

LAW OFFICES

ROSS & HARDIES

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

150 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601-7567
312-558-1000

PARK AVENUE TOWER
65 EAST 55TH STREET
NEW YORK, NEW YORK 10022-3219
212-421-5555

580 HOWARD AVENUE
SOMERSET, NEW JERSEY 08873
908-563-2700

888 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006-4103
202-296-8600

TELECOPIER
312-750-8600

WRITER'S DIRECT LINE
(312) 750-5708

November 5, 1996 - 20354

RECORDATION NO. FILED 1428

NOV 6 1996 11 25 AM

VIA OVERNIGHT COURIER

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
12th Street and Constitution Avenues
Washington, D.C. 20423

Attention: Janice Fort, Room 2311

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 48 U.S.C. Section 11301(a) are one original executed copy and three photostatic copies of a Railcar Security Agreement, dated as of October 30, 1996 (the "Security Agreement"), between JAIX Leasing Company, as Secured Party, and Central and South West Services, Inc., as Grantor, which Security Agreement is a primary document as defined in the Commissioner's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed Security Agreement are:

Secured Party: JAIX Leasing Company
980 North Michigan Avenue
Suite 1000
Chicago, Illinois 60611

Grantor: Central and South West Services, Inc.
East Highway 2
Alliance, Nebraska 69301

A description of the railroad equipment covered by the enclosed document is set forth in the Security Agreement.

11/05/96
RHCH27:SLIFVEN
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SURFACE TRANSPORTATION BOARD RECEIVED

Mr. Vernon A. Williams
November 5, 1996
Page 2

Also enclosed is a check in the amount of \$22.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

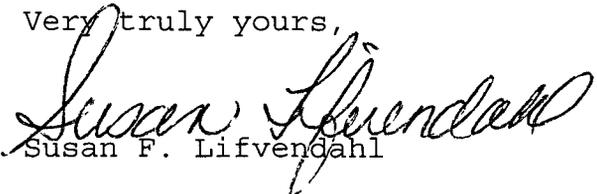
Kindly return the three stamped photostatic copies of the enclosed document and the stamped photostatic copy of this letter to Susan F. Lifvendahl at Ross & Hardies, 150 North Michigan Avenue, Suite 2500, Chicago, Illinois 60601.

Following is a short summary of the enclosed document:

Document to be Recorded

Railcar Security Agreement, dated as of October 30, 1996, between JAIX Leasing Company, as Secured Party, and Central and South West Services, Inc., as Grantor.

Very truly yours,


Susan F. Lifvendahl

SFL:ja
w/encl.

cc: Robert W. Kleinman
Susan G. Lichtenfeld

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20425-0001

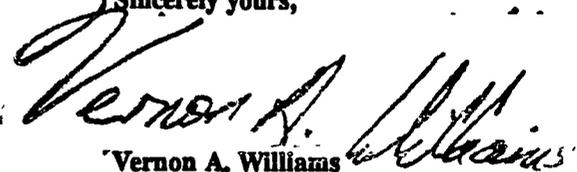
11/6/96

Susan F. Livendahl
Ross & Hardies
150 North Michigan Avenue
Chicago, Illinois 60601-7567

Dear Madam:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/6/96 at 11:25AM, and assigned recordation number(s). 20354.

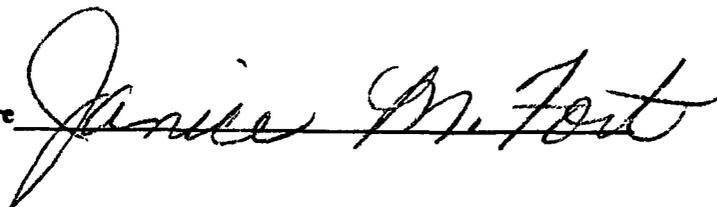
Sincerely yours,


Vernon A. Williams
Secretary

Enclosure(s)

\$ 22.00 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



original -
stamp +
file

20354
NOV 1 1996 11:5 AM

RAILCAR SECURITY AGREEMENT

Dated as of October 30, 1996

from

CENTRAL AND SOUTH WEST SERVICES, INC.

to

JOHNSTOWN AMERICA CORPORATION

RAILCAR SECURITY AGREEMENT

THIS RAILCAR SECURITY AGREEMENT is made as of this 30th day of October, 1996, from Central and South West Services, Inc., a Texas corporation (the "Grantor") to JOHNSTOWN AMERICA CORPORATION, a Delaware corporation (the "Secured Party").

