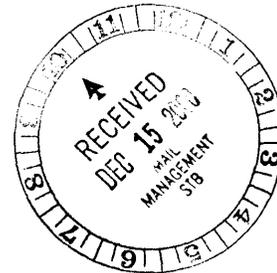


LAW OFFICES  
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December 14, 2000

**VIA FEDERAL EXPRESS**

Vernon Williams, Secretary  
Surface Transportation Board  
Room 704  
1925 K Street N.W.  
Washington, DC 20423

RECORDATION NO. 23258 FILED

DEC 18 '00 4-30 PM  
TS  
SURFACE TRANSPORTATION BOARD

Re: Relco Locomotives, Inc.

Dear Sir:

I have enclosed an original, a true copy and corresponding photocopies of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

This document is a Mortgage and Security Agreement, a primary document dated December 8, 2000.

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

Mortgagor: Manufacturers Bank  
1200 North Ashland Avenue  
Chicago, IL 60622

Mortgagee: Relco Locomotives, Inc.  
113 Industrial Avenue  
Minooka, IL 60447

A description of the equipment covered by the document appears on Schedule A, attached hereto and made a part hereof.

A fee of \$26.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to me in the self-addressed stamped envelope provided.

NEAL, GERBER & EISENBERG

Vernon Williams, Secretary  
December 14, 2000  
Page 2

A short summary of the document to appear in the index follows:

Mortgage between Manufacturers Bank, 1200 North Ashland Avenue, Chicago, IL 60622  
("Mortgagor") and Relco Locomotives, Inc., 113 Industrial Avenue, Minooka, IL 60447  
("Mortgagee") dated December 8, 2000 and covering seventy-three (73) locomotives.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Cheryl Reid". The signature is fluid and cursive, with the first name "Cheryl" written in a larger, more prominent script than the last name "Reid".

Cheryl Reid  
Paralegal

CR:jlw

cc: Peter H. Barrow, Esq.

NGEDOCS:14640.0001:577975.1  
12/14/00

## SCHEDULE A

<u>Manufacturer</u>	<u>Model Designation</u>	<u>Initials</u>	<u>Unit No.</u>
EMD	SW1	RE	502
EMD	SW1	RE	504
EMD	SW1	RE	506
EMD	SW1	RE	508
EMD	SW1	RE	517
ALCO	539-660hp	RE	601
ALCO	539-660hp	RE	603
ALCO	539-660hp	RE	607
ALCO	539-660hp	RE	701
ALCO	539-660hp	RE	705
ALCO	539-660hp	RE	708
ALCO	539-660hp	RE	711
ALCO	539-660hp	RE	712
ALCO	539-660hp	RE	713
ALCO	539-660hp	RE	714
ALCO	539-660hp	RE	715
ALCO	539-660hp	RE	716
ALCO	539-660hp	RE	719
ALCO	539-660hp	RE	720
ALCO	539-660hp	RE	801
ALCO	539-660hp	RE	802
ALCO	539-660hp	RE	803
ALCO	539-660hp	RE	804
ALCO	539-660hp	RE	805
ALCO	539-660hp	RE	808
ALCO	S6	RE	896
EMD	SW8	RE	906
EMD	SW8	RE	909
EMD	SW8	RE	912
ALCO	539-1000hp	RE	1003
ALCO	539-1000hp	RE	1007
ALCO	539-1000hp	RE	1008
ALCO	539-1000hp	RE	1010
ALCO	539-1000hp	RE	1016
ALCO	539-1000hp	RE	1017
ALCO	539-1000hp	RE	1019
ALCO	539-1000hp	RE	1021
ALCO	539-1000hp	RE	1023
ALCO	539-1000hp	RE	1026

