

CHAPMAN AND CUTLER

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April 3, 1997

RECORDATION NO 20621 FILED

APR 7 '97

3-08PM

OFFICE OF SECRETARY

APR 7 3 08 PM '97

RECEIVED
SURFACE TRANSPORTATION
BOARD

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street N.W.
Room 704
Washington, DC 20006-2973

Re: I&M Rail Link, LLC
Equipment Purchase Transaction

Dear Mr. Williams:

I am enclosing for recording pursuant to Section 11301 of Title 49 of the United States Code, two originals of the primary document described below. As one of the attorneys representing the Administrative Agent in this transaction, I have knowledge of the matters described in this letter. The enclosed primary document is as follows:

Security Agreement dated April 3, 1997, between I&M Rail Link, LLC, as Debtor, and Bank of Montreal as Administrative Agent (the "Security Agreement").

The capitalized terms used herein and not otherwise defined herein shall have the respective meanings specified the Security Agreement.

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

Debtor: I&M Rail Link, LLC
101 International Way
Missoula, Montana 59807

Administrative Agent: Bank of Montreal, as administrative agent
115 South LaSalle Street
Chicago, Illinois 60603

The description of the Equipment covered as of the date hereof by the aforesaid Security Agreement is as set forth below:

Equipment, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights (the term "Equipment" means and includes all

CHAPMAN AND CUTLER

equipment, machinery, tools, trade fixtures, furniture, furnishings, office equipment, vehicles (including vehicles subject to a certificate of title law), railroad cars, locomotives and other rolling stock and all other goods, in each case now or hereafter used or usable in connection with the Debtor's business, together with all parts, accessories and attachments relating to any of the foregoing), including, without limitation, Equipment listed and described on Schedule A attached hereto.

A fee of twenty-four dollars (\$24.00) is enclosed. Please time and date stamp the enclosed copies of the Security Agreement along with the extra copies of this letter as proof of filing and recordation of the enclosed document and return the original and any extra copies of such document and this letter not needed by the Board for recordation to:

Thomas M. Quirk, Esq.
Chapman and Cutler
111 West Monroe
Chicago, Illinois 60603

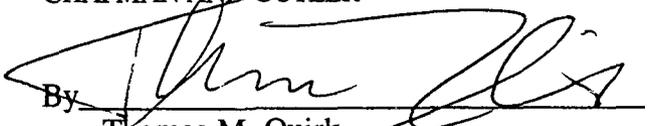
A short summary of the Security Agreement to appear in the index follows:

Security Agreement by and between I&M Rail Link, LLC, as Debtor, 101 International Way, Missoula, Montana 59807, and Bank of Montreal, as Administrative Agent, dated April 3, 1997, covering, among other things, the Debtor's equipment including the locomotives and railroad rolling stock bearing the road numbers listed in Schedule A thereto.

If you have any questions or need further information, please do not hesitate to contact the undersigned (312-845-3876).

Sincerely,

CHAPMAN AND CUTLER

By 

Thomas M. Quirk

Enclosures

**SCHEDULE A
Locomotives**

SW 1200's

CP 00329
CP 00330
CP 00331
SOO 001216
SOO 001218

GP 7

SOO 000375

GP 9's

SOO 000400
SOO 000403
SOO 000408
SOO 002401
SOO 002402
SOO 002406
SOO 002407
SOO 002409
SOO 002410
SOO 002412
SOO 002550
SOO 002553
SOO 004225
SOO 004227
SOO 004228
SOO 004231
SOO 004232
SOO 004233

RBL's

SOO 178306
SOO 178308
SOO 178374
SOO 178400
SOO 178404
SOO 178408
SOO 178528
SOO 178536
SOO 178546
SOO 178548
SOO 178550
SOO 178554
SOO 178556
SOO 178566
SOO 178558
SOO 178560
SOO 178568
SOO 178578
SOO 178582
SOO 178586
SOO 178590
SOO 178600
SOO 178606
SOO 178618
SOO 178620
SOO 178622
SOO 178626
SOO 178630
SOO 178718
SOO 178722
SOO 178724
SOO 178726

Freight Cars

Standard Boxes

SOO 018640
SOO 018642
SOO 018644
SOO 018646
SOO 018650
SOO 018654
SOO 018438
SOO 015652
SOO 015658
SOO 015700
SOO 015724
SOO 015732
SOO 015758
SOO 015792
SOO 015800
SOO 015830
SOO 015886
SOO 015894
SOO 015908
SOO 015914
SOO 015934
SOO 015940
SOO 015942
SOO 015976
SOO 177780

Air Dumps

CP 455101
CP 455133
CP 455168
CP 455171
CP 455172
CP 455176
CP 455186
CP 455192
CP 455204

Ballast Cars

MILW 941750
MILW 941751
MILW 941753
MILW 941754
MILW 941755
MILW 941756
MILW 941757
MILW 941758
MILW 941759
MILW 941760
MILW 941761
MILW 942762
MILW 941763
MILW 941764
MILW 941765
MILW 941766
MILW 941767
MILW 941769
MILW 941770
MILW 941771
MILW 941772
MILW 941773
MILW 941774
MILW 941775
MILW 941776
MILW 941777
MILW 941778
MILW 941779
MILW 941780
MILW 941781
MILW 941782
MILW 941783
MILW 941784
MILW 941785
MILW 941786
MILW 941787
MILW 941788
MILW 941789
MILW 941790
MILW 941791
MILW 941792
MILW 941793
MILW 941794
MILW 941795
MILW 941796

RBL's

MILW 002918
MILW 003012
MILW 003015
MILW 003045
SOO 177586
SOO 177588
SOO 177600
SOO 177610
SOO 177636
SOO 177644
SOO 177650
SOO 177652
SOO 177662
SOO 177664
SOO 177668
SOO 177674
SOO 177692
SOO 177694
SOO 178258
SOO 178632
SOO 178636
SOO 178638
SOO 178640
SOO 178642
SOO 178644
SOO 178656
SOO 178658
SOO 178666
SOO 178672
SOO 178678
SOO 178682
SOO 178688
SOO 178692
SOO 178698
SOO 178702
SOO 178708
SOO 178710
SOO 178716
SOO 178272
SOO 178286
SOO 178294
SOO 178298
SOO 178302

MILW 941797
 MILW 941798
 MILW 941799
 CP 360011
 CP 360017
 CP 360081
 CP 360171
 CP 360199
 CP 360227
 CP 360278
 CP 360291
 CP 360341
 CP 360545
 CP 360586
 CP 360608
 CP 360617
 CP 360621
 CP 360637
 CP 360670
 CP 360717
 CP 360732
 CP 360771
 CP 360793
 CP 360816
 CP 360832
 CP 360851
 CP 360889
 CP 360930
 CP 360955
 CP 360997

Miscellaneous Work Cars

Mason City, IA

MILW 60060	Flat	
SOO 5385	Flat	
SOO 45108	Box	
SOO 658	Box	
SOO 44866	Box	
SOOR 594	Baggage Car	B&B outfit car
MILW 918047	Box	B&B outfit car
MILW 920304	Gon	B&B outfit car

Chillicothe, MO

MILW 973526	Gon	
MILW 928885	Gon	B&B material car
MILW 952058	Box	B&B material car
MILW 952073	Box	B&B material car
MILW 952055	Box	Section material car
MILW 960062	Flat	

Brayer, MO

SOO 136808 Box

Excelsior Springs, MO

MILW 917191	Box	Welders material car
SOO 45154	Box	Section material car

Maintenance of Way Equipment

UNIT NO	YEAR	DESCRIPTION	LOCATION
SNOW EQUIPMENT			
900256		Wedge Plow	Wells, Mn
W-180		Russell Plow	Mason City, IA
900254		Wedge Plow	Mason City, IA
900226		Wedge Plow	Mason City, IA
900036		Cut Widener	Mason City, IA
900216		Wedge Plow	Spencer, IA
WORK EQUIPMENT			
7002-02	53	Nordberg Bolt Machine	Chillicothe, MO
7002-13		Raco Bolt Machine	Dubuque, IA
7002-15		Raco Bolt Machine	New Albin, IA
7009-05	79	Tamper Spiker	Austin, MN
7009-08	81	Tamper Spiker	Ottumwa, IA
7009-12	82	Nordberg Spiker, Model B	Muscatine, IA
7009-19	79	Nordberg Spiker, Model A	Monona, IA
7102-03	76	RTW Tie Crane	Monona, IA
7102-10	84	RTW Tie Crane	Ottumwa, IA
7102-13	81	RTW Tie Crane	West Davenport, IA
7106-05	84	Tie Spacer	West Davenport, IA
7110-15	77	Tamper MBTX Tie Inserter	Ottumwa, IA
7110-16	77	Tamper MBTX Tie Inserter	Monona, IA
7201-09	77	Jackson 2300 Tamper w/jacks	New Albin, IA
7201-13	91	Canron Mark II Chase Tamper	Mt Carroll, IL
7201-15	91	Canron Mark II Tamper w/jacks	Ottumwa, IA
7203-05	82	Jackson 6000 Tamper	Bellevue, IA
7204-05	76	Jackson 2300 Tamper w/o jacks	Nahant Yard, IA
7204-18	82	Jackson 2300 w/jacks	Liberty, MO

Maintenance of Way Equipment

7204-20	83	Jackson 2300 w/o jacks	Marquette, IA
7206-01	82	Jackson 6500	Britt, IA
7206-04	82	Jackson 6500	Seymour, IA
7208-08		Nordberg Power Jack	Clinton, IA
7208-10		Nordberg Power Jack	Mason City, IA
7208-21		Nordberg Power Jack	Mason City, IA
7211-01	83	Kershaw 46-1 Ballast Regulator	Britt, IA
7211-24	83	Kershaw 46-1 Ballast Regulator	Bellevue, IA
7211-25	82	Kershaw 26-2 Ballast Regulator	Chillicothe
7213-03	80	Canon track Gopher	Nahant, Ia
7503-09	72	Burro Crane	Mason City, IA
7510-08	79	Pettebone 441-B Speedswing	Nahant, IA
7512-05	68	American Locomotive Crane 825	Nahant, IA
7212-06	69	American Locomotive Crane 825	Ottumwa, IA
7009-10	77	Model A Nordco	Bensonville
7009-20	79	Model A Nordco	Latta
7009-18	78	Model A Nordco	St Paul
7110-27	84	TKO Tie Insertor	Sturtevant
7101-06	84	Adzer	Cudahy
7212-02	84	Cribber	Cudahy
7102-12	79	RTW Tie Crane	Cudahy
7017-04	85	Tamper Rail Heater	Savanna
7510-01	77	Speedswing	Bensenville
7512-04	66	(250122) 40 T Amer Crane w/leads	St. Paul

Maintenance of Way Equipment

The following list of motorized equipment, including three Rail Stressors, plus other miscellaneous Engr Services hand tools and non-motorized, currently located on the Kansas City Corn Lines

GAS/HYDRAULIC POWER TOOL INVENTORY K.C. LINE

MACHINE	MAKE	MODEL	SERIAL NUMBER	HYD/ GAS	YEAR	CONDITION <G-F-P>	LOCATION
SNOW BLOWER	ECHO	PB 6000	NONE	GAS	92	GOOD	S. BELOIT
CHAIN SAW	STIHL	026	227442373	GAS	92	GOOD	v
WEED EATOR	STIHL	FS72AU/US	228204373	GAS	93	GOOD	v
HYD WRENCH	MATWELD	01600A	31643395	HYD	94	GOOD	v
HYD HAMMER	FAIRMONT	87559	HM860A4	HYD		GOOD	v
HYD TAMPER	H4 864	NONE	NONE	HYD		GOOD	v
RAIL DRILL	NORDBERG	80352	A361317	GAS		GOOD	
SNOW BLOWER	ECHO	PB 6000	009282	GAS	94	GOOD	KIRKLAND
RAIL SAW	RACINE	TRK KUT	NONE	GAS		FAIR	v
RAIL DRILL	NORDBERG	1084 CD	81	GAS		FAIR	v
CHAIN SAW	MCCULLOCH	SILVER E	600032-23	GAS	92	GOOD	v
WEED EATOR	MCCULLOCH	SILVER E	12061138	GAS	92	GOOD	v
HYD WRENCH	STANLEY	1W16	03267	HYD	95	GOOD	v
SPIKER	FAIRMONT	H 4860	097642	HYD		GOOD	v

Maintenance of Way Equipment

TAMPER	FAIRMONT	45	090392	HYD		GOOD	v
SPIKE PULLER	FAIRMONT	NONE	NONE	HYD		FAIR	v
WELDER	MILLER	AIR PACK	182259	DEISEL	92	GOOD	SAVANNA
PORT WELDER	MILLER	ARAD200LE	JJ357334	GAS	91	GOOD	v
WIRE FEED	MILLER	S 32 SL	KF876259		94	GOOD	v
WIRE FEED GUN	MILLER	GA 40 GL	NONE		94	GOOD	v
GRINDER	MAT WELD	00500 CCW	NONE	HYD	92	FAIR	v
GRINDER	MAT WELD	00500 CCW	NONE	HYD	96	GOOD	v
PROFILE GRI	GEISMAR	NONE	NONE	HYD	93	GOOD	v
SW GRINDER	MAT WELD	02200	22026	HYD	93	GOOD	v
RAIL SAW	MAT WELD	00800	80601	HYD	92	GOOD	v
WRENCH	MAT WELD	NONE	161058A	HYD	93	FAIR	v
1/2" DRILL	MILWAUKEE	NONE	0066483978	ELC	92	GOOD	v
4 1/2" GRINDER	MIKITA	95031H	254073E	ELC	92	GOOD	v
RAIL DRILL	GEISMAR	NONE	262445	GAS	96	GOOD	CLINTON
RAIL DRILL	RACINE	NONE	NONE	GAS	96	GOOD	v
RAIL DRILL	NORDBERG	NONE	5608	GAS		POOR	v
RAIL SAW	STIHL	NONE	458128	GAS	96	GOOD	v
RAIL SAW	RACINE	TRK KUT	7803-E46	GAS	90	POOR	v
JACK	NORDBERG	NONE	CP 7208-08	GAS		POOR	v
CHAIN SAW	ECHO	4600	059289	GAS	91	FAIR	v
WEED EATOR	ECHO	3800	018566	GAS	90	FAIR	v
WEED EATOR	ECHO	3800	033698	GAS	90	FAIR	v
SPIKE PULL	MAT WELD	NONE	111539	HYD	92	GOOD	v
SPIKER	FAIRMONT	NONE	153690	HYD	96	GOOD	v
LAWN MOWER	HSTR CRFT	3 112-508R054-D242C1		GAS	90	POOR	v
SNOW BLOWER	ECHO	PB 6000	008800	GAS	90	FAIR	v
SNOW BLOWER	ECHO	PB 6000	015242	GAS	90	FAIR	v
IMPACT GUN	RACINE	NONE	10695	HYD	93	FAIR	v
TAMPER	NORDBERG	NONE	125729	HYD		FAIR	v
RAIL SAW	STIHL	NONE	457287	GAS	93	GOOD	LANARK
RAIL DRILL	NORDBERG	NONE	8182	GAS	93	GOOD	v
IMPACT GUN	RACINE	NONE	310	HYD	94	FAIR	v
TAMPER	FAIRMONT	NONE	125729	HYD		FAIR	v
SPIKER	FAIRMONT	NONE	128482	HYD		POOR	v
CHAIN SAW	ECHO	4600	059288	GAS	94	GOOD	v
SNOW BLOWER	ECHO	PB 6000	023093	GAS	94	GOOD	v
SNOW BLOWER	ECHO	PB 6000	010313	GAS	94	GOOD	v
WEED EATOR	ECHO	SRM 3800	033352	GAS	94	FAIR	v
TAMPER	FAIRMONT	NONE	125729	HYD		FAIR	v
LAWN MOWER	HSTR CRFT	1K113C11002		GAS	93	FAIR	v
BOLT MACHINE	NORDBERG	NONE	CNTP & P 149	GAS		POOR	v