WHEREAS, the Grantor and the Secured Party have entered into an Equipment Purchase Agreement effective as of October 30, 1996 (the "Manufacturing Agreement"), pursuant to which the Secured Party is to manufacture and sell and the Grantor is to purchase the railroad rolling stock described on Exhibit A attached hereto (collectively the "Railcars" and individually the "Railcar"); and

WHEREAS, the terms of the Manufacturing Agreement provide that the Grantor shall pay the full amount of the purchase price for each Railcar in Train No. 1 following acceptance by Grantor of the last car in such Train, and for each Railcar in Train No. 2 and Train No. 3 following acceptance by Grantor of the last car in Train No. 3; and

WHEREAS, in order to induce the Secured Party to enter into the Manufacturing Agreement and to deliver the Railcars to the Grantor prior to payment by the Grantor of the purchase price therefor, the Grantor has agreed to enter into this Security Agreement and to grant the security interests provided for herein;

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantor and the Secured Party hereby agree as follows:

SECTION 1. Grant of Security Interest. As collateral security for the performance and payment of (i) all of the obligations of the Grantor under the Manufacturing Agreement and this Agreement (all of the foregoing obligations being herein referred to as the "Obligations") the Grantor hereby grants, conveys, mortgages, hypothecates, pledges, sets over, transfers and assigns to the Secured Party, and grants to the Secured Party a continuing lien upon and security interest in:

- (a) the Railcars, together with all insurance policies and proceeds insuring any Railcars or any part thereof (including unearned premiums) and all accessions, additions, attachments or improvements to any of the Railcars, any substitutions therefor, and any replacements, rents, issues, profits, returns, income, and proceeds thereof and therefrom and products thereof.

All aforesaid property and the products and proceeds therefrom are herein individually and collectively called the "Collateral."

Except as expressly set forth in Section 2(b) hereof, and notwithstanding any other provision of this Agreement, it is understood and agreed by the Secured Party that the liability and undertakings of the Grantor under and pursuant to this Agreement are not personal or recourse obligations or undertakings of the Grantor but are to be satisfied solely out of the Collateral and the income and proceeds thereof, all such personal liability being hereby waived and released by the Secured Party, and its successors and assigns; provided, however, that the limitation on personal liability of the Grantor shall not derogate from the right of the Secured Party to proceed against the Collateral (upon and during the continuance of an Event of Default hereunder) for the full payment of all amounts due the Secured Party on account of this Agreement or the Manufacturing Agreement.

SECTION 2. Representations and Warranties.

a. The Grantor hereby represents, warrants and covenants to and with the Secured Party that:

- (i) the Grantor is or will be in possession of all of the Collateral, free of all security interests, liens, encumbrances and adverse claims whatsoever, arising by, through or under the Grantor, other than the security interest granted hereunder, with full power and authority to execute this Agreement and to perform the Grantor's obligations hereunder and to subject the Collateral to the security interest hereunder;
- (ii) no consent or approval of any governmental body or regulatory authority or any other person was or is necessary to the validity of the security interest granted hereby;
- (iii) by virtue of the execution and delivery by the Grantor of this Agreement, when this Agreement shall have been filed with the Surface Transportation Board in accordance with 49 U.S.C. §11301, the Secured Party will obtain a valid and perfected first lien upon and security interest in such Collateral as security for the performance of the Obligations, prior to all other liens and encumbrances thereon and security interests therein;

(iv) this Agreement creates a valid security interest in the Collateral in favor of the Secured Party, and

(v) the Grantor has not been known by any legal name different from the one set forth on the cover page of this Agreement.

b. In the event that the representations, warranties and covenants set forth in Sections 2.a (i) or (vi) above prove to be incorrect in any material respect or in the event that any other representation, warranty or covenant of the Grantor proves to be untrue in any material respect as a result of the fraud of the Grantor, then, in any such case, and notwithstanding the provisions of the last paragraph of Section 1 hereof, the Grantor shall be personally liable to the Secured Party for any loss or damage sustained by the Secured Party and directly attributable to such misrepresentation or fraud.