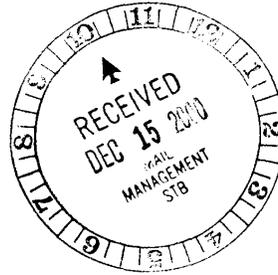
<u>Manufacturer</u>	<u>Model Designation</u>	<u>Initials</u>	<u>Unit No.</u>
ALCO	539-1000hp	RE	1030
ALCO	539-1000hp	RE	1034
ALCO	539-1000hp	RE	1038
ALCO	539-1000hp	RE	1039
ALCO	539-1000hp	RE	1044
ALCO	539-1000hp	RE	1049
ALCO	539-1000hp	RE	1050
ALCO	539-1000hp	RE	1052
ALCO	539-1000hp	RE	1071
ALCO	539-1000hp	RE	1072
EMD	NW2	RE	1201
EMD	NW2	RE	1202
EMD	NW2	RE	1206
EMD	NW2	RE	1207
EMD	NW2	RE	1231
EMD	NW2	RE	1232
EMD	NW2	RE	1234
EMD	SW1200	RE	1256
EMD	SW1200	RE	1257
EMD	SW1200	RE	1258
EMD	SW1200	RE	1259
EMD	SW1200	RE	1260
EMD	SW1200	RE	1266
EMD	SW1200	RE	1267
EMD	SW1200	RE	1270
EMD	SW1200	RE	1271
EMD	SW1200	RE	1272
EMD	SW1200	RE	1273
EMD	SW1200	RE	1288
EMD	GP7	RE	1602
EMD	GP9	RE	1612
EMD	GP9	RE	1618
EMD	GP9	RE	1620
EMD	GP10-3	RE	1801

RELCO Locomotives, Inc. locomotives

RECORDATION NO. 23258 FILED

DEC 18 '00 4-30 PM

**SURFACE TRANSPORTATION BOARD**



**MORTGAGE AND SECURITY AGREEMENT**

**Dated as of December 8, 2000**

**FROM**

**RELCO LOCOMOTIVES, INC.,  
DEBTOR,**

**TO**

**MANUFACTURERS BANK,  
SECURED PARTY.**

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Attachments to Security Agreement:

Exhibit A – Description of Equipment

Exhibit B – Description of Leases

DEC 18 '00 4-30 PM

**MORTGAGE AND SECURITY AGREEMENT****SURFACE TRANSPORTATION BOARD**

**THIS MORTGAGE AND SECURITY AGREEMENT** dated as of December 8, 2000 (the "Security Agreement") from **RELCO LOCOMOTIVES, INC.**, an Illinois corporation (the "Debtor") whose address is 113 Industrial Avenue, Minooka, Illinois 60447, to **MANUFACTURERS BANK** (the "Secured Party") whose address is 1200 North Ashland Avenue, Chicago, Illinois 60622;

**RECITALS:**

A. Debtor, Relco Finance, Inc. and Secured Party have entered into that certain Credit Agreement of even date herewith (as amended, modified, supplemented or restated, the "Credit Agreement") pursuant to which the Secured Party has agreed to make revolving loans and a term loan (collectively, the "Loans") to the Debtor and Relco Finance, Inc.

B. The Loans are evidenced by a Revolving Note and a Term Note (as amended, modified, supplemented or restated, collectively, the "Notes") and by certain other Loan Documents as defined and referred to in the Credit Agreement (the "Loan Documents").

C. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at the time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement, the Credit Agreement and the Loan Documents are hereinafter sometimes referred to as "indebtedness hereby secured".

D. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed by the Debtor.

E. Capitalized terms not otherwise defined herein shall have the respective meanings herein as such terms have in the Credit Agreement or the Loan Documents.

**SECTION 1 GRANT OF SECURITY.**

The Debtor in consideration of the premises and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes, this Security Agreement, Credit Agreement and in the Loan Documents contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, a security interest in all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in **Sections 1.1, 1.2 and 1.3** hereof and all proceeds thereof (all of which properties and proceeds hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1 **Equipment Collateral.** Collateral includes the equipment described in **Exhibit A** attached hereto and made a part hereof and in any supplement or supplements hereto from time

to time executed, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the equipment herein-above described, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said equipment (collectively the "Equipment" and individually "Item" or "Item of Equipment") together with all the rents, issues, income, profits and avails therefrom.