Maintenance of Way Equipment

RAIL SAW	RACINE			GAS	90	FAIR	WASHINGTON
RAIL DRILL	NORBERG			GAS		POOR	v
RAIL DRILL	GEISMAR			HYD	92	FAIR	v
IMP WRENCH	RACINE			HYD	94	FAIR	v
SPIKER	MATWELD			HYD	91	FAIR	v
SP PULLER	FAIRMONT			HYD	95	GOOD	v
CHAIN SAW	ECHO			GAS	93	FAIR	v
SNOW BLOWER	ECHO			GAS	93	FAIR	v
WEED EATER	MCCULLOCK			GAS	94	FAIR	v
RAIL SAW	MATWELD		36890793	HYD	92	FAIR	NABANT
SP PULLER	STANLEY		122008	HYD	90	POOR	v
RAIL DRILL	GEISMAR		4072	HYD	91	FAIR	v
SPIKER	MATWELD			HYD	91	POOR	v
SPIKER	STANLEY			HYD	96	GOOD	v
TAMPER	RACINE		125729	HYD	89	POOR	v
LAWN MOWER	MSTR CRFT		124702	GAS	93	GOOD	v
SNOW BLOWER	STIHL	400		GAS	95	GOOD	v
SNOW BLOWER	ECHO	6000		GAS	93	FAIR	v
SNOW BLOWER	SNOW CHEIF 320		SC320FSL	GAS	92	FAIR	v
RAIL SAW	MATWELD			HYD	92	GOOD	MUSCATINE
SP PULLER	MATWELD			HYD	95	GOOD	v
IMP WRENCH	MATWELD		31642093	HYD	96	GOOD	v
TAMPER	FAIRMONT		H4846	HYD	86	POOR	v
DRILL	NORBERG			GAS	86	POOR	v
SNOW BLOWER	ECHO	4600		GAS	94	GOOD	v
SNOW BLOWER	ECHO	6000		GAS	94	GOOD	v
LAWN MOWER	BRIGGS			GAS	93	POOR	v
WEED EATER	TITAN	2250		GAS	90	FAIR	v
WEED EATER	TITAN	2565		GAS	90	FAIR	v
WEED EATER	ECHO	SRH400		GAS	94	GOOD	v
CHAIN SAW	ECHO	CS4600		GAS	94	GOOD	v
RAIL SAW	OLYMPIC	999		GAS	90	POOR	v
GRINDER	CENTRAL	55808	(BENCH)		90	FAIR	v
POWER PACK	MATWELD			HYD	91	GOOD	BETTENDORF
WRENCH	STANLEY			HYD	95	GOOD	v
SP PULLER	RACINE			HYD	95	GOOD	v
SP PULLER	MATWELD			HYD	95	GOOD	v
DRILL	ECHO			GAS	95	GOOD	v
SNOW BLOWER	ECHO			GAS	94	GOOD	v
WEED EATER	ECHO			GAS	94	GOOD	v
WEED EATER	STIHL			GAS	94	GOOD	v
RAIL DRILL	GEISMAR			GAS	96	GOOD	v

Maintenance of Way Equipment

IM WRENCH	FAIRMONT		161246A	HYD	FAIR	v
SP PULLER	FAIRMONT	H92A	430047	HYD	FAIR	v
RAIL SAW	MATWELD	00800A	80717	HYD	GOOD	v
TAMPER	FAIRMONT		126480	HYD	FAIR	v
TAMPER	FAIRMONT		124863	HYD	FAIR	v
RAIL SAW	RACINE	TRAK-KUT	5556	GAS	POOR	v
RAIL DRILL	NORDBERG	CD 1953	4396	GAS	POOR	v
RAIL DRILL	NORDBERG	RD151V	80351-05510	GAS	SCRAP	v
			75072103		PARTS	v
RAIL DRILL	RACINE	RDAP	3658	GAS	PARTS	v
CHAIN SAW	STIHL	AU510AAX1	AF201737	GAS	GOOD	v
SNOW BLOWER	JOHN DEER	5E	25090	GAS	GOOD	v
WEED EATER	STIHL	F-5108	29089971	GAS	GOOD	v
GRINDER	TRADESMAN		920	ELEC	GOOD	v
IM WRENCH	MATWELD			HYD	FAIR	EX SPRINGS
RAIL SAW	MATWELD	00800A		HYD	FAIR	v
WELDER(PORT)	MILLER	AEAD200LE	JB53070	GAS	FAIR	v
WIRE FEED	SWESCO	SA30	30-1289		POOR	v
SHEAR		09COHP	90381	HYD	GOOD	v
SW GRINDER	MATWELD	02200	22028	HYD	GOOD	v
PRO ^p GRINDER	GEISMAR	MP-6	14769	HYD	94 GOOD	v
H _L GRIND	MATWELD			HYD	GOOD	v
HAND GRIND	MATWELD			HYD	GOOD	v
GRINDER	B & D	4078	29876	ELEC	GOOD	v

S & C	9115	91 FORD F250 CAP	MARQUETTE, IA
S & C	9143	91 CHEV C20 UTIL CR	MASON CITY, IA
S & C	9203	92 CHEV C25 HR UTIL	MUSCATINE, IA
S & C	197	74 FWD DIGGER DRK	OTTUMWA, IA
S & C	2185	64 EAGLE POLE	OTTUMWA, IA
S & C	2197	65 EAGLE POLE	OTTUMWA, IA
S & C	2252	65 EAGLE POLE TRLR	OTTUMWA, IA
S & C	9139	91 CHEV ASTRO	OTTUMWA, IA
S & C	9156	91 FORD F250 EXT HR PU	OTTUMWA, IA
S & C	9179	91 FORD F250 UTIL	OTTUMWA, IA
S & C	9183	91 FORD F250 CAP	OTTUMWA, IA
S & C	9215	92 FORD F150 EXT CAB PU	OTTUMWA, IA
S & C	9113	91 FORD F250 CAP	ROCKFORD, IL
S & C	2203	67 EAGLE POLE	SAVANNA, IL
S & C	2253	65 EAGLE POLE TRLR	SAVANNA, IL
S & C	9038	90 FORD E150 VAN	SAVANNA, IL
S & C	9202	92 CHEV C25 HR UTIL	SAVANNA, IL
S & C	9184	91 FORD F250 CAP	SPENCER, IA
TRACK	9170	91 CHEV R30 CC CR HR	ALGONA, IA
TRACK	9374	93 CHEV C35 CC CR HR	AUSTIN, MN
TRACK	135	89 J D TRAC LOADER	BETTENDORF, IA
TRACK	8606	86 CHEV TRUCK	BETTENDORF, IA
TRACK	9173	91 FORD F250 EXT HR PU	BETTENDORF, IA
TRACK	633	92 FORD L9 CR HR MTL	BETTENDORF, IA
TRACK	9162	91 CHEV R30 CC CR HR	CALMAR, IA
TRACK	654	91 FORD F47 CC CR HR	CHARLES CITY, IA
TRACK	213	74 FORD C4023C TLDR	CHILLICOTHE, MO
TRACK	637	92 FORD F8 HR WELDER	CHILLICOTHE, MO
TRACK	647	91 FORD F47 CC CR HR	CHILLICOTHE, MO
TRACK	699	92 FORD F700 CC DUMP	CHILLICOTHE, MO
TRACK	2254	72 MOBIL POLE TRLR	CHILLICOTHE, MO
TRACK	9178	91 FORD F250 EXT HR PU	CHILLICOTHE, MO
TRACK	9221	92 CHEV C2500 HR PU	CHILLICOTHE, MO
TRACK	604	86 FORD F800 CC HR CR	CLINTON, IA
TRACK	9222	92 CHEV C2500 HR PU	CLINTON, IA
TRACK	688	93 FORD F700 HR WLDR	DAVENPORT, IA
TRACK	694	92 FORD F47 CC CR HR	DAVENPORT, IA
TRACK	698	92 FORD F700 CC DUMP	DAVENPORT, IA
TRACK	602	86 FORD F800 CC HR CR	DUBUQUE, IA
TRACK	705	93 FORD F700 HR WLDR	DUBUQUE, IA
TRACK	8402	84 FORD F8000 CC DUMP	DUBUQUE, IA
TRACK	9100	91 DODGE DAKOTA 4X4 HR	DUBUQUE, IA
TRACK	9121	91 CHEV C2500 HR PU	DUBUQUE, IA
TRACK	9168	91 CHEV R30 CC CR HR	DUBUQUE, IA
TRACK	9169	91 CHEV R30 CC CR HR	GUTTENBURG, IA

TRACK	693	92 FORD F47 CC CR HR	KIRKLAND, IL
TRACK	8508	85 FORD F80 CC HR CR	LANARK, IL
TRACK	9207	92 DODGE DAKOTA 4X4 HR	LANARK, IL
TRACK	646	91 FORD F47 CC CR HR	LIBERTY, MO
TRACK	227	76 FORD TLDR DIESEL	MARQUETTE, IA
TRACK	119	79 MF30BTRAC LOADER	MASON CITY, IA
TRACK	608	86 FORD F800 CC HR CR	MASON CITY, IA
TRACK	8405	84 FORD F8000 CC DUMP	MASON CITY, IA
TRACK	9149	91 CHEV C20 HR PU	MASON CITY, IA
TRACK	9159	91 CHEV R30 CC CR HR	MASON CITY, IA
TRACK	9206	92 DODGE DAKOTA 4X4 HR	MASON CITY, IA
TRACK	9318	93 FORD F250 4X4 HR PU	MASON CITY, IA
TRACK	723	93 FORD F47 CC CR HR	MUSCATINE, IA
TRACK	9320	93 FORD F250 4X4 HR PU	MUSCATINE, IA
TRACK	653	91 FORD F47 CC CR HR	NEW ALBIN, IA
TRACK	691	92 FORD F47 CC CR HR	NEWTOWN, MO
TRACK	648	91 FORD F47 CC CR HR	OTTUMWA, IA
TRACK	9336	93 FORD F250 4X4 HR PU	OTTUMWA, IA
TRACK	632	92 FORD L9 CR HR MTL	OTTUMWA, IA
TRACK	638	92 FORD F8 HR WELDER	SAVANNA, IL
TRACK	9177	91 FORD F250 EXT HR PU	SAVANNA, IL
TRACK	631	92 FORD L9 CR HR MTL	SAVANNA, IL
TRACK	643	91 FORD F8 CC DUMP	SAVANNA, IL
TRACK	0080	82 HOMEMADE TRAILER	SAVANNA, IL
TRACK	231	FORD TLDR DIESEL	SOUTH BELOIT, IL
TRACK	695	92 FORD F47 CC CR HR	SOUTH BELOIT, IL
TRACK	9171	91 CHEV R30 CC CR HR	SPENCER, IA
TRACK	692	92 FORD F47 CC CR HR	WASHINGTON, IA
TRACK	114	79 Mf30BTrac Loader	WELLS, MN
TRACK	9167	91 CHEV R30 CC CR HR	WELLS, MN
TRANS	3818	92 CHEV CAPRICE	DAVENPORT, IA
TRANS	9137	91 CHEV SUBURBAN HR	DAVENPORT, IA
TRANS	9351	93 FORD EXPLORER 4X4 4D	DUBUQUE, IA
TRANS	9256	92 FORD EXPLORER 4X4	KANSAS CITY, MO
TRANS	3801	92 CHEV LUMINA	MASON CITY, IA
TRANS	3917	93 DODGE DYNASTY	MASON CITY, IA
TRANS	9123	91 CHEV SUBURBAN	OTTUMWA, IA

AMENDMENT TO SCHEDULE A

The Following are Additions:

Nahant Car Department:

Pettibone Trackmobile Model 250-CM	1086
Pettibone Crane 18T	1544
Air Extractor	
Arcweld Welder 400-A	CP-7687

Nahant Diesel:

Miller Welder SRH-333

Ottumwa Car:

Miller Welder 200-LE

Mason City:

Blue Box
Sular Air Compressor
Generator Power Plant 4HP Light Plant
Rose Bud Torch
220-3 Phase Grinder
Drill Press
4 Pull Jacks
Car Tool Cabinets
Cordless Drill
Shop Vac
5 Sets Nolan Rerailers
2 Wheel Changing Bridges
Light and Power Plant
Simplex Jack and Pump 8HP
Bar Over Tool Model 43 Serial #43-622-10-94
Alkota Cleaning System Model 5300
Snap-On Tool Box and Tools
Air Compressor - Campbell-Hausfeld 7-1/1 HP
2 50T Air Jacks
2 100T 126 Air Jacks
1 100T 126 Air Jacks
2 5T Hydraulic Jacks
Miller Welder Serial #HJ186911

Miller Welder Serial #JE752776
 Lincoln Welder Serial #A1169435
 440 Welder Model SDDRS-24-B
 Trailer (Wheel) TR119 5T
 Contingency Trailer Hax-Mat
 15 HP Motor and John Boat with Trailer
 John Deere AMT 626 5 Wheeler
 White Fork Lift 8000LB
 2 Nolan Rerailers
 2 Sets Burlington Frogs
 1 100T Hydraulic Jacks (MILW)
 Miscellaneous Hand Tools, Maintenance
 Fixtures, Lights, Extension Cords and
 Trouble Shooting Equipment in and around
 the shops in Mason City, Ottumwa and
 Nahant