SECTION 3. Covenants of the Grantor. The Grantor covenants with the Secured Party that:

(a) the Grantor shall permit (at Grantor's expense) the proper filing of this Agreement with the Surface Transportation Board pursuant to 49 U.S.C. §11301 and shall perform such other acts and things, all as the Secured Party may from time to time reasonably request, to establish and maintain a valid, perfected first security interest in the Collateral to secure the performance and payment of the Obligations;

(b) the Grantor shall not allow or permit any of the Railcars to be used or maintained predominantly outside of the continental United States;

(c) the Grantor shall cause the Railcars to be kept numbered and marked with the identification numbers and marks set forth on Exhibit A to this Agreement and shall not change or allow the change of the identification number of any Railcar unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Secured Party and filed, recorded and deposited by the Grantor in all public offices where this Agreement shall have been filed, recorded or deposited;

(d) the Grantor will not transfer, assign, pledge or otherwise encumber any of its interests in the Railcars, provided that nothing herein shall prohibit or prevent Grantor from entering into a financing arrangement for the Railcars with a third party (including a sale-leaseback or leveraged lease arrangement) to be consummated on or after the release of the security interest granted hereunder, so long as such financial arrangement does not transfer, assign, pledge or otherwise

encumber any of the Railcars prior to the release of the Security Interest granted hereunder

(e) within five (5) days of the Secured Party's request, the Grantor shall furnish the Secured Party such information concerning the Grantor and the Collateral as the Secured Party may from time to time reasonably request;

(f) the Grantor shall keep each Railcar in good condition, order and repair and in compliance with all applicable standards then in effect under the Interchange Rules of the Association of American Railroads (or any successor organization) and under any other governmental regulation or requirement;

(g) the Grantor shall maintain insurance on the Collateral with carriers reasonably acceptable to the Secured Party in amounts not less than the purchase price for the Collateral under the Manufacturing Agreement; and

(h) the Grantor shall do such further acts and things, and execute and deliver to the Secured Party such additional conveyances, assignments, agreements and instruments, as the Secured Party may reasonably request in order to carry out the purposes of this Agreement or better to assure and confirm unto the Secured Party its rights, powers and remedies hereunder.

SECTION 4. Damage to or Loss of the Collateral;
Requisition. The Grantor assumes and shall bear the entire risk of loss or damage to the Collateral from any and every cause whatsoever. No loss or damage to the Collateral or any part thereof shall affect any obligation of the Grantor with respect to the Obligations and this Agreement, which shall continue in full force and effect.

SECTION 5. Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Failure of the Grantor to abide by any agreement or covenant contained herein, if such failure continues for a period of five (5) days after notice from the Secured Party to the Grantor specifying the default and demanding that the same be cured; or

(b) The occurrence and continuance of any payment default or other material default by the Grantor under the Manufacturing Agreement; or

(c) A court shall determine that the Secured Party does not have a first-priority security interest in any of the Collateral enforceable in accordance with the terms hereof; or

(d) The bankruptcy or insolvency of the Grantor

SECTION 6. Remedies upon Default. If an Event of Default shall have occurred and be continuing, the Secured Party may, at the sole discretion of Secured Party, without notice or demand (after the first notice has been submitted to the Grantor pursuant to the requirements of the last paragraph of this Section 6) and without limitation of any rights and remedies of the Secured Party under the Uniform Commercial Code then in effect in Pennsylvania (but subject nevertheless to the then applicable requirements of law), take any one or more of the following steps:

(a) proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceedings, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof, or in aid of the exercise of any other right, power or remedy granted hereby or by law, equity or otherwise; and