1.2 Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the equipment leases described on **Exhibit B** attached hereto and made a part hereof and in any supplements or supplements hereto from time to time executed (herein, as from time to time amended, collectively and individually called the "Lease"), including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor, as lessor under the Lease, including, without limitation:

- (a) the immediate and continuing right to receive and collect all rental and casualty amounts, insurance proceeds, condemnation awards and all other payments, tenders and security now or hereafter payable to or receivable by the Debtor, as lessor under the Lease,
- (b) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications, and
- (c) the right to take such action upon the occurrence of an event of default under the Lease or an event which with the lapse of time or giving of notice, or both, would constitute an event of default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease,

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all rental and casualty amounts and other sums at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.3 Certain Other Collateral. Collateral includes all rights, title, interest, claims and demands, if any, which the Debtor may have against any manufacturer or seller, or any lessee of the Debtor, as lessor, of the Equipment and all proceeds of such rights, title, interest, claims and demands, it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all sums at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.4 Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Credit Agreement, the Loan Documents and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void, otherwise this Security Agreement shall remain in full force and effect.

## SECTION 2 COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

### 2.1 Debtor's Duties.

- (a) The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Credit Agreement and the Loan Documents and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement thereto were fully set out in an amendment or supplement to this Security Agreement.
- (b) The Debtor shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Debtor shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted. Except as required or permitted by the provisions of Section 2.1 (c) hereof or the Lease, the Debtor shall not modify or permit the modification of any Equipment without the prior written authority and approval of the Secured Party.
- (c) Without limiting the foregoing subsection (b), the Debtor agrees to comply with all insurance policies covering the Equipment and all governmental laws, regulations, requirements and rules as the same may be in effect from time to time with respect to the use, maintenance and operation of the Equipment. In case any equipment or appliance is reasonably interpreted as being required to be installed on any Equipment in order to comply with such laws, regulations, requirements and rules, the Debtor agrees to make such changes, additions and replacements at its own expense; provided, however, that the Debtor may, in good faith and by appropriate legal proceedings, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not in the opinion of the Secured Party adversely affect the security interest of the Secured Party hereunder.

- (d) The Debtor will cause the Lessee to maintain the insurance described in the Lease and upon request of Secured Party, shall deliver to Secured Parties copies of all such policies of insurance or insurance certificates. If for any reason the Lessee fails to insure the Equipment in accordance with the Lease, the Debtor shall, at its own expense, maintain such insurance and shall provide the Secured Party the items which the Lessee is obligated to provide from time to time under the Lease.
- (e) The Secured Party shall have at all times the right to enter into and upon any premises under the control of the Debtor where any of the Equipment is located for the purposes of inspecting the same, observing its use or otherwise protecting the Secured Party's interest therein. Secured Party shall give the Debtor two (2) days prior notice of such entry if an Event of Default or an Unmatured Default is not in effect.
- (f) The Debtor will keep records concerning the Collateral, which records will be of such character as will enable the Secured Party or its designees to determine at any time the status thereof.
- (g) Upon the acquisition of any locomotive equipment other than as described on **Exhibit A** attached hereto and/or the entering into of any lease agreement with respect to such additional locomotive equipment, the Debtor shall promptly notify the Secured Party thereof and shall thereafter enter into such supplemental agreements as contemplated by **Section 5.1** hereof in order to subject such equipment and leases to the security interest of this Security Agreement.

2.2 Warranty of Title. The Debtor warrants that it is the owner of the Equipment; it has, good title to the Equipment and the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only Permitted Encumbrances). The Debtor also agrees that it will promptly take such action as may be necessary to duly discharge any liens, charges or encumbrances on the Collateral which result from claims against the Debtor; and the Debtor further agrees to indemnify and hold harmless the Secured Party and the holders of the Note from and against any cost or expenses (including legal fees and expenses) incurred, in each case, as a result of the imposition or enforcement of any liens, charges or encumbrances referred to in the foregoing clause of this second sentence of **Section 2.2**. Without limiting the foregoing, the Debtor agrees to cause to be executed a termination or release of the liens, if any, evidenced by each financing statement or other filed or recorded instrument, if any, in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral, excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein, and agrees to file or record in the appropriate public offices termination statements or other instruments evidencing such termination or release. Additionally, the Debtor agrees that it will not pledge, mortgage, grant a security interest in or assign the Collateral except under this Security Agreement.