Trucks:

<u>Dept</u>	<u>Unit</u>	<u>Year</u>	<u>Make</u>	<u>Model</u>	<u>Location</u>
Truck	607	86	Ford	F800CCHRCR	Lanark, IL
Truck	605	86	Ford	F800CCHRCR	Clinton, IA

The Following Trucks are Deleted:

<u>Dept</u>	<u>Unit</u>	<u>Year</u>	<u>Make</u>	<u>Model</u>	<u>Location</u>
Truck	8508	85	Ford	F800CCHRCR	Lanark, IL
Truck	604	86	Ford	F800CCHRCR	Clinton, IA

WRENCH	FAIRMONT		161246A	HYD	FAIR	v
PULLER	FAIRMONT	H92A	430047	HYD	FAIR	v
WIRE SAW	MATWELD	00800A	80717	HYD	GOOD	v
WRENCH	FAIRMONT		126480	HYD	FAIR	v
WRENCH	FAIRMONT		124863	HYD	FAIR	v
WIRE SAW	RACINE	TRAK-KUT	5556	GAS	POOR	v
WIRE DRILL	NORDBERG	CD 1953	4396	GAS	POOR	v
WIRE DRILL	NORDBERG	RD151V	80351-05510	GAS	SCRAP	v
			75072103		PARTS	v
WIRE DRILL	RACINE	RDAP	3658	GAS	PARTS	v
CHAIN SAW	STIHL	AU510AAX1	AF201737	GAS	GOOD	v
SNOW BLOWER	JOHN DEER	5E	25090	GAS	GOOD	v
CHISEL EATER	STIHL	F-5108	29089971	GAS	GOOD	v
GRINDER	TRADESMAN		920	ELEC	GOOD	v
WRENCH	MATWELD			HYD	FAIR	EX SPRINGS
WIRE SAW	MATWELD	00800A		HYD	FAIR	v
WELDER(PORT)	MILLER	AHEAD200LE	JB53070	GAS	FAIR	v
TIRE FEED	SWESCO	SA30	30-1289		POOR	v
SHEAR		09COHP	90381	HYD	GOOD	v
WRENCH	MATWELD	02200	22028	HYD	GOOD	v
WRENCH	GEISMAR	MP-6	14769	HYD	94 GOOD	v
WRENCH	MATWELD			HYD	GOOD	v
WRENCH	MATWELD			HYD	GOOD	v
GRINDER	B & D	4078	29876	ELEC	GOOD	v

Following is the list of vehicles the I&M Rail Link has agreed to purchase from CPR

RTP

DEPT	Unit	Yr, Make, Model	Location
B&S	9154	91 CHEV C20 CAP	CHILLICOTHE, MO
B&S	621	91 FORD F8 CC CR HR	MASON CITY, IA
B&S	9119	91 FORD F250 CAP	MASON CITY, IA
B&S	9153	91 CHEV C20 PU	SAVANNA, IL
B&S	9176	91 FORD F250 EXT HR PU	SAVANNA, IL
B&S	635	91 FORD F8 CC CR HR	SAVANNA, IL
B&S	703	93 FORD F800 CC HR CR	SAVANNA, IL
MECH	717	92 FORD F800 ROAD TRK	DAVENPORT, IA
MECH	558	82 GMC 7000 CR ROAD	MASON CITY, IA
MECH	1119	95 FELLING FT-10E	MASON CITY, IA
MECH	8922	89 CHEV C20 PU	MASON CITY, IA
MECH	660	91 FORD F8 ROAD TRK	OTTUWMA, IA
S & C	9117	91 FORD F250 CAP	BETTENDORF, IA
S & C	2143	49 EAGLE POLE TRAILER	CHILLICOTHE, MO
S & C	9111	91 FORD E150 VAN	CHILLICOTHE, MO
S & C	9157	91 FORD F250 EXT HR PU	CHILLICOTHE, MO
S & C	599	84 FORD FT800 CC CR	DAVENPORT, IA
S & C	9147	91 CHEV C20 UTIL CR	DAVENPORT, IA
S & C	9180	91 FORD F250 CAP	DAVENPORT, IA
S & C	9158	91 FORD F250 EXT HR CAP	EXCELSIOR SPRINGS, MO
S & C	9238	92 CHEV C2500 CAP	KIRKLAND, IL
S & C	9141	91 CHEV C20 UTIL CR	LANARK, IL
S & C	9008	90 FORD F250 HR CAP	LIBERTY, MO

Surface Transportation Board
Washington, D.C.. 20423-0001

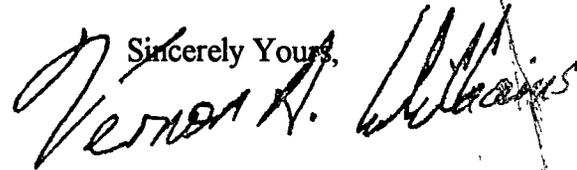
4/7/97

Thomas M. Quirk, Esq.
Chapman and Cutler
111 West Monroe
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of 49 U.S.C. 11301
and 49 CFR 1177.3 (c), on 4/7/97 at 3:08PM, and assigned
recordation numbers (s) 20621.

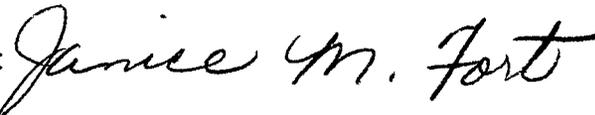
Sincerely Yours,



Vernon A. Williams
Secretary

Enclosure(s)

\$ 24.00 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 acknowledgement the fee paid is correct. This is
accepted subject to review of the document which as 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 Surface Transportation
Board has had an oppunity to examine your document.

Signature: 

SECURITY AGREEMENT

FROM

I&M RAIL LINK, LLC
101 International Way
Missoula, Montana 59807
(Taxpayer I.D. No. 84-1375701)

TO

BANK OF MONTREAL,
AS ADMINISTRATIVE AGENT,
115 South LaSalle Street
Chicago, Illinois 60603
(Taxpayer I.D. No. 07-1000288)

DATED AS OF APRIL 3, 1997

REGISTRATION NO. 20621

FILED

APR 7 '97

3-08PM

OFFICE OF SECRETARY

APR 7 2 08 PM '97

RECEIVED
SURFACE TRANSPORTATION
BOARD

This Instrument Was Prepared By
and After Recording Return To:
Lisa A. Olsen
Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "*Agreement*") is dated as of April 3, 1997, by and between I&M Rail Link, LLC, a Delaware limited liability company (the "*Debtor*"), with its mailing address at 101 International Way, Missoula, Montana 59807, and BANK OF MONTREAL, a Canadian chartered bank acting through its Chicago Branch ("*BOM*"), with its mailing address at 115 South LaSalle Street, Chicago, Illinois 60603, acting as administrative agent hereunder for the Banks hereinafter identified and defined (BOM acting as such administrative agent and any successor or successors to BOM acting in such capacity being hereinafter referred to as the "*Administrative Agent*");

PRELIMINARY STATEMENTS

A. The Debtor, BOM, individually and as administrative agent, The First National Bank of Boston ("*FNBB*"), individually and as documentation agent (FNBB acting as such documentation agent and any successor or successors to FNBB in such capacity being hereinafter to as the "*Documentation Agent*") and certain lenders have entered into a Credit Agreement dated as of even date herewith (such Credit Agreement, as the same may be amended or modified from time to time, including amendments and restatements thereof in its entirety, being hereinafter referred to as the "*Credit Agreement*"), pursuant to which BOM, FNBB and other lenders from time to time party to the Credit Agreement (BOM, FNBB and the other lenders which are now or from time to time hereafter become party to the Credit Agreement, together with any affiliates of such Banks to which is owed any Hedging Liability, being hereinafter referred to collectively as the "*Banks*" and individually as a "*Bank*") have agreed, subject to certain terms and conditions, to extend credit and make certain other financial accommodations available to the Debtor.

B. The Debtor may from time to time enter into one or more interest rate exchange, cap, collar, floor or other agreements with one or more of the Banks party to the Credit Agreement or their affiliates for the purpose of hedging or otherwise protecting the Debtor against changes in interest rates on the Revolving Credit Loans and the Term Credit Loans (the liability of the Debtor in respect of such agreements with such Banks or their affiliates being hereinafter referred to as the "*Hedging Liability*").

C. As a condition precedent to extending credit or otherwise making financial accommodations available to the Debtor under the Credit Agreement, the Banks have required, among other things, that the Debtor grant to the Administrative Agent for the benefit of the Banks a lien on and security interest in certain personal property of the Debtor pursuant to this Agreement.

NOW, THEREFORE, for and in consideration of the execution and delivery by the Banks of the Credit Agreement, and other good and valuable consideration, receipt whereof is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. *Terms Defined in Credit Agreement.* All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

Section 2. *Grant of Security Interest in the Collateral; Obligations Secured.*
(a) The Debtor hereby grants to the Administrative Agent for the benefit of the Banks, the Issuing Bank and the Administrative Agent a lien on and security interest in, and right of set-off against, and acknowledges and agrees that the Administrative Agent has and shall continue to have for the benefit of the Banks a continuing lien on and security interest in, and right of set-off against, any and all right, title and interest of the Debtor, whether now owned or existing or hereafter created, acquired or arising, in and to all of the following:

(i) *Receivables.* Receivables, whether now owned or existing or hereafter created, acquired or arising, and however evidenced or acquired, or in which the Debtor now has or hereafter acquires any rights (the term "*Receivables*" means and includes all accounts, accounts receivable, contract rights, instruments, notes, drafts, acceptances, documents, chattel paper, any right of the Debtor to payment for goods sold or leased or for services rendered, whether arising out of the sale of Inventory (as hereinafter defined) or otherwise and whether or not earned by performance, and all other forms of obligations owing to the Debtor, and all of the Debtor's rights to any merchandise and other goods (including without limitation any returned or repossessed goods and the right of stoppage in transit) which is represented by, arises from or is related to any of the foregoing);

(ii) *General Intangibles.* All general intangibles, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights, including, without limitation all patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade styles, trade names, copyrights, copyright registrations, copyright licenses and other licenses and similar intangibles and all customer, client and supplier lists (in whatever form maintained) and all rights in leases and other agreements relating to real or personal property, all causes of action and tax refunds of every kind and nature, all privileges, franchises, immunities, licenses, permits and similar intangibles, and all rights to receive payments in connection with the termination of any pension plan or employee stock ownership plan or trust established for the benefit of employees of the Debtor and all other personal property (including things in action) not otherwise covered by this Agreement;

(iii) *Inventory.* Inventory, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights and all documents of title at any time evidencing or representing any part thereof (the term "*Inventory*" means and includes all goods which are held for sale or lease or are to be furnished under contracts of service or consumed in the Debtor's business, and all goods which are raw materials, work-in-process, finished goods, materials and supplies of every kind and nature, in each case used or usable in connection with the acquisition, manufacture, processing, supply, servicing, storing,

packing, shipping, advertising, selling, leasing or furnishing of such goods, and any constituents or ingredients thereof, and all goods which are returned or repossessed goods);

(iv) *Equipment.* Equipment, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights (the term "*Equipment*" means and includes all equipment, machinery, tools, trade fixtures, furniture, furnishings, office equipment, vehicles (including vehicles subject to a certificate of title law), railroad cars, locomotives and other rolling stock and all other goods, in each case now or hereafter used or usable in connection with the Debtor's business, together with all parts, accessories and attachments relating to any of the foregoing), including, without limitation, Equipment listed and described on Schedule A attached hereto and made a part hereof;

(v) *Contract Rights.* Contract Rights, whether now existing or hereafter arising, or in which the Debtor now has or hereafter acquires any rights (the term "*Contract Rights*" means and includes, without limitation, all of the Debtor's right, title and interest in, to and under hedging agreements, haulage agreements, trackage rights agreements, administrative services agreements or any other agreement, as each and any of such contracts or agreements may be amended, supplemented or otherwise modified from time to time together with all rights of the Debtor to receive monies due and to become due under or pursuant to said contracts or agreements, all rights of the Debtor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to said contracts or agreements or to the return of amounts deposited with others, all claims of the Debtor for damages arising out of or for breach of or default under said contracts or agreements, and all rights of the Debtor to terminate, amend, supplement or modify said contracts or agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder);

(vi) *Investment Property.* All Investment Property, whether now owned or existing or hereafter created, acquired or arising, or in which the Debtor now has or hereafter acquires any rights (the term "*Investment Property*" means and includes all securities (whether certificated or uncertificated), security entitlements, securities accounts, commodity contracts and commodity accounts, including all substitutions and additions thereto, all dividends, distributions and sums distributable or payable from, upon, or in respect of such property, and all rights and privileges incident to such property);

(vii) *Records and Cabinets.* Supporting evidence and documents relating to any of the above-described property, including without limitation, computer programs, disks, tapes and related electronic data processing media, rights of the Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes and other evidences of indebtedness, insurance certificates and the like, together with all books of account,

ledgers and cabinets in which the same are reflected or maintained, all whether now existing or hereafter arising;

(viii) *Deposits and Property in Possession.* All deposit accounts (whether general, special or otherwise) maintained with the Administrative Agent or any of the Banks and all sums now or hereafter on deposit therein or payable thereon, and any and all other property or interests in property which now is or may from time to time hereafter come into the possession, custody or control of the Administrative Agent or any of the Banks, or any agent or affiliate of the Administrative Agent or any of the Banks, in any way and for any purpose (whether for safekeeping, custody, pledge, transmission, collection or otherwise);

(ix) *Accessions and Additions.* All accessions and additions to and substitutions and replacements of any of the foregoing, whether now existing or hereafter arising; and

(x) *Proceeds and Products.* All proceeds and products of the foregoing and all insurance of the foregoing and proceeds thereof, whether now existing or hereafter arising;

all of the foregoing being herein sometimes referred to as the "*Collateral.*" Notwithstanding anything to the contrary contained herein, in no event will any of the Collateral described above be deemed to include (aa) any interest in equipment owned by the Debtor which is subject to a permitted Purchase Money Lien in favor of any third party (other than the Debtor or any of its Affiliates) to the extent the granting of a security interest or lien therein is prohibited by the agreement(s) pursuant to which such equipment is financed and such prohibition has not been or is not waived or the consent of the applicable party has not been or is not obtained, (ab) any interest in any leases or licenses to use property under which the Debtor is lessee or licensee and a Person other than the Debtor or an Affiliate of the Debtor is lessor or licensor to the extent the granting of a security interest or lien therein is prohibited by the agreement(s) pursuant to which such property is leased and such prohibition has not been or is not waived or the consent of the applicable party has not been or is not obtained or (ac) any rights under other contracts (other than Material Contracts with the Seller or other Affiliates of the Debtor) to which the Debtor is a party (other than rights to receive money due or to become due) to the extent the granting of a security interest or lien therein is prohibited by such contract or applicable law and such prohibition has not been or is not waived or the consent of the applicable party has not been or is not obtained.

