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July 11, 1996 RECORDATION NO. **20176** FILED 1425

JUL 11 1996 10 10 AM

New Recordation No. INTERSTATE COMMERCE COMMISSION

JUL 11 10 07 AM '96

RECEIVED
SURFACE TRANSPORTATION
BOARD

Amsterfoort - A. H. Harrison

Dear Mr. Williams:

On behalf of Industrial Investment Corporation, I submit for filing and recording under 49 U.S.C. §11301(a) and the regulations applicable thereunder, executed counterparts of a primary document, not previously recorded, entitled Security Agreement ("Agreement"), made as of July 11, 1996.

The parties to the enclosed Agreement are:

Industrial Investment Corporation — PLEDGOR/DEBTOR
Unit 101-A
2401 Pennsylvania Avenue
Wilmington, Delaware 19806

First Maryland Leasecorp — LENDER/SECURED PARTY
25 South Charles Street
Baltimore, Maryland 21201

The said Agreement, among other things, acts to create a security interest by the Pledgor to the Lender in the equipment listed in Schedule A thereto and in the leases of the said equipment.

The equipment covered by the instant Agreement is as identified in Schedule A thereto.

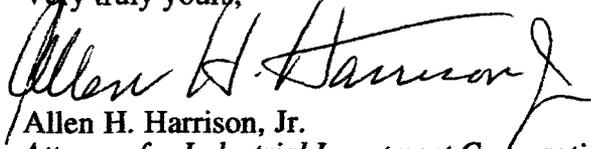
A short summary of the Agreement to appear in the Surface Transportation Board Index is as follows:

"Covers 20 PD covered hopper cars, ERCX 5025-5044,
as listed in Schedule A."

Enclosed is a check in the amount of twenty-one dollars (\$21.00) in payment of the filing fee.

Once the filing has been made, please return to bearer the stamped counterpart(s) of the document not required for filing purposes, together with the letter/fee receipt from the Surface Transportation Board acknowledging the filing, and the two extra copies of this letter of transmittal.

Very truly yours,



Allen H. Harrison, Jr.
*Attorney for Industrial Investment Corporation,
for the purpose of this filing.*

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Enclosures

BY HAND

8376-020

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20427-0001

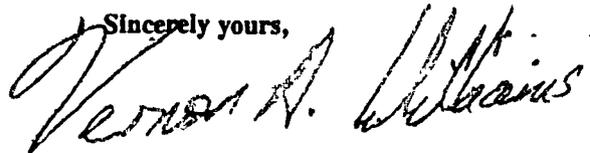
7/11/96

Allen H. Harrison, Jr.
Donelan, Cleary, Wood & Maser, P. C.
1100 New York Avenue, NW, Ste. 750
Washington, DC., 20005-3934

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 7/11/96 at 10:10AM, and assigned recordation number(s). 20176.

Sincerely yours,



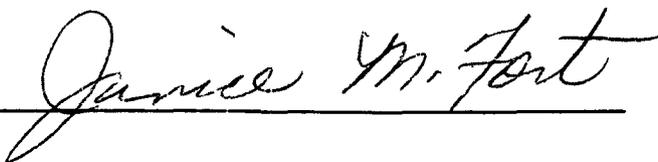
Vernon A. Williams
Secretary

Enclosure(s)

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



RECORDATION NO. 20176 FILED 1425

JUL 11 1996 -10 10 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT (this "Agreement") is made as of this 11th day of July, 1996, by INDUSTRIAL INVESTMENT CORPORATION, an Ohio corporation (the "Pledgor"), in favor of FIRST MARYLAND LEASECORP (the "Lender"); witnesseth:

Recitals

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

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

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

The Pledgor hereby assigns to the Lender all of the Pledgor's right, title and interest in and to (but not the

obligations of the Pledgor under) (i) the Master Car Leasing Agreement dated as of May 12, 1995 (the "Lease") between the Pledgor and Excel Railcar Corporation (the "Lessee"), together with Rider No. 1 thereto; (ii) the Assignment and Security Agreement dated as of May 12, 1995 between the Lessee and the Pledgor; and (iii) the Master Car Leasing Agreement dated as of June 1, 1995 (the "Sublease") between the Lessee and Blue Circle Inc. (the "Sublessee"), together with Rider No. 1 thereto, together with all rents, royalties, issues, income, profits, revenues and other benefits arising from the Lease and the Sublease, including, without limitation, all rights to enforce the agreements and obligations to be performed by the Lessee under the Lease and the Sublessee under the Sublease; all rights to amend, supplement, modify or terminate the Lease or the Sublease, execute any waiver or modification of, or consent under, settle or compromise any claim against the Lessee under the Lease or the Sublessee under the Sublease or submit or consent to the submission of any dispute, differences or arbitration under the Lease or the Sublease; and all rights to indemnification by the Lessee under the Lease and the Sublessee under the Sublease.