(b) at any time and from time to time, with or without judicial process and the aid or assistance of others, enter upon any premises wherein any of the Collateral may be located and, without resistance or interference by the Grantor, take possession of the Collateral on any such premises, and require the Grantor to assemble and make available to the Secured Party at the expense of the Grantor any part or all of the Collateral at any place or time designated by the Secured Party; and remove any part or all of the Collateral from any premises wherein the same may be located for the purpose of effecting the sale or other disposition thereof; and sell, resell, lease, assign and deliver, grant options for or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing, at public or private sale or proceedings, by one or more contracts, in one or more parcels, at the same or different times, with or without having the Collateral at the place of sale or other disposition, for cash and/or credit, and upon any terms, at such place(s) and time(s) and to such persons, firms or corporations as the Secured Party shall deem best, all without demand for performance or any notice or advertisement whatsoever, except that the Grantor shall be given five (5) business days' written notice of the place and time of any public sale or of the time after which any private sale or other intended disposition is to be made, which notice the Grantor hereby agrees shall be deemed reasonable notice thereof. If any of the Collateral is sold by the Secured Party upon credit or for future delivery, the Secured Party shall not be liable for the failure of the purchaser to pay for same and in such event the Secured

Party may resell such Collateral. The Secured Party may buy any part or all of the Collateral at any public sale and, if any part or all of the Collateral is of a type customarily sold in a recognized market or which is the subject of widely distributed standard price quotations, the Secured Party may buy at private sale and may make payment therefor by application of all or a part of the Obligations.

Before taking any action against the Collateral under this Agreement upon the occurrence of an Event of Default, the Secured Party shall give the Grantor not less than 30 days prior written notice specifying the Event of Default. If the Grantor chooses to cure such Event of Default within 30 days after receipt of such notice, the Grantor shall be subrogated to all of the rights of the Secured Party in and to the Collateral on a pro rata basis to the extent of advances by the Grantor to cure such Event of Default.

SECTION 7. Application of Proceeds of Sale. The proceeds of any collection or sale of Collateral pursuant to Section 6 hereof, as well as any Collateral consisting of cash, shall be applied by the Secured Party as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Secured Party in connection with such sale or otherwise in connection with this Agreement or any of the Obligations, including, but not limited to, all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Secured Party hereunder on behalf of the Grantor or the Lessee and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, to the payment in full of the Obligations;
and

THIRD, to the Grantor, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

SECTION 8. Secured Party's Right to Perform for Grantor. If the Grantor fails to perform or comply with any of its agreements contained herein or in the Manufacturing Agreement, after providing Grantor with not less than five (5) days prior written notice specifying the action Secured Party proposes to take (unless immediate action is required, in the reasonable opinion of the Secured Party, to protect the Collateral or to avoid the imposition of a material cost or risk to the Secured Party, in which case no prior notice shall be required), the Secured Party may perform or comply with such agreement and the amount of any payments and expenses incurred by the Secured Party

in connection with such performance or compliance, together with interest thereon at the rate of 12% per annum, shall be deemed a part of the Obligations and shall be payable by the Grantor upon demand.

SECTION 9. Reimbursement of the Secured Party. The Grantor hereby agrees to reimburse the Secured Party, on demand, for all expenses incurred by the Secured Party in connection with the administration and enforcement of this Agreement and agrees to indemnify the Secured Party and hold the Secured Party harmless from and against any and all liability incurred by the Secured Party hereunder or in connection herewith, unless such liability shall be due to wilful misconduct or gross negligence on the part of the Secured Party.

SECTION 10. Secured Party Appointed Attorney-in-Fact. The Grantor hereby appoints the Secured Party as its attorney-in-fact for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes hereof after the occurrence and during the continuance of an Event of Default, which appointment is irrevocable and coupled with an interest.

SECTION 11. No Waiver. No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Secured Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

SECTION 12. Termination. This Agreement shall terminate when all the Obligations have been fully paid and have expired, at which time the Secured Party (upon request of the Grantor) shall reassign and deliver to the Grantor, or to such person or persons as the Grantor shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Secured Party pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse to or warranty by the Secured Party and at the expense of the Grantor.

SECTION 13. Notices.

(a) All notices and other communications pursuant to this Agreement shall be in writing, either delivered in hand, by express delivery service or sent by certified or registered mail, postage prepaid, or sent by facsimile transmission, addressed as follows:

- (i) if to the Grantor,
Central and South West Services, Inc
East Highway 2
Alliance, Nebraska 69301
Attention: Ed Clark
Facsimile No. (308) 762-2601

- (ii) if to the Secured Party,
Johnstown America Corporation
17 Johns Street
Johnstown, Pennsylvania 15901
Attention: Michael P. Siska, Jr.
Facsimile No. (814) 533-5064

- (iii) to such other addresses or by way of
such other facsimile numbers as any party hereto shall
have designated in a written notice to the other party
hereto.