(b) This Agreement is made and given to secure, and shall secure, the payment and performance of (i) (x) any and all indebtedness, obligations and liabilities of the Debtor to the Administrative Agent, the Documentation Agent, the Issuing Bank, the Banks, or any of them individually, evidenced by or otherwise arising out of or relating to the Credit Agreement or any promissory note of the Debtor issued at any time under the Credit Agreement (including all notes issued in extension or renewal thereof or in substitution or replacement therefor) or any other Loan Document, (y) any obligation of the Debtor to

reimburse FNBB, as Issuing Bank, with respect to any letter of credit issued to or for the account of the Debtor under the Credit Agreement, and (z) any and all Hedging Liability of the Debtor to the Banks or their affiliates, or any of them individually, in each case, whether now existing or hereafter arising (and whether arising before or after the filing of a petition in bankruptcy), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired, and (ii) any and all expenses and charges, legal or otherwise, suffered or incurred by the Administrative Agent, the Documentation Agent, the Issuing Bank, the Banks, or any of them individually, in collecting or enforcing any of such indebtedness, obligations or liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the foregoing being hereinafter referred to as the "Obligations").

Section 3. Covenants, Agreements, Representations and Warranties. The Debtor hereby covenants and agrees with, and represents and warrants to the Agents and the Banks that:

(a) The Debtor is duly organized and existing under the laws of the State of Delaware, is the sole and lawful owner of the Collateral and has full right, power and authority to enter into this Agreement and to perform each and all of the matters and things herein provided for; and the execution and delivery of this Agreement, and the observance and performance of any of the matters and things herein set forth, will not violate or contravene any provision of law or of the operating agreement of the Debtor, or of any indenture, loan agreement or other agreement of or affecting the Debtor or any of its properties, or result in the creation or imposition of any liens or encumbrance on any property of the Debtor except as provided herein.

(b) Other than Collateral as to which the perfection of a security interest is governed by 49 U.S.C. §11301 and any successor statute thereto (the "STB Collateral"), and the KCT Shares (as hereinafter defined) (which are held in trust together with all other shares of the issuer thereof) the Collateral is in the Debtor's possession at the locations listed under Item 1 on Schedule B attached hereto. The STB Collateral is in the possession, or under the control, of the Debtor or agents of the Debtor at locations within the United States, Canada and Mexico. The Debtor's chief executive office and chief place of business is at 101 International Way, Missoula Montana 59807 and the Debtor has no places of business other than those listed under Item 2 on Schedule B attached hereto. The Debtor will not remove the Collateral (other than the STB Collateral) from the locations specified in the first sentence of this Section 3(b) without the Administrative Agent's prior written consent (provided that if for any reason Collateral is at any time kept or located at locations other than its present location or locations hereafter consented to by the Administrative Agent, the Administrative Agent shall nevertheless have and retain a security interest therein). The Debtor's federal tax identification number is 84-1375701.

(c) The Collateral and every part thereof is and will be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies and encumbrances of every kind, nature and

description and whether voluntary or involuntary except for the security interest of the Administrative Agent therein and as otherwise permitted in the Credit Agreement, and the Debtor will warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest therein adverse to the Administrative Agent or any Bank.

(d) The Debtor will pay promptly when due all taxes, assessments, and governmental charges and levies upon or against the Collateral in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings.

(e) The Debtor at its own cost and expense will maintain, keep and preserve the Collateral in reasonably good repair and condition (ordinary wear and tear excepted) and will not waste or destroy the Collateral or any part thereof and will not be negligent in the care and use of any Collateral and will not use or permit to be used any Collateral in material violation of any statute, ordinance or other governmental requirement. The Debtor will perform its obligations in all material respects under any contract or other agreement constituting part of the Collateral, it being understood and agreed that the Administrative Agent and the Banks have no responsibility to perform such obligations.

(f) Except as expressly permitted by the Credit Agreement, and subject to Sections 5(a), 7(b) and 7(c) hereof, the Debtor will not, without the Administrative Agent's prior written consent, sell, assign, mortgage, lease or otherwise dispose of the Collateral or any interest therein.

(g) The Debtor will insure the Collateral which is insurable against such risks and hazards as other companies similarly situated insure against, and including in any event loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as the Administrative Agent may specify, in amounts and under policies containing loss payable clauses to the Administrative Agent as its interest may appear (and, if the Administrative Agent requests, naming the Administrative Agent and the Banks as additional insureds therein) by insurers acceptable to the Administrative Agent. In case of any material loss, damage to or destruction of the Collateral or any part thereof, the Debtor shall promptly give written notice thereof to the Administrative Agent generally describing the nature and extent of such damage or destruction. In the event the Debtor shall receive any proceeds of such insurance, the Debtor will immediately pay over such proceeds to the Administrative Agent. Net insurance proceeds received by the Administrative Agent under the provisions hereof or under any policy or policies of insurance covering the Collateral or any part thereof shall be applied to the reduction of the Obligations (whether or not then due); *provided, however*, that the Administrative Agent agrees to release insurance proceeds aggregating less than \$5,000,000 to the Debtor for replacement or restoration of the portion of the Collateral lost, damaged or destroyed required by this Agreement to be so replaced or restored if, but only if, (i) at the time of release no Default or Event of Default exists hereunder, (ii) written application for such release is received from the

Debtor and (iii) the Administrative Agent has received evidence reasonably satisfactory to it that the Collateral lost, damaged or destroyed has been or will be replaced or restored. All insurance proceeds shall be subject to the lien and security interest of the Administrative Agent hereunder.

(h) The Debtor will at all times allow the Administrative Agent, any Bank or their respective representatives free access to and right of inspection of the Collateral. The Debtor will, to the extent it is within its power so to do, authorize and instruct all bailees and other parties at any time holding, storing, shipping or transferring all or any part of the Collateral to permit the Administrative Agent, any Bank or their respective designees to examine and inspect any of such Collateral then in such party's possession and to verify from such party's own books and records any information concerning such Collateral or any part thereof which the Administrative Agent or such Bank may seek to verify.

(i) The Debtor agrees from time to time to deliver to the Administrative Agent and any Bank such evidence of the existence and identity of the Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables and Contract Rights created or acquired by the Debtor, copies of customer invoices or the equivalent and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered, together with the Debtor's warranty of the genuineness thereof, and reports stating the book value of Inventory and Equipment by major category and location), as the Administrative Agent or such Bank may reasonably request. The Debtor will promptly notify the Administrative Agent and each Bank of any material amount of Collateral which the Debtor has determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(j) The Debtor will comply in all material respects with the terms and conditions of any leases, easements, right-of-way agreements or other agreements covering the premises wherein the Collateral is located and any orders, ordinances, laws or statutes of any city, state or other governmental entity, department or agency having jurisdiction with respect to such premises or the conduct of business thereon.

(k) On failure of the Debtor to perform any of the covenants and agreements herein contained, the Administrative Agent may, at its option, perform the same and in so doing may expend such sums as the Administrative Agent or the Required Banks may deem advisable in the performance thereof, including without limitation the payment of any insurance premiums, the payment of any taxes, liens and encumbrances, expenditures made in defending against any adverse claim and all other expenditures which the Administrative Agent may be compelled to make by operation of law or which the Administrative Agent may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the Debtor immediately without notice or demand, shall constitute so much additional Obligations hereby secured and shall bear interest from the date said amounts are expended at the rate per annum (computed on the basis of a 360-day year

for the actual number of days elapsed) determined by adding 2% to the Base Rate (such rate per annum as so determined being hereinafter referred to as the "Default Rate"). No such performance of any covenant or agreement by the Administrative Agent on behalf of the Debtor and no such advancement or expenditure therefor, shall relieve the Debtor of any default under the terms of this Agreement or in any way obligate the Administrative Agent or any Bank to take any further or future action with respect thereto. The Administrative Agent, in making any payment hereby authorized may do so according to any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim. The Administrative Agent, in performing any act hereunder, shall be the sole judge of whether the Debtor is required to perform same under the terms of this Agreement. The Administrative Agent is authorized to charge any depository account of the Debtor maintained with the Administrative Agent or any Bank for the amount of such sums and amounts so expended by such party.

(l) The Debtor warrants that it has not transacted business, and does not transact business, under any trade names except as set forth on Schedule C. The Debtor agrees that it will not change its name or transact business under any trade names without first giving the Administrative Agent 30 days' prior written notice of its intent to do so.

(m) The Debtor agrees to execute and deliver to the Administrative Agent such further agreements and assignments or other instruments and to do all such other things as the Administrative Agent or the Required Banks may deem necessary or appropriate to assure the Administrative Agent its security interest hereunder, including such financing statement or statements or amendments thereof or supplements thereto or other instruments as the Administrative Agent or the Required Banks may from time to time require in order to comply with the Uniform Commercial Code as enacted in the State of New York and any successor statute(s) thereto (the "Code"). The Debtor hereby agrees that a carbon, photographic or other reproduction of this Agreement or any such financing statement is sufficient for filing as a financing statement by the Administrative Agent without notice thereof to the Debtor wherever the Administrative Agent in its sole discretion desires to file the same. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral or any part thereof, or to any of the Obligations, the Debtor agrees to execute and deliver all such instruments and to do all such other things as the Administrative Agent in its sole discretion deems necessary or appropriate to preserve, protect and enforce the security interests of the Administrative Agent under the law of such other jurisdiction to at least the same extent as such security interests would be protected under the Code. If any Collateral is in the possession or control of the Debtor's agents and if the Administrative Agent requests, the Debtor agrees to notify such agents in writing of the Administrative Agent's security interests therein, and upon the Administrative Agent's request instruct them to hold all such Collateral for the Administrative Agent's account and subject to

the Administrative Agent's instructions. The Debtor agrees to mark its books and records to reflect the security interests of the Administrative Agent in the Collateral.

Section 4. Special Provisions Re: Receivables and Contract Rights. (a) As of the time any Receivable or Contract Right becomes subject to the security interest provided for hereby and at all times thereafter, the Debtor shall be deemed to have warranted as to each and all of such Receivables and Contract Rights that all warranties of the Debtor set forth in this Agreement are true and correct with respect to such Receivables and Contract Rights; that each Receivable and Contract Right and all papers and documents relating thereto are genuine and in all respects what they purport to be; that each Receivable and Contract Right is valid and subsisting and, if such Receivable or Contract Right is an account, arises out of a bona fide sale of goods sold and delivered by the Debtor to, or in the process of being delivered to, or out of and for services theretofore actually rendered by the Debtor to, the account debtor named therein; that no such Receivable or Contract Right is evidenced by any instrument or chattel paper unless such instrument or chattel paper has theretofore been endorsed by the Debtor and delivered to the Administrative Agent (except to the extent the Administrative Agent specifically requests the Debtor not to do so with respect to any such instrument or chattel paper); that no surety bond was required or given in connection with said Receivable or Contract Right or the contracts or purchase orders out of which the same arose; that the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for normal cash discounts on normal trade terms in the ordinary course of business if such Receivable is an account and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions or countercharges other than those arising in the ordinary course of the Debtor's business. Without limiting the foregoing, if any Receivables or Contract Rights arise out of contracts with the United States of America or any of its departments, agencies or instrumentalities and aggregate in excess of \$1,000,000 in value, the Debtor agrees to notify the Administrative Agent and execute whatever instruments and documents are required by the Administrative Agent in order that such Receivables or Contract Rights shall be assigned to the Administrative Agent and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute).

(b) The Debtor shall keep all of its books and records relating to the Receivables and Contract Rights only at its chief executive office described in Section 3(b) hereof.

(c) Unless and until an Event of Default has occurred and is continuing, any merchandise which is returned by a customer or account debtor or otherwise recovered may be resold by the Debtor in the ordinary course of its business in accordance with Section 7(b) hereof; upon the occurrence and during the continuation of an Event of Default, such merchandise shall be set aside and held by the Debtor as trustee for the Administrative Agent and the Banks and shall remain part of the Administrative Agent's Collateral. Unless and until an Event of Default has occurred and is continuing, the Debtor may settle and adjust disputes and claims with its customers and account debtors, handle returns and recoveries and grant discounts, credits and allowances in the ordinary course of its business and otherwise for amounts and on terms which the Debtor considers advisable. However, upon the occurrence and during the continuation of an Event of Default, unless the

Administrative Agent requests otherwise, the Debtor shall notify the Administrative Agent promptly of all returns and recoveries and on request deliver the merchandise to the Administrative Agent. Upon the occurrence and during the continuation of an Event of Default, unless the Administrative Agent requests otherwise, the Debtor shall also notify the Administrative Agent promptly of all disputes and claims and settle or adjust them at no expense to the Administrative Agent or the Banks, but no discount, credit or allowance other than on normal trade terms in the ordinary course of business shall be granted to any customer or account debtor and no returns of merchandise shall be accepted by the Debtor without the Administrative Agent's consent. The Administrative Agent may, at all times upon the occurrence and during the continuation of an Event of Default, settle or adjust disputes and claims directly with customers or account debtors for amounts and upon terms which the Administrative Agent considers advisable.

(d) From time to time, as the Administrative Agent may reasonably request, the Debtor shall provide the Administrative Agent with schedules describing all Receivables created or acquired by the Debtor, provided, however, that the failure of the Debtor to execute and deliver such schedules shall not affect or limit the Administrative Agent's security interest or other rights in and to any such Receivables. Together with each schedule, the Debtor shall if requested by the Administrative Agent, furnish copies of customers' invoices or the equivalent, and original shipping or delivery receipts, for all merchandise sold, and the Debtor warrants the genuineness thereof.

