Illinois in effect on the date hereof as they presently apply. We shall have no continuing obligations to

First Midwest Bank, N.A.

October _____, 1994

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inform you of changes in law or fact subsequent to the date hereof or of facts of which we become aware after the date hereof.

We have not reviewed and do not opine as to Federal or state taxation, banking, securities or "blue sky" laws, rules or regulations.

This opinion is limited to the matters set forth herein. No opinion may be inferred or implied beyond the matters expressly contained herein. This opinion is rendered solely for your benefit (and that of your participants and assigns) and no other person or entity shall be entitled to rely on any matter set forth herein without the express written consent of the undersigned.

Very truly yours,

Gary W. Leydig

GWL:sr

SCHEDULE OF PENDING CASES/JUDGMENTS/THREATENED CLAIMS

PENDING CASES/JUDGMENTS. CIRCUIT COURT OF COOK COUNTY

93-L-000336: Transitank Car Corp. v. Temco Corp. et al.
93-L-004207: General Electric Railcar Corp. v. Temco Corp. et al.
93-L-011825: Emergent Group Inc. v. Temco Corp.
92-L-014810: Hinshaw & Culbertson v. Temco Corp.
93-M2-001698: Tex Par Energy Inc. v. Temco Corp.
93-M1-102774: U.S. Rail Services et al. v. Temco Corp.
88-M1-020877: Ins. Co. No. America et al. v. Temco Corp. et al.

PENDING CASES/JUDGMENTS. UNITED STATES DISTRICT COURT, N.D. ILLINOIS

94-C-6225 Union Pacific Railroad Company v. Temco Leasing Co.

THREATENED CLAIMS

Atchison, Topeka and Santa Fe Railway Company (Claim of \$14,704,711)

EXHIBIT "D"

SCHEDULE OF PENDING CASES/JUDGMENTS/THREATENED CLAIMS

PENDING CASES/JUDGMENTS, CIRCUIT COURT OF COOK COUNTY

93-L-000336: Transitank Car Corp. v. Temco Corp. et al.,
93-L-004207: General Electric Railcar Corp. v. Temco Corp. et al.
93-L-011825: Emergent Group Inc. v. Temco Corp.
92-L-014810: Hinshaw & Culbertson v. Temco Corp.
93-M2-001698: Tex Par Energy Inc. v. Temco Corp.
93-M1-102774: U.S. Rail Services et al. v. Temco Corp.
88-M1-020877: Ins. Co. No. America et al. v. Temco Corp. et al.

PENDING CASES/JUDGMENTS, UNITED STATES DISTRICT COURT, N.D. ILLINOIS

94-C-6225 Union Pacific Railroad Company v. Temco Leasing Co.

THREATENED CLAIMS

Atchison, Topeka and Santa Fe Railway Company (Claim of \$14,704.71)

EXHIBIT E

ESTOPPEL CERTIFICATE

Reference is made to that certain Master Railcar Lease and Service Contract No. _____ dated _____, 199____ and Rider(s) No. _____ dated _____ between TEMCO Corporation as Lessor and _____ as Lessee ("Lease"), covering the railway cars described in one or more riders to the Lease.

Lessee hereby certifies to and agrees with First Midwest Bank, N.A. ("Bank") that:

1. Attached is a true, correct and complete copy of the Lease, as amended;
2. The Lease is in full force and effect and is not subject to any conditions or contingencies not contained therein;
3. The lease term will expire _____;
4. Lessee has no offsets (other than mileage credit as provided in Section 1.04 of the Lease) or defense to its performance of the terms and conditions of the lease, including payment of rent;
5. All railway cars which are the subject of the Lease are described in the Lease or a rider thereto and are fully operational and are in good condition and have been maintained in strict compliance with the terms of the Lease;
6. Lessee has not and will not pay rent more than one month in advance to Lessor;
7. The insurance required to be maintained by Lessee pursuant to the terms of the Lease is in full force and effect and a copy of the certificate of insurance evidencing such coverage is attached hereto;
8. Lessee will give to the Bank at 725 Waukegan Road, Deerfield, Illinois 60015, copies of all notices of default by the Lessor in connection with the Lease.

This Certificate is made as of the _____ day of _____, 1994 to induce the Bank to fund a certain loan to Lessor, secured by an assignment of the Lease and by a first lien upon the railway cars which are the subject of the Lease.

LESSEE:

By:

Its:

SML1143
06/14/94

SCHEDULE I

LIST OF RAIL CARS

Forty-six (46) railcars bearing the following reporting marks:

TMCX 604	TMCX 22913	UOEX 11201
" 605	" 22915	" 11202
" 606	" 22916	" 11203
" 607	" 22918	" 11204
" 608	" 22919	" 11205
" 1010	" 22920	" 11206
" 1011	" 22921	" 11207
" 1012	" 29002	" 11208
" 1016	" 29003	" 11209
" 1029	" 29004	" 11210
" 1022	" 29005	
" 1023	" 29006	
" 1026	" 29007	
" 1027	" 29008	
" 1028	" 29010	
" 22910	" 10001	
" 22911	" 29000	
" 22912	" 29009	

SCHEDULE II

BONA FIDE LEASES

LEASES

Railcars Under Lease

Temco Corporation Master Railcar Lease and Service Agreement with Unocal Chemical (Contract No. 2168) and Rider No. 1 thereto: assigned to Rohm and Haas Company.

TMCX 604-608

Railcar Lease and Service Contract between Temco Corporation and Exxon Chemical Americas (Contract No. 2066) and Rider Nos. 03 and 04 thereto.

TMCX 1010-1012, 1016, 1022-1023 and 1026-1029

Temco Corporation Railcar Lease and Service Contract with Monsanto Company (Contract No. 2111) and Rider No. 03 thereto.

TMCX 22910-22913, 22915, 22916 and 22918-22921

Temco Corporation Master Railcar Lease And Service Contract with Rampart Range (Contract No. 2176B) and Rider Nos. 07B, 09B and 14B thereto.

TMCX 29002-29006, 29008 and 10001

Temco Corporation Master Railcar Lease and Service Contract with Alchem Ltd. (Contract No. 2187B) and Rider Nos. 01B and 02B thereto.

TMCX 29007 and 29010

Temco Corporation Railcar Lease And Service Contract with Midwest Solvents Company, Inc. (Contract No. 2055) and Rider No. 02 thereto.

TMCX 29000 and 29009

Equipment Lease Agreement between Temco Corporation and Union Oil Company of California, dated April 1, 1984: assigned to Uno-Ven.

UOEX 11201-11210