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

2. Payment and Performance. Subject to the provisions of Section 20 hereof, the Pledgor will pay the Pledgor's Liabilities as and when due and payable and will perform, comply with, and observe the terms and conditions of the Loan Documents to be performed, complied with, and observed by the Pledgor.

3. Title to Collateral. The Pledgor represents and warrants that it is the owner of the Collateral and has good and marketable title to the Collateral free and clear of all liens, security interests, and other encumbrances except with respect to the Railcars for those in favor of the Lender and the leasehold interest of the Lessee and the subleasehold interest of the Sublessee.

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

recording of any such statement. A carbon, photographic, or other reproduction of a security agreement or a financing statement is sufficient as a financing statement.

5. Transfer and Other Liens. The Pledgor will not sell, lease, transfer, exchange, or otherwise dispose of the Collateral, or any part thereof, without the prior written consent of the Lender and will not permit any lien, security interest, or other encumbrance to attach to the Collateral, or any part thereof, other than those in favor of the Lender and the leasehold interest of the Lessee and the subleasehold interest of the Sublessee.

6. Books and Records. The Pledgor will (a) after an Event of Default has occurred and is continuing at all reasonable times and without hindrance or delay, permit the Lender or any person designated by the Lender to enter any place of business of the Pledgor or any other premises where any books, records, and other data concerning the Collateral may be kept and to examine, audit, inspect, and make extracts from and photocopies of any such books, records, and other data, and (b) mark its books and records in a manner satisfactory to the Lender so that the Lender's rights in and to the Collateral will be shown.

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

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

Pledgor in respect of equipment owned or leased by Pledgor similar in type to such Railcar, (iii) in accordance with maintenance requirements of insurance policies covering such Railcar, and (iv) in compliance, in all material respects, with all applicable laws and regulations, including any applicable Interchange Rules as applicable to continued use by Pledgor (other than with respect to bearing configuration which is not in compliance with the Interchange Rules but which Pledgor must maintain in a condition consistent with its current configuration, ordinary wear and tear excepted; provided, however, that Pledgor may, in good faith and by appropriate proceedings diligently conducted, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not materially adversely affect the rights or interests of Lender in the Collateral or hereunder or otherwise expose Lender to criminal sanctions.

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

Notwithstanding the foregoing provisions of this Section, the Lender agrees that so long as the Lease and the Sublease remain in effect, the Pledgor will have performed its obligations under this Section to the extent the Lessee and the Sublessee comply with their obligations with respect to maintenance, repair and compliance with laws and regulations in the Lease and the Sublease.

11. [Reserved]

12. [Reserved]

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

14. Performance by the Lender. If the Pledgor fails to perform, observe, or comply with any of the conditions, terms, or covenants contained in this Agreement, the Lender, after notice to and demand upon the Pledgor prior to an Event of Default and without notice to or demand upon the Pledgor after an Event of

Default and without waiving or releasing any of the Pledgor's Liabilities or any Event of Default, may (but shall be under no obligation to) at any time thereafter perform such conditions, terms, or covenants for the account and at the expense of the Pledgor, and may enter upon any place of business or other premises of the Pledgor for that purpose and take all such action thereon as the Lender may consider necessary or appropriate for such purpose. All sums paid or advanced by the Lender in connection with the foregoing and all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection therewith (collectively, the "Expense Payments") together with interest thereon at a per annum rate of interest which is equal to the then highest rate of interest charged on the principal of any of the Pledgor's Liabilities, plus one percent (1%) per annum, from the date of payment until repaid in full, shall be paid by the Pledgor to the Lender on demand and shall constitute and become a part of the Pledgor's Liabilities secured hereby.

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

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

Any written notice of the sale, disposition, or other intended action by the Lender with respect to the Collateral which is required by applicable laws and is sent by certified mail, postage prepaid, to the Pledgor at the address of the Pledgor's chief executive office specified below, or such other address of the Pledgor which may from time to time be shown on the Lender's records, at least ten (10) days prior to such sale, disposition, or other action, shall constitute reasonable notice to the Pledgor. The Pledgor shall pay on demand all costs and expenses, including,