Section 5. Collection of Receivables and Contract Rights. (a) Except as otherwise provided in this Agreement the Debtor shall make collection of all of its Receivables and Contract Rights and may use the same to carry on its business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Whether or not any Event of Default has occurred and whether or not the Administrative Agent has exercised any or all of its rights under other provisions of this Section 5, in the event the Administrative Agent requests the Debtor to do so, all instruments and chattel paper at any time constituting part of the Receivables or Contract Rights (including any postdated checks) shall, upon receipt by the Debtor, be immediately endorsed to and deposited with the Administrative Agent; *provided however* that so long as no Default or Event of Default has occurred and is continuing, the Debtor shall not be required to deliver notes receivable having a fair market value of less than \$1,000,000 in any instance and \$5,000,000 in the aggregate.

(c) Upon the occurrence and during the continuation of any Event of Default and whether or not the Administrative Agent has exercised any or all of its rights under other provisions of this Section 5, the Administrative Agent or its designee may notify the Debtor's customers or account debtors at any time that Receivables and Contract Rights have been assigned to the Administrative Agent or of the Administrative Agent's security interest therein and either in its own name, or the Debtor's or both, demand, collect (including without limitation through a lockbox maintained with, or under the control of, the Administrative Agent), receive, receipt for, sue for, compound and give acquittance for any or all amounts due or to become due on Receivables and Contract Rights, and in the

Administrative Agent's discretion file any claim or take any other action or proceeding which the Administrative Agent may deem necessary or appropriate to protect and realize upon the security interest of the Administrative Agent in the Receivables and Contract Rights.

(d) Any proceeds of Receivables, Contract Rights or other Collateral transmitted to or otherwise received by the Administrative Agent pursuant to any of the provisions of Sections 5(b) or 5(c) hereof shall be handled and administered by the Administrative Agent in and through a remittance account maintained at the Administrative Agent and the Debtor acknowledges that the maintenance of such remittance account by the Administrative Agent is solely for the Administrative Agent's own convenience and that the Debtor does not have any right, title or interest in such remittance account or any amounts at any time standing to the credit thereof. Upon the occurrence and during the continuation of any Event of Default, the Administrative Agent may apply all or any part of any proceeds of Receivables, Contract Rights or other Collateral received by it from any source to the payment of the Obligations (whether or not then due and payable), such applications to be made in such amounts, in such manner and order and at such intervals as the Administrative Agent may from time to time in its discretion determine, but not less often than once each week. The Administrative Agent need not apply or give credit for any item included in proceeds of Receivables, Contract Rights or other Collateral until the Administrative Agent has received final payment therefor at its office in cash or final solvent credits current in Chicago, Illinois, acceptable to the Administrative Agent as such. However, if the Administrative Agent does give credit for any item prior to receiving final payment therefor and the Administrative Agent fails to receive such final payment or an item is charged back to the Administrative Agent for any reason, the Administrative Agent may at its election in either instance charge the amount of such item back against the remittance account, together with interest thereon at the Default Rate. The Debtor shall accompany each transmission of any proceeds of Receivables, Contract Rights or other Collateral to the Administrative Agent with a report in such form as the Administrative Agent shall reasonably require identifying the particular Receivable, Contract Right or other Collateral from which the same arises or relates. The Debtor hereby indemnifies the Administrative Agent, the Issuing Bank and the Banks from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and attorney's fees suffered or incurred by the Administrative Agent, the Issuing Bank or the Banks because of the maintenance of the foregoing arrangements. The Administrative Agent and the Banks shall have no liability or responsibility to the Debtor for accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

Section 6. Special Provisions Re: Investment Property. (a) Subject at all times to any mandatory requirements of law, unless and until an Event of Default has occurred and is continuing and thereafter until notified to the contrary by the Administrative Agent pursuant to Section 9(e) hereof:

(i) the Debtor shall be entitled to exercise all voting and/or consensual powers pertaining to the Investment Property or any part thereof owned or held by it,

for all purposes not inconsistent with the terms of this Agreement, the Credit Agreement or any other document evidencing or otherwise relating to any Obligations; and

(ii) the Debtor shall be entitled to receive and retain all cash dividends and distributions paid upon or in respect of the Investment Property owned or held by it.

(b) Certificates for all securities now or at any time constituting Investment Property hereunder shall, except for the KCT Shares (as defined in the Asset Purchase Agreement) be promptly delivered by the Debtor to the Administrative Agent duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto, and, with respect to any Investment Property held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, the Debtor shall execute and deliver, and shall cause any such intermediary to execute and deliver, an agreement among the Debtor, the Administrative Agent, and such intermediary in form and substance satisfactory to the Administrative Agent which provides, among other things, for the intermediary's agreement that it will comply with entitlement orders, and apply any value distributed on account of any Investment Property maintained in an account with such intermediary, as directed by the Administrative Agent without further consent by the Debtor at any time after the occurrence of any Event of Default; *provided, however*, that, prior to the existence of a Default or an Event of Default and thereafter until otherwise required by the Administrative Agent or the Required Banks, the Debtor shall not be required to deliver any such certificates or cause any such agreement to be entered into with the relevant financial intermediary if and so long as (i) the fair market value of any such Investment Property held by the Debtor is less than \$1,000,000 and (ii) the aggregate fair market value of all such Investment Property held by the Debtor and not subject to the control (as such term is defined in the Code) of the Administrative Agent under the Collateral Documents is less than \$5,000,000 at any one time outstanding. The Administrative Agent may at any time after the occurrence of an Event of Default cause to be transferred into its name or the name of its nominee or nominees any and all of the Investment Property hereunder.

(c) Unless and until an Event of Default has occurred and is continuing, the Debtor may sell or otherwise dispose of any Investment Property to the extent permitted by the Credit Agreement, *provided* that the Debtor shall not sell or otherwise dispose of any capital stock or other equity interests in any direct or indirect Subsidiary without the Administrative Agent's prior written consent. During the existence of any Event of Default, the Debtor shall not sell or otherwise dispose of all or any part of the Investment Property without the prior written consent of the Administrative Agent.

(d) The Debtor represents that on the date of this Agreement, none of the Investment Property consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent the Debtor has delivered to the Administrative Agent a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or any part thereof consists of margin stock, the Debtor shall promptly so notify the Administrative Agent and deliver to the

Administrative Agent a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Administrative Agent in form and substance satisfactory to the Administrative Agent.

(e) Notwithstanding anything to the contrary contained herein, in the event any Investment Property is subject to the terms of a separate security agreement or pledge agreement in favor of the Administrative Agent, the terms of such separate security agreement or pledge agreement shall govern and control unless otherwise agreed to in writing by the Administrative Agent and the Banks.

Section 7. Special Provisions Re: Inventory and Equipment. (a) The Debtor will at its own cost and expense maintain, keep and preserve its Inventory in reasonably good and merchantable condition and keep and preserve its Equipment in reasonably good repair, working order and condition, ordinary wear and tear excepted, and without limiting the foregoing make all necessary and proper repairs, replacements and additions to the Equipment so that the efficiency thereof shall be fully preserved and maintained.

(b) The Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Administrative Agent, use, consume and sell its Inventory in the ordinary course of its business as presently conducted, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by the Debtor.

(c) The Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Administrative Agent, sell (i) obsolete, worn out or unusable Equipment which is concurrently replaced with similar Equipment at least equal in quality and condition to that sold and owned by the Debtor free of any lien, charge or encumbrance other than the lien hereof and (ii) Equipment which is not necessary for, or of importance to, the proper conduct of the Debtor's business in the ordinary course and failure to repair or replace such Equipment would not be disadvantageous to the rights hereunder of the Administrative Agent and the Banks.

(d) As of the time any Inventory or Equipment becomes subject to the security interest provided for hereby and at all times thereafter, the Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of the Debtor set forth in this Agreement are true and correct with respect to such Inventory and Equipment and that all of such Inventory and Equipment is located as set forth pursuant to Section 3(b) hereof. The Debtor warrants and agrees that no Inventory is or will be consigned to any other person without the Administrative Agent's prior written consent.

(e) The Debtor shall at its own cost and expense cause the lien of the Administrative Agent in and to any portion of its Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Administrative Agent unless otherwise permitted by the Required Banks in their sole discretion; *provided that* until a Default or Event of Default has

occurred and thereafter until otherwise required by the Required Banks or the Administrative Agent, the Debtor shall not be obligated to cause the Administrative Agent's lien to be so noted or to deliver any such certificate of title to the Administrative Agent.

(f) Except for Equipment from time to time located on the real estate described on Schedule D attached hereto and as otherwise disclosed to the Administrative Agent in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture: *provided that* until a Default or Event of Default has occurred, no fixture financing statements need be filed.

(g) If any of its Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the Debtor to the Administrative Agent.

Section 8. Power of Attorney. In addition to any other powers of attorney contained herein, the Debtor appoints the Administrative Agent, its nominee, or any other person whom the Administrative Agent may designate as the Debtor's attorney in fact, with full power to endorse the Debtor's names on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into the Administrative Agent's possession, to sign the Debtor's name on any invoice or bill of lading relating to any Receivables or Contract Rights, on drafts against customers, on schedules and assignments of Receivables or Contract Rights, on notices of assignment, on public records, on verifications of accounts and on notices to customers, to send requests for verification of Receivables or Contract Rights to customers or account debtors, to notify the post office authorities to change the address for delivery of the Debtor's mail to an address designated by the Administrative Agent and to receive, open and dispose of all mail addressed to the Debtor and to do all other things necessary to carry out this Agreement. The Debtor hereby ratifies and approves all acts of any such attorney and agree that neither the Administrative Agent nor any such attorney nor the Issuing Bank nor any Bank will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than their own gross negligence or willful misconduct. The foregoing power of attorney, being coupled with an interest, is irrevocable until the Obligations have been fully satisfied and any commitment of the Banks to extend credit constituting Obligations to the Debtor has terminated and the Letters of Credit have expired; *provided, however,* that the Administrative Agent agrees, as a personal covenant to the Debtor, not to exercise the powers of attorney set forth in this Section unless an Event of Default exists. The Administrative Agent may file one or more financing statements disclosing its security interest in any or all of the Collateral without the Debtor's signature appearing thereon. The Debtor also hereby grants the Administrative Agent a power of attorney to execute any such financing statement, or amendments and supplements to financing statements, on behalf of the Debtor without notice thereof to the Debtor, which power of attorney is coupled with an interest and is irrevocable until the Obligations have been fully satisfied and any commitment of the Banks to extend credit constituting Obligations to the Debtor has terminated and the Letters of Credit have expired.

Section 9. Defaults and Remedies. (a) The occurrence of any event or the existence of any condition which is specified as an Event of Default under the Credit Agreement shall constitute an “*Event of Default*” hereunder.

(b) Upon the occurrence of any Event of Default, the Administrative Agent shall have, in addition to all other rights provided herein or by law and subject at all times to any mandatory requirements of law, the rights and remedies of a secured party under the Code (regardless of whether the Code is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the Code applies to the affected Collateral), and further the Administrative Agent may, without demand and without advertisement, notice, hearing or process of law, all of which the Debtor hereby waives, at any time or times, sell and deliver any or all Collateral held by or for it at public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as the Administrative Agent deems advisable, in its sole discretion. In addition to all other sums due the Administrative Agent and the Banks hereunder, the Debtor agrees to pay to the Administrative Agent and the Banks all costs and expenses incurred by the Administrative Agent and the Banks, including a reasonable allowance for attorneys’ fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or Obligations or in the prosecution or defense of any action or proceeding by or against the Administrative Agent or such Bank or the Debtor concerning any matter arising out of or connected with this Agreement or the Collateral or Obligations, including without limitation any of the foregoing arising in, arising under or related to a case under the Bankruptcy Code. Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Debtor in accordance with Section 14(b) hereof at least ten days before the time of sale or other event giving rise to the requirement of such notice; however, no notification need be given to the Debtor if the Debtor has signed, after an Event of Default has occurred, a statement renouncing any right to notification of sale or other intended disposition. The Administrative Agent shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. The Administrative Agent or any Bank may be the purchaser at any such sale. The Debtor hereby waives, to the fullest extent permitted by applicable law, all of its rights of redemption from any such sale. Subject to the provisions of applicable law, the Administrative Agent may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Administrative Agent may further postpone such sale by announcement made at such time and place.

(c) Without in any way limiting the foregoing, during the existence of any Event of Default, the Administrative Agent shall have the right, in addition to all other rights provided herein or by law, to take physical possession of any and all of the Collateral and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the Debtor’s premises (the Debtor hereby agreeing to lease warehouses without cost or expense to the Administrative Agent or its designee if the Administrative Agent so requests) or to remove the Collateral or any part thereof to such other places as the Administrative Agent may desire. During the existence of any Event of

Default hereunder, the Administrative Agent shall have the right to exercise any and all rights with respect to deposit accounts of the Debtor maintained with the Administrative Agent or any Bank, including, with limitation, the right to collect, withdraw and receive all amounts due or to become due or payable under each such deposit account. During the existence of any Event of Default, the Debtor shall, upon the Administrative Agent's demand, assemble the Collateral and make it available to the Administrative Agent at a place designated by the Administrative Agent. If the Administrative Agent exercises its right to take possession of the Collateral, the Debtor shall also at its expense perform any and all other steps requested by the Administrative Agent to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Administrative Agent, appointing overseers for the Collateral and maintaining stock records.

(d) Without in any way limiting the foregoing, the Debtor hereby grants to the Administrative Agent and the Banks a royalty-free irrevocable license and right to use all of the Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, and similar intangibles in connection with any foreclosure or other realization by the Administrative Agent or the Banks on all or any part of the Collateral, provided that the license granted hereunder shall not include any rights in any license agreement under which the Debtor is licensee which, by its terms, prohibits the license contemplated by this Section. The license and right granted the Administrative Agent and the Banks hereby shall be without any royalty or fee or charge whatsoever.