2.3 Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and

assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired, including all acts, deeds, conveyances, transfers and assurances necessary or proper. Without limiting the foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Lease, the Debtor covenants and agrees that upon request of Secured Party after the occurrence of an Event of Default it will notify the Lessee of the assignment of the Lease and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease directly to the Secured Party or as the Secured Party may direct.

2.4 After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein.

2.5 Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder.

2.6 Modifications of the Lease. The Debtor will not, without the prior written consent of the Secured Party:

- (a) except in the ordinary course of business, terminate or materially modify or accept an assignment, a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or
- (b) except in the ordinary course of business, receive or collect any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment then due or to accrue in the future under the Lease in respect to the Equipment; or
- (c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Collateral or any part thereof or in any amount to be received by it from the use or disposition of the Equipment, other than Equipment sold in the ordinary course when no Event of Default shall exist. In the event Debtor desires to sell a particular item of Equipment in the ordinary course of business, Debtor may request that the Secured Party consent to the release of its security interest in such item of Equipment and execute any documents in a form acceptable to the Secured Party to effectuate the same, which consent shall not be unreasonably withheld.

2.7 Power of Attorney in Respect of the Lease and Other Documents. At any time an Event of Default exists, the Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney, with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Sections 1.1, 1.2 and 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in partial payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8 Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an event of default under the Lease if any officer of the Debtor has actual knowledge of such event or condition and is also aware, or should reasonably have been aware, that such event or condition constitutes such an event of default.

### SECTION 3 POSSESSION, USE AND INSURANCE PROCEEDS.

3.1 Possession and Use of Equipment. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto so long as such possession, enjoyment, control, management, operation and use does not involve service in regular operation outside the contiguous continental United States, provided, always, that the possession, enjoyment, control, management, operation and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement.

3.2 Insurance Proceeds. Debtor shall promptly notify Secured Party of any substantial damage to or any loss, destruction or condemnation of any Item of Equipment (collectively, a "Casualty Event"). Provided that an Event of Default has not occurred and is continuing as of the date of such Casualty Event, Debtor shall use the proceeds of any policy of insurance covering such Equipment for the prompt repair or replacement of such Equipment. If an Event of Default has occurred and is continuing as of the date of such Casualty Event, such insurance proceeds shall be paid to, and retained by, the Secured Party for application to the Liabilities as the Secured Party may elect.

### SECTION 4 DEFAULTS AND OTHER PROVISIONS.

4.1 Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean the occurrence of any one or more events of default under the Credit Agreement or the Loan Documents:

4.2 Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 4.1 has occurred and is continuing, the Secured Party shall have the rights,

options, duties and remedies of a secured party under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

- (a) The Secured Party may by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued and unpaid interest thereon, shall be and become immediately due and payable.
- (b) The Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold.
- (c) The Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and the Lessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale.
- (d) The Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable laws.

- (e) The Secured Party may proceed (to the extent it previously has not done so) to exercise all rights, privileges and remedies under the Lease and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

4.3 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any delay, stay or extension law now or at any time hereafter in force, nor claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, the Debtor hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

4.4 Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

4.5 Application of Proceeds. The rentals, proceeds and/or avails of any lease or sale of the Collateral, or any part thereof, and the proceeds and the avails of the exercise of any right or remedy hereunder shall be paid to and applied as follows:

- (a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of any such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes;
- (b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then first, to the unpaid premium, if any, thereon, second, to unpaid interest thereon, and third, to the unpaid principal installments thereof (in such order of installments as the Secured Party may from time to time elect); such application to be made upon presentation of the Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