without limitation, attorneys' fees and expenses, incurred by or on behalf of the Lender (a) in enforcing the Pledgor's Liabilities, and (b) in connection with the taking, holding, preparing for sale or other disposition, selling, managing, collecting, or otherwise disposing of the Collateral. All of such costs and expenses (collectively, the "Liquidation Costs") together with interest thereon at a per annum rate of interest which is equal to the then highest rate of interest charged on the principal of any of the Pledgor's Liabilities, plus one percent (1%) per annum, from the date of payment until repaid in full, shall be paid by the Pledgor to the Lender on demand and shall constitute and become a part of the Pledgor's Liabilities secured hereby. Any proceeds of sale or other disposition of the Collateral will be applied by the Lender to the payment of the Liquidation Costs and Expense Payments, and any balance of such proceeds will be applied by the Lender to the payment of the remaining Pledgor's Liabilities in such order and manner of application as the Lender may from time to time in its sole discretion determine. For purposes of calculating the amount of additional interest owing in the event of any such sale or other disposition, the railroad cars constituting a portion of the Collateral shall be considered to have been retained in service by Pledgor.

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

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

19. Miscellaneous. The paragraph headings of this Agreement are for convenience only and shall not limit or otherwise affect any of the terms hereof. Neither this Agreement nor any term, condition, covenant, or agreement hereof may be changed, waived, discharged, or terminated orally but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought. This Agreement shall be governed by the laws of the State of Maryland and shall be binding upon the heirs, personal representatives, successors, and assigns of the Pledgor and shall inure to the benefit of the successors and assigns of the Lender. As used herein, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine, or neuter gender shall include all genders, as the context may require, and the term "person" shall include an individual, a corporation, an association, a partnership, a trust, and an organization. Unless varied by this Agreement, all terms used herein which are defined by the Maryland Uniform Commercial Code shall have the same meanings hereunder as assigned to them by the Maryland Uniform Commercial Code.

Notwithstanding all other provisions herein to the contrary, it is expressly understood by and between the Pledgor and the Lender and agreed to by the Lender that all of the obligations of the Pledgor under and pursuant to this Agreement as well as all of the other Loan Documents are not personal or recourse obligations or undertakings of the Pledgor but are to be satisfied solely out of the Collateral and any and all references to recourse liability of the Pledgor are hereby waived and released by the Lender; provided, however, the foregoing limitation of recourse shall not limit, restrict or impair the rights of the Lender to accelerate the maturity of the Note upon a default thereunder, to bring suit and obtain a judgment against the Pledgor on the Note or to exercise all rights and remedies provided hereunder, or otherwise realized upon the Collateral; and, provided further, shall not be deemed to bar or prohibit the Lender from asserting a claim against, exercising remedies with respect to, or proceeding against the Pledgor personally for any damages suffered by the Lender solely arising from any intentional or willful fraud or misrepresentation by the Pledgor, or the Pledgor's failure to comply with the provisions of Sections 5.16 or 5.17 of the Loan Agreement or Section 5 of this Agreement.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

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

ATTEST:

INDUSTRIAL INVESTMENT CORPORATION



By: Philip S. Hesby (SEAL)
Name:
Title: President

Address of Pledgor's chief executive office:

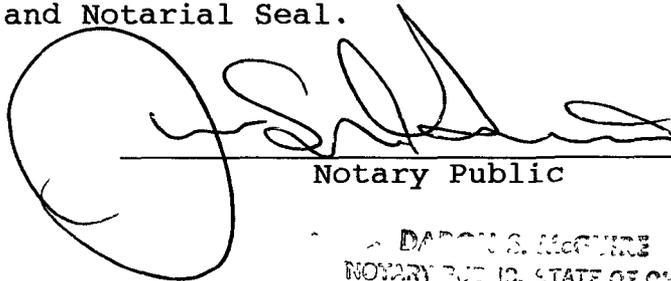
2401 Pennsylvania Avenue
Unit 101 A
Wilmington, Delaware 19806

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

STATE OF OHIO, COUNTY OF CRAWFORD, TO WIT:

I HEREBY CERTIFY, that on this 5TH day of JULY, 1996, before me, the undersigned, a Notary Public of the State of OHIO, personally appeared PHILIP S. HESBY, who acknowledged himself to be the PRESIDENT of Industrial Investment Corporation, an Ohio corporation, known (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained as the duly authorized PRESIDENT of said corporation by signing the name of the corporation by himself as PRESIDENT.

AS WITNESS my hand and Notarial Seal.



Notary Public

(SEAL)

My Commission Expires:

DARROU S. MCGUIRE
NOTARY PUBLIC, STATE OF OHIO
My Commission Expires Jan. 20, 1997



DESCRIPTION OF COLLATERAL

Twenty (20) PD Covered Hopper Railcars bearing reporting marks and numbers ERCX 5025 through 5044, inclusive.