(e) Without in any way limiting the foregoing, during the existence of any Event of Default, all rights of the Debtor to exercise the voting and/or consensual powers which it is entitled to exercise pursuant to Section 6(a)(i) hereof and/or to receive and retain the distributions which it is entitled to receive and retain pursuant to Section 6(a)(ii) hereof, shall, at the option of the Administrative Agent, cease and thereupon become vested in the Administrative Agent, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property and/or to receive and retain the distributions which the Debtor would otherwise have been authorized to retain pursuant to Section 6(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange or subscription or any other rights, privileges or options pertaining to any Investment Property as if the Administrative Agent were the absolute owner thereof including, without limitation, the rights to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Administrative Agent of any right, privilege or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine. Without limiting the foregoing, during the existence of any Event of Default, the Administrative Agent may, by written demand, direct any securities intermediary, commodities intermediary, or other financial intermediary at any time holding any

Investment Property, or any issuer thereof, to deliver such Collateral, or any part thereof, and/or liquidate such Collateral, or any party thereof, and deliver the proceeds therefrom to the Administrative Agent. In the event the Administrative Agent in good faith believes any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(f) The powers conferred upon the Administrative Agent hereunder are solely to protect its interest in the Collateral and shall not impose on it any duty to exercise such powers. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of Investment Property in its possession if such Collateral is accorded treatment substantially equivalent to that which the Administrative Agent accords its own property, consisting of similar type assets, it being understood, however, that the Administrative Agent shall have no responsibility for ascertaining or taking any action with respect to calls, conversions, exchanges, maturities, tenders, or other matters relating to any such Collateral, whether or not the Administrative Agent has or is deemed to have knowledge of such matters. This Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtor in any way related to the Collateral, and the Administrative Agent shall have no duty or obligation to discharge any such duty or obligation. The Administrative Agent shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral or initiating any action to protect the Collateral against the possibility of a decline in market value. Neither the Administrative Agent or any Bank, nor any party acting as attorney for the Administrative Agent or any Bank, shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct.

(g) Failure by the Administrative Agent, the Issuing Bank or any Bank to exercise any right, remedy or option under this Agreement or any other agreement between the Debtor and the Administrative Agent, the Issuing Bank or any Bank or Banks or provided by law, or delay by the Administrative Agent, the Issuing Bank or any Bank in exercising the same, shall not operate as a waiver; no waiver shall be effective unless it is in writing, signed by the party against whom enforcement of the waiver is sought and then only to the extent specifically stated. Neither the Administrative Agent, the Issuing Bank, any Bank nor any party acting as attorney for the Administrative Agent, the Issuing Bank or such Bank, shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct. The rights and remedies of the Administrative Agent and the Banks under this Agreement shall be cumulative and not exclusive of any other right or remedy which the Administrative Agent, the Issuing Bank or any Bank may have.

Section 10. Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Administrative Agent upon the occurrence and during the continuation of any Event of Default hereunder shall, when received by the Administrative Agent in cash or its equivalent, be applied by the Administrative Agent in reduction of the Obligations as set forth in the Credit Agreement. The Debtor shall remain liable to the

Administrative Agent, the Issuing Bank and the Banks for any deficiency. Any surplus remaining after the full payment and satisfaction of the Obligations shall be returned to the Debtor or to whomsoever the Administrative Agent reasonably determines is lawfully entitled thereto.

Section 11. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Obligations, both for principal and interest, have been fully paid and satisfied and any commitment to extend any credit constituting Obligations to the Debtor shall have terminated and the Letters of Credit have expired.

Section 12. The Administrative Agent. In acting under or by virtue of this Agreement, the Administrative Agent shall be entitled to all the rights, authority, privileges and immunities provided in Section 10 of the Credit Agreement, all of which provisions of said Section 10 are incorporated by reference herein with the same force and effect as if set forth herein in their entirety. The Administrative Agent hereby disclaims any representation or warranty to the Banks concerning the perfection of the security interest granted hereunder or in the value of any of the Collateral.

Section 13. Personal Jurisdiction. (a) *Exclusive Jurisdiction.* Except as provided in subsection (b), the Administrative Agent and the Debtor agree that all disputes among them arising out of, connected with, related to, or incidental to the relationship established among them in connection with this Agreement, and whether arising in contract, tort, equity, or otherwise, shall be resolved only by state or federal courts located in Cook County, Illinois or New York, New York, but each of the Administrative Agent and the Debtor acknowledge that any appeals from those courts may have to be heard by a court located outside of Cook County, Illinois or New York, New York. The Debtor waives in all disputes any objection that the Debtor may have to the location of the court considering the dispute or any objection that such Debtor may have that any other party has not been joined in such proceeding.

(B) *OTHER JURISDICTIONS.* THE DEBTOR AGREES THAT THE ADMINISTRATIVE AGENT SHALL HAVE THE RIGHT TO PROCEED AGAINST THE DEBTOR OR THE COLLATERAL IN A COURT IN ANY LOCATION TO ENABLE THE ADMINISTRATIVE AGENT TO REALIZE ON THE COLLATERAL, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE ADMINISTRATIVE AGENT, WHETHER OR NOT PROCEEDING SEPARATELY AGAINST THE DEBTOR AND ITS PROPERTY. THE DEBTOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT IN ACCORDANCE WITH THIS PROVISION BY THE ADMINISTRATIVE AGENT TO REALIZE ON COLLATERAL, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE ADMINISTRATIVE AGENT. THE DEBTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE ADMINISTRATIVE AGENT HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION.

Section 14. Miscellaneous. (a) This Agreement cannot be changed or terminated orally. All of the rights, privileges, remedies and options given to the Administrative Agent,

the Issuing Bank and the Banks hereunder shall inure to the benefit of their respective successors and assigns, and all the terms, conditions, promises, covenants, representations and warranties of and in this Agreement shall bind the Debtor and its legal representatives, successors and assigns, provided that the Debtor may not assign its rights or delegate its duties hereunder without the Administrative Agent's prior written consent. Without limiting the generality of the foregoing, and subject to the provisions of Sections 11.9 and 11.12 of the Credit Agreement, any Bank may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Bank herein or otherwise, subject, however, to the provisions of the Credit Agreement. The Debtor hereby releases the Administrative Agent and each Bank from any liability for any act or omission relating to its Collateral or this Agreement, except the Administrative Agent's or such Bank's gross negligence or willful misconduct.

(b) All communications provided for herein shall be in writing, except as otherwise specifically provided for hereinabove, and shall be deemed to have been given or made, if to the Debtor when given in accordance with Section 11.6 of the Credit Agreement, or if to the Administrative Agent or any Bank, when given to such party in accordance with Section 11.6 of the Credit Agreement.

(c) No Bank shall have the right to institute any suit, action or proceeding in equity or at law for the foreclosure against any Collateral subject to this Agreement or for the execution of any trust or power hereof or for the appointment of a receiver, or for the enforcement of any other remedy under or upon this Agreement; it being understood and intended that no one or more of the Banks shall have any right in any manner whatsoever to affect, disturb or prejudice the lien and security interest of this Agreement by its or their action or to enforce any right hereunder, and that all proceedings at law or in equity shall be instituted, had and maintained by the Administrative Agent in the manner herein provided for the ratable benefit of the Banks, the Issuing Bank and the Administrative Agent.

(d) In the event that any provision hereof shall be deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity of such provision shall not affect the validity of any remaining provision hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

(e) This Agreement shall be governed by the internal laws of the State of New York (without regard to the principles of conflicts of law). All terms which are used in this Agreement which are defined in the Code shall have the same meanings herein as said terms do in the Code unless this Agreement shall otherwise specifically provide. The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(f) This Agreement may be executed in any number of counterparts, each constituting an original, but all together one and the same instrument. The Debtor

acknowledges that this Agreement is and shall be effective upon its execution and delivery by the Debtor to the Administrative Agent, and it shall not be necessary for the Administrative Agent to execute this Agreement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Debtor has caused this Agreement to be duly executed as of the date first above written.

I&M RAIL LINK, LLC

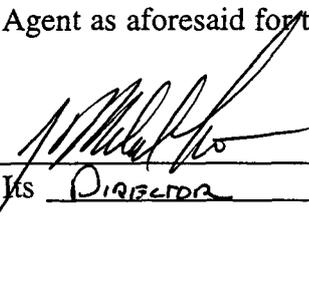
By William H. Bradley
Its President

Accepted and agreed to as of the date first above written.

BANK OF MONTREAL, as Administrative
Agent as aforesaid for the Banks

By

is


Diaz

STATE OF MINNESOTA

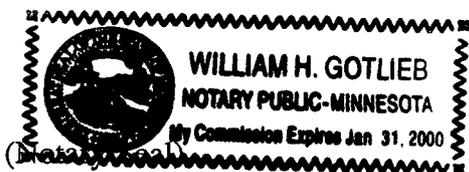
) SS.
COUNTY OF HENNEPIN

I, William Gottlieb, a Notary Public in and for said County, in the State aforesaid, do hereby certify that William Brodsky, President of I&M Rail Link, LLC, a Delaware limited liability company, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such President, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said limited liability company for the uses and purposes therein set forth.

Given under my hand and notarial seal, this 3rd, day of April, 1997.

Wm Gottlieb
Notary Public

William Gottlieb
(Type or Print Name)



Commission Expires:

1/31/2000

STATE OF Illinois)
) SS.
COUNTY OF Cook)

I, Nancy J. Skoda, a Notary Public in and for said County, in the State aforesaid, do hereby certify that Michael J. Linton, Director of Bank of Montreal, a Canadian chartered bank, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such Director, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act and as the free and voluntary act of said bank for the uses and purposes therein set forth.

Given under my hand and notarial seal, this 3rd, day of April, 1997.

Nancy J. Skoda
Notary Public

Nancy J. Skoda
(Type or Print Name)

(Notary Seal)

Commission Expires:

OFFICIAL SEAL
NANCY J SKODA
NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXP. OCT. 2, 2000

**SCHEDULE A
Locomotives**

SW 1200's

CP 00329
CP 00330
CP 00331
SOO 001216
SOO 001218

GP 7

SOO 000375

GP 9's

SOO 000400
SOO 000403
SOO 000408
SOO 002401
SOO 002402
SOO 002406
SOO 002407
SOO 002409
SOO 002410
SOO 002412
SOO 002550
SOO 002553
SOO 004225
SOO 004227
SOO 004228
SOO 004231
SOO 004232
SOO 004233

RBL's

SOO 178306
SOO 178308
SOO 178374
SOO 178400
SOO 178404
SOO 178408
SOO 178528
SOO 178536
SOO 178546
SOO 178548
SOO 178550
SOO 178554
SOO 178556
SOO 178566
SOO 178558
SOO 178560
SOO 178568
SOO 178578
SOO 178582
SOO 178586
SOO 178590
SOO 178600
SOO 178606
SOO 178618
SOO 178620
SOO 178622
SOO 178626
SOO 178630
SOO 178718
SOO 178722
SOO 178724
SOO 178726

Freight Cars

Standard Boxes

SOO 018640
SOO 018642
SOO 018644
SOO 018646
SOO 018650
SOO 018654
SOO 018438
SOO 015652
SOO 015658
SOO 015700
SOO 015724
SOO 015732
SOO 015758
SOO 015792
SOO 015800
SOO 015830
SOO 015886
SOO 015894
SOO 015908
SOO 015914
SOO 015934
SOO 015940
SOO 015942
SOO 015976
SOO 177780

Air Dumps

CP 455101
CP 455133
CP 455168
CP 455171
CP 455172
CP 455176
CP 455186
CP 455192
CP 455204

Ballast Cars

MILW 941750
MILW 941751
MILW 941753
MILW 941754
MILW 941755
MILW 941756
MILW 941757
MILW 941758
MILW 941759
MILW 941760
MILW 941761
MILW 942762
MILW 941763
MILW 941764
MILW 941765
MILW 941766
MILW 941767
MILW 941769
MILW 941770
MILW 941771
MILW 941772
MILW 941773
MILW 941774
MILW 941775
MILW 941776
MILW 941777
MILW 941778
MILW 941779
MILW 941780
MILW 941781
MILW 941782
MILW 941783
MILW 941784
MILW 941785
MILW 941786
MILW 941787
MILW 941788
MILW 941789
MILW 941790
MILW 941791
MILW 941792
MILW 941793
MILW 941794
MILW 941795
MILW 941796

RBL's

MILW 002918
MILW 003012
MILW 003015
MILW 003045
SOO 177586
SOO 177588
SOO 177600
SOO 177610
SOO 177636
SOO 177644
SOO 177650
SOO 177652
SOO 177662
SOO 177664
SOO 177668
SOO 177674
SOO 177692
SOO 177694
SOO 178258
SOO 178632
SOO 178636
SOO 178638
SOO 178640
SOO 178642
SOO 178644
SOO 178656
SOO 178658
SOO 178666
SOO 178672
SOO 178678
SOO 178682
SOO 178688
SOO 178692
SOO 178698
SOO 178702
SOO 178708
SOO 178710
SOO 178716
SOO 178272
SOO 178286
SOO 178294
SOO 178298
SOO 178302

MILW 941797
 MILW 941798
 MILW 941799
 CP 360011
 CP 360017
 CP 360081
 CP 360171
 CP 360199
 CP 360227
 CP 360278
 CP 360291
 CP 360341
 CP 360545
 CP 360586
 CP 360608
 CP 360617
 CP 360621
 CP 360637
 CP 360670
 CP 360717
 CP 360732
 CP 360771
 CP 360793
 CP 360816
 CP 360832
 CP 360851
 CP 360889
 CP 360930
 CP 360955
 CP 360997

Miscellaneous Work Cars

Mason City, IA

MILW 60060	Flat	
SOO 5385	Flat	
SOO 45108	Box	
SOO 658	Box	
SOO 44866	Box	
SOOR 594	Baggage Car	B&B outfit car
MILW 918047	Box	B&B outfit car
MILW 920304	Gon	B&B outfit car

Chillicothe, MO

MILW 973526	Gon	
MILW 928885	Gon	B&B material car
MILW 952058	Box	B&B material car
MILW 952073	Box	B&B material car
MILW 952055	Box	Section material car
MILW 960062	Flat	

Brayer, MO

SOO 136808 Box

Excelsior Springs, MO

MILW 917191	Box	Welders material car
SOO 45154	Box	Section material car

Maintenance of Way Equipment

UNIT NO	YEAR	DESCRIPTION	LOCATION
SNOW EQUIPMENT			
900256		Wedge Plow	Wells, Mn
W-180		Russell Plow	Mason City, IA
900254		Wedge Plow	Mason City, IA
900226		Wedge Plow	Mason City, IA
900036		Cut Widener	Mason City, IA
900216		Wedge Plow	Spencer, IA
WORK EQUIPMENT			
7002-02	53	Nordberg Bolt Machine	Chillicothe, MO
7002-13		Raco Bolt Machine	Dubuque, IA
7002-15		Raco Bolt Machine	New Albin, IA
7009-05	79	Tamper Spiker	Austin, MN
7009-08	81	Tamper Spiker	Ottumwa, IA
7009-12	82	Nordberg Spiker, Model B	Muscatine, IA
7009-19	79	Nordberg Spiker, Model A	Monona, IA
7102-03	76	RTW Tie Crane	Monona, IA
7102-10	84	RTW Tie Crane	Ottumwa, IA
7102-13	81	RTW Tie Crane	West Davenport, IA
7106-05	84	Tie Spacer	West Davenport, IA
7110-15	77	Tamper MBTX Tie Insertter	Ottumwa, IA
7110-16	77	Tamper MBTX Tie Insertter	Monona, IA
7201-09	77	Jackson 2300 Tamper w/jacks	New Albin, IA
7201-13	91	Canron Mark II Chase Tamper	Mt Carroll, IL
7201-15	91	Canron Mark II Tamper w/jacks	Ottumwa, IA
7203-05	82	Jackson 6000 Tamper	Bellevue, IA
7204-05	76	Jackson 2300 Tamper w/o jacks	Nahant Yard, IA
7204-18	82	Jackson 2300 w/jacks	Liberty, MO