(b) Any notice or other communication pursuant to this Agreement shall be deemed to have been duly given or made and to have become effective when delivered to the party to which it is directed, or, if sent by express delivery service, by certified or registered mail, postage prepaid, or by facsimile transmission, and properly addressed in accordance with this Section 13, (i) when received by the addressee, or (ii) on the fifth Business Day following the day of the dispatch thereof, which ever of (i) or (ii) shall be the earlier.

SECTION 14. Further Assurances. The Grantor agrees to do such further acts and things, and to execute and deliver such additional conveyances, assignments, agreements and instruments, as the Secured Party may at any time reasonably request in connection with the administration and enforcement of this Agreement or with respect to the Collateral or any part thereof or in order to better assure and confirm unto the Secured Party its rights and remedies hereunder.

SECTION 15. Binding Agreement; Assignments. This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that the Grantor shall not be permitted to assign this Agreement or any interest herein or in the Collateral, or any part thereof, or otherwise pledge, encumber or grant any option with respect to the Collateral, or any part thereof, or any cash or property held by the Secured Party as Collateral under this Agreement.

SECTION 16. Survival of Agreement. All covenants, representations, warranties and agreements made by the Grantor herein shall be considered to have been relied upon by the

Secured Party and shall survive the making by the Secured Party of the payment under the Manufacturing Agreement

SECTION 17. Governing Law. THIS AGREEMENT AND THE RESPECTIVE RIGHTS AND OBLIGATIONS HEREUNDER OF THE PARTIES HERETO SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO ITS CONFLICTS OF LAWS DOCTRINE; PROVIDED HOWEVER, THAT THE PARTIES SHALL BE ENTITLED TO ALL RIGHTS CONFERRED BY 49 U.S.C. §11301.

SECTION 18. Headings. Section headings used herein are for convenience only and are not to affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 19. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

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

CENTRAL AND SOUTH WEST
SERVICES, INC

By: 

Its: President, Power Generation

JOHNSTOWN AMERICA CORPORATION

By: 

Its: MICHAEL P. SISK, JR.
DIRECTOR, MARKETING & SALES ADMINISTRATIO

EXHIBIT A TO SECURITY AGREEMENT
DATED AS OF OCTOBER 30, 1996
FROM
CENTRAL AND SOUTH WEST SERVICES, INC.
TO
JOHNSTOWN AMERICA CORPORATION

DESCRIPTION OF RAILCARS:

360 4400 c.f. Aluminum BethGon Coalporter Cars bearing road marks and numbers: CCTX 6001 through CCTX 6360 (both inclusive)

STATE OF PENNSYLVANIA)
)
COUNTY OF CAMBRIA) ss.

On this 4th day of November, 1996, before me personally appeared Michael P. Siska, Jr. to me personally known, who, being by me duly sworn, acknowledged before me that he is **MICHAEL P. SISKA, JR.** **DIRECTOR, MARKETING & SALES ADMINISTRATION** of JOHNSTOWN AMERICA CORPORATION and that said instrument was signed on behalf of said corporation by authority of its Board of Directors. Further, he acknowledged before me that the execution of the foregoing instrument was the free act and deed of said corporation.

Carolyn A. Phillips

NOTARY PUBLIC



My Commission Expires:

Notarial Seal
Carolyn A. Phillips, Notary Public
Johnstown, Cambria County
My Commission Expires June 7, 1997

STATE OF Texas)
~~NEBRASKA~~)
COUNTY OF Dallas) SS

On this 31st day of October, 1996, before me personally appeared Richard Verret, to me personally known, who, being by me duly sworn, acknowledged before me that he is the President of Central and South West Services, Inc. and that said instrument was signed on behalf of said corporation by authority of its Board of Directors. Further, he acknowledged before me that the execution of the foregoing instrument was the free act and deed of said corporation.



LeDona K. Vessel
NOTARY PUBLIC

My Commission Expires:

4-28-97