Maintenance of Way Equipment

7204-20	83	Jackson 2300 w/o Jacks	Marquette, IA
7206-01	82	Jackson 6500	Britt, IA
7206-04	82	Jackson 6500	Seymour, IA
7208-08		Nordberg Power Jack	Clinton, IA
7208-10		Nordberg Power Jack	Mason City, IA
7208-21		Nordberg Power Jack	Mason City, IA
7211-01	83	Kershaw 46-1 Ballast Regulator	Britt, IA
7211-24	83	Kershaw 46-1 Ballast Regulator	Bellevue, IA
7211-25	82	Kershaw 26-2 Ballast Regulator	Chillicothe
7213-03	80	Cannon track Gopher	Nahant, Ia
7503-09	72	Burro Crane	Mason City, IA
7510-08	79	Pettebone 441-B Speedswing	Nahant, IA
7512-05	68	American Locomotive Crane 825	Nahant, IA
7212-06	69	American Locomotive Crane 825	Ottumwa, IA
7009-10	77	Model A Nordoo	Bensonville
7009-20	79	Model A Nordoo	Latta
7009-18	78	Model A Nordoo	St Paul
7110-27	84	TKO Tie Insertor	Sturtevant
7101-06	84	Adzer	Cudahy
7212-02	84	Cribber	Cudahy
7102-12	79	RTW Tie Crane	Cudahy
7017-04	85	Tamper Rail Heater	Savanna
7510-01	77	Speedswing	Bensenville
7512-04	66	(250122) 40 T Amer Crane w/leads	St. Paul

Maintenance of Way Equipment

The following list of motorized equipment, including three Rail Stressors, plus other miscellaneous Engr Services hand tools and non-motorized, currently located on the Kansas City Corn Lines

GAS/HYDRAULIC POWER TOOL INVENTORY K.C. LINE

MACHINE	MAKE	MODEL	SERIAL NUMBER	HYD/ GAS	YEAR	CONDITION <G-F-P>	LOCATION
SNOW BLOWER	ECHO	PB 6000	NONE	GAS	92	GOOD	S. BELOIT
CHAIN SAW	STIHL	026	227442373	GAS	92	GOOD	v
WEED EATOR	STIHL	FS72AU/US	228204373	GAS	93	GOOD	v
HYD WRENCH	MATWELD	01600A	31643395	HYD	94	GOOD	v
HYD HAMMER	FAIRMONT	87559	EM860A4	HYD		GOOD	v
HYD TAMPER	H4 864	NONE	NONE	HYD		GOOD	v
RAIL DRILL	NORDBERG	80352	A361317	GAS		GOOD	
SNOW BLOWER	ECHO	PB 6000	009282	GAS	94	GOOD	KIRKLAND
RAIL SAW	RACINE	TRK KUT	NONE	GAS		FAIR	v
RAIL DRILL	NORDBERG	1084 CD	81	GAS		FAIR	v
CHAIN SAW	MCCULLOCH	SILVER E	600032-23	GAS	92	GOOD	v
WEED EATOR	MCCULLOCH	SILVER E	12061138	GAS	92	GOOD	v
HYD WRENCH	STANLEY	1W16	03267	HYD	95	GOOD	v
SPIKER	FAIRMONT	H 4860	097642	HYD		GOOD	v

Maintenance of Way Equipment

TAMPER	FAIRMONT	45	090392	HYD		GOOD	v
SPIKE PULLER	FAIRMONT	NONE	NONE	HYD		FAIR	v
WELDER	MILLER	AIR PACK	182259	DEISEL	92	GOOD	SAVANNA
PORT WELDER	MILLER	ABAD200LE	JJ357334	GAS	91	GOOD	v
WIRE FEED	MILLER	S 32 SL	KF876259		94	GOOD	v
WIRE FEED GUN	MILLER	GA 40 GL	NONE		94	GOOD	v
GRINDER	MAT WELD	00500 CCW	NONE	HYD	92	FAIR	v
GRINDER	MAT WELD	00500 CCW	NONE	HYD	96	GOOD	v
PROFILE GRI	GETSMAR	NONE	NONE	HYD	93	GOOD	v
SW GRINDER	MAT WELD	02200	22026	HYD	93	GOOD	v
RAIL SAW	MAT WELD	00800	80601	HYD	92	GOOD	v
WRENCH	MAT WELD	NONE	161058A	HYD	93	FAIR	v
1/2" DRILL	MILWAUKEE	NONE	0066483978	ELC	92	GOOD	v
4 1/2" GRINDER	MIKITA	95031H	254073B	ELC	92	GOOD	v
RAIL DRILL	GIESMAR	NONE	262445	GAS	96	GOOD	CLINTON
RAIL DRILL	RACINE	NONE	NONE	GAS	96	GOOD	v
RAIL DRILL	NORDBERG	NONE	5608	GAS		POOR	v
RAIL SAW	STIHL	NONE	458128	GAS	96	GOOD	v
RAIL SAW	RACINE	TRK CUT	7803-E46	GAS	90	POOR	v
JACK	NORDBERG	NONE	CP 7208-08	GAS		POOR	v
CHAIN SAW	ECHO	4600	059289	GAS	91	FAIR	v
WEED EATOR	ECHO	3800	018566	GAS	90	FAIR	v
WEED EATOR	ECHO	3800	033698	GAS	90	FAIR	v
SPIKE PULL	MAT WELD	NONE	111539	HYD	92	GOOD	v
SPIKER	FAIRMONT	NONE	153690	HYD	96	GOOD	v
LAWN MOWER	HSTR CRFT	3 112-508R054-D242C1		GAS	90	POOR	v
SNOW BLOWER	ECHO	PB 6000	008800	GAS	90	FAIR	v
SNOW BLOWER	ECHO	PB 6000	015242	GAS	90	FAIR	v
IMPACT GUN	RACINE	NONE	10695	HYD	93	FAIR	v
TAMPER	NORDBERG	NONE	125729	HYD		FAIR	v
RAIL SAW	STIHL	NONE	457287	GAS	93	GOOD	LAWARK
RAIL DRILL	NORDBERG	NONE	8182	GAS	93	GOOD	v
IMPACT GUN	RACINE	NONE	310	HYD	94	FAIR	v
TAMPER	FAIRMONT	NONE	125729	HYD		FAIR	v
SPIKER	FAIRMONT	NONE	128482	HYD		POOR	v
CHAIN SAW	ECHO	4600	059288	GAS	94	GOOD	v
SNOW BLOWER	ECHO	PB 6000	023093	GAS	94	GOOD	v
SNOW BLOWER	ECHO	PB 6000	010313	GAS	94	GOOD	v
WEED EATOR	ECHO	SRM 3800	033352	GAS	94	FAIR	v
TAMPER	FAIRMONT	NONE	125729	HYD		FAIR	v
LAWN MOWER	HSTR CRFT	1K113C11002		GAS	93	FAIR	v
BOLT MACHINE	NORDBERG	NONE	CMSTP & P 149	GAS		POOR	v

Maintenance of Way Equipment

RAIL SAW	RACINE			GAS	90	FAIR	WASHINGTON
RAIL DRILL	NORBERG			GAS		POOR	v
RAIL DRILL	GEISMAR			HYD	92	FAIR	v
IMP WRENCH	RACINE			HYD	94	FAIR	v
SPIKER	MATWELD			HYD	91	FAIR	v
SP PULLER	FAIRMONT			HYD	95	GOOD	v
CHAIN SAW	ECHO			GAS	93	FAIR	v
SNOW BLOWER	ECHO			GAS	93	FAIR	v
WEED EATER	MCCULLOCK			GAS	94	FAIR	v
RAIL SAW	MATWELD		36890793	HYD	92	FAIR	NAHANT
SP PULLER	STANLEY		122008	HYD	90	POOR	v
RAIL DRILL	GEISMAR		4072	HYD	91	FAIR	v
SPIKER	MATWELD			HYD	91	POOR	v
SPIKER	STANLEY			HYD	96	GOOD	v
TAMPER	RACINE		125729	HYD	89	POOR	v
LAWN MOWER	MSTR CRFT		124702	GAS	93	GOOD	v
SNOW BLOWER	STIHL	400		GAS	95	GOOD	v
SNOW BLOWER	ECHO	6000		GAS	93	FAIR	v
SNOW BLOWER	SNOW CHEIF 320		SC320FSL	GAS	92	FAIR	v
RAIL SAW	MATWELD			HYD	92	GOOD	MUSCATINE
SP PULLER	MATWELD			HYD	95	GOOD	v
IMP WRENCH	MATWELD		31642093	HYD	96	GOOD	v
TAMPER	FAIRMONT		H4846	HYD	86	POOR	v
DRILL	NORBERG			GAS	86	POOR	v
SNOW BLOWER	ECHO	4600		GAS	94	GOOD	v
SNOW BLOWER	ECHO	6000		GAS	94	GOOD	v
LAWN MOWER	BRIGGS			GAS	93	POOR	v
WEED EATER	TITAN	2250		GAS	90	FAIR	v
WEED EATER	TITAN	2565		GAS	90	FAIR	v
WEED EATER	ECHO	SRM400		GAS	94	GOOD	v
CHAIN SAW	ECHO	CS4600		GAS	94	GOOD	v
RAIL SAW	OLYMPIC	999		GAS	90	POOR	v
GRINDER	CENTRAL	55808	(BENCH)		90	FAIR	v
POWER PACK	MATWELD			HYD	91	GOOD	BETTENDORF
WRENCH	STANLEY			HYD	95	GOOD	v
SP PULLER	RACINE			HYD	95	GOOD	v
SP PULLER	MATWELD			HYD	95	GOOD	v
DRILL	ECHO			GAS	95	GOOD	v
SNOW BLOWER	ECHO			GAS	94	GOOD	v
WEED EATER	ECHO			GAS	94	GOOD	v
WEED EATER	STIHL			GAS	94	GOOD	v
RAIL DRILL	GIEMAR			GAS	96	GOOD	v

Maintenance of Way Equipment

RAIL SAW	STIHL			GAS	94	GOOD	V
RAIL SAW	STIHL			GAS	89	POOR	V
BOLT MACHINE				GAS	86	POOR	V
CHAIN SAW	STIHL	034	22727686	GAS		GOOD	OTTUMWA
SNOW BLOWER	J. DEERE	SE	M0005EX125070	GAS		GOOD	V
WEED EATER	STIHL	F566	19667721	GAS		GOOD	V
WEED EATER	STIHL	FS106	27003787	GAS		GOOD	V
TAMPER	FAIRMONT			HYD		GOOD	V
TAMPER	FAIRMONT			HYD		GOOD	V
TAMPER	FAIRMONT			HYD		POOR	V
SP PULLER	FAIRMONT	H4915	777	HYD		GOOD	V
CHAIN SAW	STIHL	026		GAS		GOOD	V
RAIL SAW	STIHL	MTX 45	457719	GAS		GOOD	V
RAIL SAW	MATWELD	00800	80674	HYD		GOOD	V
RAIL DRILL	RACINE		APC 4998	GAS		GOOD	V
RAIL DRILL	STUMEC	PR8	23539	GAS		GOOD	V
PART WASHER	ATD	E110	2106512	ELEC		GOOD	V
AIR COMPRES	GARY CO.	C92	A24658	ELEC		GOOD	V
GRINDER	MILWAUKEE	4935	W9-91	ELEC		GOOD	V
DRILL	MULTIVANE	22M	386489	AIR		GOOD	V
5' R	INGERSALL		R32054	AIR		GOOD	V
AIR WRENCH	GP		R31794	AIR		GOOD	V
WRENCH	STANLEY	TW16	3260	HYD		GOOD	V
RAIL DRILL	MATWELD	03500	150491	HYD		GOOD	NEWTOWN
RAIL SAW	MATWELD	00800	80691	HYD		GOOD	V
IM WRENCH	FAIRMONT			HYD		FAIR	V
SPIKER	MATWELD	1400	140542	HYD		FAIR	V
CHAIN SAW	STIHL	034	227808319	GAS		FAIR	V
SNOW BLOWER	J. DEERE	SE	M0005EX125084	GAS		FAIR	V
WEED EATER	STIHL	FS108	29088970	GAS		GOOD	V
POWER PLANT	HOWELITE		1692017	GAS		FAIR	V
DRILL	MAKITA	02300	342403	ELEC		GOOD	V
IM WRENCH	STANLEY	IW16		HYD		POOR	CHILLICOTHE
SPIKER	MATWELD	01400		HYD		GOOD	V
R. STRESSOR	GEISMAR	TR120SP		HYD	96	GOOD	V
IM WRENCH	FAIRMONT		135853	HYD		GOOD	V
RAIL SAW	STIHL	MTX45	457812	GAS	96	GOOD	V
RAIL DRILL	RACINE	179-MILW		GAS		POOR	V
CHAIN SAW	STIHL	034AV		GAS		POOR	V
WEED EATER	STIHL	FS44		GAS			V
SNOW BLOWER	J. DEERE	SE	M005EX101899	GAS		GOOD	V
IM WRENCH	FAIRMONT		R-1590	HYD		GOOD	LIBERTY

Maintenance of Way Equipment

IM WRENCH	FAIRMONT		161246A	HYD	FAIR	v
SP PULLER	FAIRMONT	H92A	430047	HYD	FAIR	v
RAIL SAW	MATWELD	00800A	80717	HYD	GOOD	v
TAMPER	FAIRMONT		126480	HYD	FAIR	v
TAMPER	FAIRMONT		124863	HYD	FAIR	v
RAIL SAW	RACINE	TRAK-KUT	5556	GAS	POOR	v
RAIL DRILL	NORDBERG	CD 1953	4396	GAS	POOR	v
RAIL DRILL	NORDBERG	RD151V	80351-05510	GAS	SCRAP	v
			75072103		PARTS	v
RAIL DRILL	RACINE	RDAP	3658	GAS	PARTS	v
CHAIN SAW	STIHL	AU510AAX1	AF201737	GAS	GOOD	v
SNOW BLOWER	JOHN DEER	5E	25090	GAS	GOOD	v
WEED EATER	STIHL	F-5108	29089971	GAS	GOOD	v
GRINDER	TRADESMAN		920	ELEC	GOOD	v
IM WRENCH	MATWELD			HYD	FAIR	EX SPRINGS
RAIL SAW	MATWELD	00800A		HYD	FAIR	v
WELDER(PORT)	MILLER	AEAD200LE	JB53070	GAS	FAIR	v
WIRE FEED	SWESCO	SA30	30-1289		POOR	v
SHEAR		09COEP	90381	HYD	GOOD	v
SW GRINDER	MATWELD	02200	22028	HYD	GOOD	v
PR ^{OP} GRINDER	GEISMAR	MP-6	14769	HYD	94 GOOD	v
H ^{AND} GRIND	MATWELD			HYD	GOOD	v
H ^{AND} GRIND	MATWELD			HYD	GOOD	v
GRINDER	B & D	4078	29876	ELEC	GOOD	v

S & C	9115	91 FORD F250 CAP	MARQUETTE, IA
S & C	9143	91 CHEV C20 UTIL CR	MASON CITY, IA
S & C	9203	92 CHEV C25 HR UTIL	MUSCATINE, IA
S & C	197	74 FWD DIGGER DRK	OTTUMWA, IA
S & C	2185	64 EAGLE POLE	OTTUMWA, IA
S & C	2197	65 EAGLE POLE	OTTUMWA, IA
S & C	2252	65 EAGLE POLE TRLR	OTTUMWA, IA
S & C	9139	91 CHEV ASTRO	OTTUMWA, IA
S & C	9156	91 FORD F250 EXT HR PU	OTTUMWA, IA
S & C	9179	91 FORD F250 UTIL	OTTUMWA, IA
S & C	9183	91 FORD F250 CAP	OTTUMWA, IA
S & C	9215	92 FORD F150 EXT CAB PU	OTTUMWA, IA
S & C	9113	91 FORD F250 CAP	ROCKFORD, IL
S & C	2203	67 EAGLE POLE	SAVANNA, IL
S & C	2253	65 EAGLE POLE TRLR	SAVANNA, IL
S & C	9038	90 FORD E150 VAN	SAVANNA, IL
S & C	9202	92 CHEV C25 HR UTIL	SAVANNA, IL
S & C	9184	91 FORD F250 CAP	SPENCER, IA
TRACK	9170	91 CHEV R30 CC CR HR	ALGONA, IA
TRACK	9374	93 CHEV C35 CC CR HR	AUSTIN, MN
TRACK	135	89 J D TRAC LOADER	BETTENDORF, IA
TRACK	8606	86 CHEV TRUCK	BETTENDORF, IA
TRACK	9173	91 FORD F250 EXT HR PU	BETTENDORF, IA
TRACK	633	92 FORD L9 CR HR MTL	BETTENDORF, IA
TRACK	9162	91 CHEV R30 CC CR HR	CALMAR, IA
TRACK	654	91 FORD F47 CC CR HR	CHARLES CITY, IA
TRACK	213	74 FORD C4023C TLDR	CHILLICOTHE, MO
TRACK	637	92 FORD F8 HR WELDER	CHILLICOTHE, MO
TRACK	647	91 FORD F47 CC CR HR	CHILLICOTHE, MO
TRACK	699	92 FORD F700 CC DUMP	CHILLICOTHE, MO
TRACK	2254	72 MOBIL POLE TRLR	CHILLICOTHE, MO
TRACK	9178	91 FORD F250 EXT HR PU	CHILLICOTHE, MO
TRACK	9221	92 CHEV C2500 HR PU	CHILLICOTHE, MO
TRACK	604	86 FORD F800 CC HR CR	CLINTON, IA
TRACK	9222	92 CHEV C2500 HR PU	CLINTON, IA
TRACK	688	93 FORD F700 HR WLDR	DAVENPORT, IA
TRACK	694	92 FORD F47 CC CR HR	DAVENPORT, IA
TRACK	698	92 FORD F700 CC DUMP	DAVENPORT, IA
TRACK	602	86 FORD F800 CC HR CR	DUBUQUE, IA
TRACK	705	93 FORD F700 HR WLDR	DUBUQUE, IA
TRACK	8402	84 FORD F8000 CC DUMP	DUBUQUE, IA
TRACK	9100	91 DODGE DAKOTA 4X4 HR	DUBUQUE, IA
TRACK	9121	91 CHEV C2500 HR PU	DUBUQUE, IA
TRACK	9168	91 CHEV R30 CC CR HR	DUBUQUE, IA
TRACK	9169	91 CHEV R30 CC CR HR	GUTTENBURG, IA

TRACK	693	92 FORD F47 CC CR HR	KIRKLAND, IL
TRACK	8508	85 FORD F80 CC HR CR	LANARK, IL
TRACK	9207	92 DODGE DAKOTA 4X4 HR	LANARK, IL
TRACK	646	91 FORD F47 CC CR HR	LIBERTY, MO
TRACK	227	76 FORD TLDR DIESEL	MARQUETTE, IA
TRACK	119	79 MF30BTRAC LOADER	MASON CITY, IA
TRACK	608	86 FORD F800 CC HR CR	MASON CITY, IA
TRACK	8405	84 FORD F8000 CC DUMP	MASON CITY, IA
TRACK	9149	91 CHEV C20 HR PU	MASON CITY, IA
TRACK	9159	91 CHEV R30 CC CR HR	MASON CITY, IA
TRACK	9206	92 DODGE DAKOTA 4X4 HR	MASON CITY, IA
TRACK	9318	93 FORD F250 4X4 HR PU	MASON CITY, IA
TRACK	723	93 FORD F47 CC CR HR	MUSCATINE, IA
TRACK	9320	93 FORD F250 4X4 HR PU	MUSCATINE, IA
TRACK	653	91 FORD F47 CC CR HR	NEW ALBIN, IA
TRACK	691	92 FORD F47 CC CR HR	NEWTOWN, MO
TRACK	648	91 FORD F47 CC CR HR	OTTUMWA, IA
TRACK	9336	93 FORD F250 4X4 HR PU	OTTUMWA, IA
TRACK	632	92 FORD L9 CR HR MTL	OTTUMWA, IA
TRACK	638	92 FORD F8 HR WELDER	SAVANNA, IL
TRACK	9177	91 FORD F250 EXT HR PU	SAVANNA, IL
TRACK	631	92 FORD L9 CR HR MTL	SAVANNA, IL
TRACK	643	91 FORD F8 CC DUMP	SAVANNA, IL
TRACK	0080	82 HOMEMADE TRAILER	SAVANNA, IL
TRACK	231	FORD TLDR DIESEL	SOUTH BELOIT, IL
TRACK	695	92 FORD F47 CC CR HR	SOUTH BELOIT, IL
TRACK	9171	91 CHEV R30 CC CR HR	SPENCER, IA
TRACK	692	92 FORD F47 CC CR HR	WASHINGTON, IA
TRACK	114	79 Mf30BTrac Loader	WELLS, MN
TRACK	9167	91 CHEV R30 CC CR HR	WELLS, MN
TRANS	3818	92 CHEV CAPRICE	DAVENPORT, IA
TRANS	9137	91 CHEV SUBURBAN HR	DAVENPORT, IA
TRANS	9351	93 FORD EXPLORER 4X4 4D	DUBUQUE, IA
TRANS	9256	92 FORD EXPLORER 4X4	KANSAS CITY, MO
TRANS	3801	92 CHEV LUMINA	MASON CITY, IA
TRANS	3917	93 DODGE DYNASTY	MASON CITY, IA
TRANS	9123	91 CHEV SUBURBAN	OTTUWMA, IA

AMENDMENT TO SCHEDULE A

The Following are Additions:

Nahant Car Department:

Pettibone Trackmobile Model 250-CM	1086
Pettibone Crane 18T	1544
Air Extractor	
Arcweld Welder 400-A	CP-7687

Nahant Diesel:

Miller Welder SRH-333

Ottumwa Car:

Miller Welder 200-LE

Mason City:

Blue Box
Sulair Air Compressor
Generator Power Plant 4HP Light Plant
Rose Bud Torch
220-3 Phase Grinder
Drill Press
4 Pull Jacks
Car Tool Cabinets
Cordless Drill
Shop Vac
5 Sets Nolan Rerailers
2 Wheel Changing Bridges
Light and Power Plant
Simplex Jack and Pump 8HP
Bar Over Tool Model 43 Serial #43-622-10-94
Alkota Cleaning System Model 5300
Snap-On Tool Box and Tools
Air Compressor - Campbell-Hausfeld 7-1/1 HP
2 50T Air Jacks
2 100T 126 Air Jacks
1 100T 126 Air Jacks
2 5T Hydraulic Jacks
Miller Welder Serial #HJ186911

Miller Welder Serial #JE752776
 Lincoln Welder Serial #A1169435
 440 Welder Model SDDRS-24-B
 Trailer (Wheel) TR119 5T
 Contingency Trailer Hax-Mat
 15 HP Motor and John Boat with Trailer
 John Deere AMT 626 5 Wheeler
 White Fork Lift 8000LB
 2 Nolan Rerailers
 2 Sets Burlington Frogs
 1 100T Hydraulic Jacks (MILW)
 Miscellaneous Hand Tools, Maintenance
 Fixtures, Lights, Extension Cords and
 Trouble Shooting Equipment in and around
 the shops in Mason City, Ottumwa and
 Nahant

Trucks:

<u>Dept</u>	<u>Unit</u>	<u>Year</u>	<u>Make</u>	<u>Model</u>	<u>Location</u>
Truck	607	86	Ford	F800CCHRCR	Lanark, IL
Truck	605	86	Ford	F800CCHRCR	Clinton, IA

The Following Trucks are Deleted:

<u>Dept</u>	<u>Unit</u>	<u>Year</u>	<u>Make</u>	<u>Model</u>	<u>Location</u>
Truck	8508	85	Ford	F800CCHRCR	Lanark, IL
Truck	604	86	Ford	F800CCHRCR	Clinton, IA

WRENCH	FAIRMONT		161246A	HYD	FAIR	v
PULLER	FAIRMONT	H92A	430047	HYD	FAIR	v
WIRE SAW	MATWELD	00800A	80717	HYD	GOOD	v
WIPER	FAIRMONT		126480	HYD	FAIR	v
WIPER	FAIRMONT		124863	HYD	FAIR	v
WIRE SAW	RACINE	TRAK-KUT	5556	GAS	POOR	v
WIRE DRILL	NORDBERG	CD 1953	4396	GAS	POOR	v
WIRE DRILL	NORDBERG	RD151V	80351-05510	GAS	SCRAP	v
			75072103		PARTS	v
WIRE DRILL	RACINE	RDAP	3658	GAS	PARTS	v
CHAIN SAW	STIHL	AU510AAX1	AF201737	GAS	GOOD	v
SNOW BLOWER	JOHN DEER	5E	25090	GAS	GOOD	v
FEED EATER	STIHL	F-5108	29089971	GAS	GOOD	v
GRINDER	TRADESMAN		920	ELEC	GOOD	v
WRENCH	MATWELD			HYD	FAIR	EX SPRINGS
WIRE SAW	MATWELD	00800A		HYD	FAIR	v
WELDER(PORT)	MILLER	AEAD200LE	JB53070	GAS	FAIR	v
TIRE FEED	SWESCO	SA30	30-1289		POOR	v
BEAR		09COHP	90381	HYD	GOOD	v
SW GRINDER	MATWELD	02200	22028	HYD	GOOD	v
PRO GRINDER	GEISMAR	MP-6	14769	HYD	94 GOOD	v
WIRE GRIND	MATWELD			HYD	GOOD	v
HAND GRIND	MATWELD			HYD	GOOD	v
GRINDER	B & D	4078	29876	ELEC	GOOD	v

Following is the list of vehicles the I&M Rail Link has agreed to purchase from CPR

RTP

DEPT	Unit	Yr, Make, Model	Location
B&S	9154	91 CHEV C20 CAP	CHILLICOTHE, MO
B&S	621	91 FORD F8 CC CR HR	MASON CITY, IA
B&S	9119	91 FORD F250 CAP	MASON CITY, IA
B&S	9153	91 CHEV C20 PU	SAVANNA, IL
B&S	9176	91 FORD F250 EXT HR PU	SAVANNA, IL
B&S	635	91 FORD F8 CC CR HR	SAVANNA, IL
B&S	703	93 FORD F800 CC HR CR	SAVANNA, IL
MECH	717	92 FORD F800 ROAD TRK	DAVENPORT, IA
MECH	558	82 GMC 7000 CR ROAD	MASON CITY, IA
MECH	1119	95 FELLING FT-10E	MASON CITY, IA
MECH	8922	89 CHEV C20 PU	MASON CITY, IA
MECH	660	91 FORD F8 ROAD TRK	OTTUWMA, IA
S & C	9117	91 FORD F250 CAP	BETTENDORF, IA
S & C	2143	49 EAGLE POLE TRAILER	CHILLICOTHE, MO
S & C	9111	91 FORD E150 VAN	CHILLICOTHE, MO
S & C	9157	91 FORD F250 EXT HR PU	CHILLICOTHE, MO
S & C	599	84 FORD FT800 CC CR	DAVENPORT, IA
S & C	9147	91 CHEV C20 UTIL CR	DAVENPORT, IA
S & C	9180	91 FORD F250 CAP	DAVENPORT, IA
S & C	9158	91 FORD F250 EXT HR CAP	EXCELSIOR SPRINGS, MO
S & C	9238	92 CHEV C2500 CAP	KIRKLAND, IL
S & C	9141	91 CHEV C20 UTIL CR	LANARK, IL
S & C	9008	90 FORD F250 HR CAP	LIBERTY, MO

SCHEDULE B

LOCATIONS

Item No. 1 — Locations of Collateral (other than STB Collateral)

101 International Way
Missoula, Montana 59807

1910 East Kimberly Road
Davenport, Iowa 52807

1100 (more or less) miles of track and contiguous
real property through the states of Minnesota, Wisconsin,
Illinois, Iowa, Missouri and Kansas.

Item No. 2 — Additional Places of Business

None.

SCHEDULE C

TRADENAMES

None

SCHEDULE D
REAL ESTATE LEGAL DESCRIPTIONS

None