- (c) Third, to the payment of other amounts due or to become due to the Secured Party under the Credit Agreement and the Loan Documents (in such order of application as the Secured Party may from time to time elect); and
- (d) Fourth, the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

4.6 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holders of the Note shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

4.7 Cumulative Remedies. No delay or omission of the Secured Party or of the holder of the Note to exercise any right or power arising from any default on the part of the Debtor hereunder shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party or the holders of the Notes of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided therein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing. The giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement shall not operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder; nor shall the Secured Party or holder of the Notes be required to first look to enforce or exhaust such other or additional security, collateral or guaranties.

## SECTION 5 MISCELLANEOUS.

5.1 Supplemental Security Agreements. The Debtor and the Secured Party from time to time at any time may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more of the following purposes:

- (a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Debtor, or
- (b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement and to correct and amplify the description of any property subject to the security interest hereof;

and the Debtor covenants to perform all requirements of any such supplemental agreement.

5.2 Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the

Debtor or by or on behalf of the Secured Party shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

5.3 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

5.4 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed as provided in the Credit Agreement or to any such party at such other address as such party may designate by notice duly given in accordance with this Section to the other party.

5.5 Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

5.6 Governing Law. This Security Agreement and the Note shall be construed in accordance with and governed by the internal laws of the State of Illinois; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

5.7 Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement. Each of the Debtor and the Secured Party acknowledge receipt of a true, correct and complete counterpart of this Security Agreement.

5.8 Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

[Remainder of Page Intentionally Left Blank]

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

ATTEST:

*Debra F. Bachman*  
Its: \_\_\_\_\_  
[CORPORATE SEAL]

RELCO LOCOMOTIVES, INC.

By: *Donald L. Bachman*  
Its: CHAIRMAN CEO  
DEBTOR

ATTEST:

\_\_\_\_\_  
Its: \_\_\_\_\_  
[CORPORATE SEAL]

MANUFACTURERS BANK

By: *Richard J. Burtel*  
Its: Senior Vice President  
SECURED PARTY

State of Illinois     )  
                              ) SS  
County of Cook     )

I, Donald L. Bachman, certify that I am Chairman/CEO of Relco Locomotives, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that the instrument was signed and sealed on behalf of the Board of Directors, and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the corporation. I further declare (certify, verify or state) under penalty of perjury that the foregoing is true and correct.

Executed on this 8th day of December, 2000.

x   
\_\_\_\_\_

State of Illinois        )  
                                  ) SS  
County of Cook        )

I, Richard A. Beutel, certify that I am Sr. Vice President of Manufacturers Bank, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that the instrument was signed and sealed on behalf of the Board of Directors, and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the corporation. I further declare (certify, verify or state) under penalty of perjury that the foregoing is true and correct.

Executed on this 8th day of December, 2000.

A handwritten signature in cursive script, reading "Richard A. Beutel", written over a horizontal line.

## SCHEDULE A

<u>Manufacturer</u>	<u>Model Designation</u>	<u>Initials</u>	<u>Unit No.</u>
EMD	SW1	RE	502
EMD	SW1	RE	504
EMD	SW1	RE	506
EMD	SW1	RE	508
EMD	SW1	RE	517
ALCO	539-660hp	RE	601
ALCO	539-660hp	RE	603
ALCO	539-660hp	RE	607
ALCO	539-660hp	RE	701
ALCO	539-660hp	RE	705
ALCO	539-660hp	RE	708
ALCO	539-660hp	RE	711
ALCO	539-660hp	RE	712
ALCO	539-660hp	RE	713
ALCO	539-660hp	RE	714
ALCO	539-660hp	RE	715
ALCO	539-660hp	RE	716
ALCO	539-660hp	RE	719
ALCO	539-660hp	RE	720
ALCO	539-660hp	RE	801
ALCO	539-660hp	RE	802
ALCO	539-660hp	RE	803
ALCO	539-660hp	RE	804
ALCO	539-660hp	RE	805
ALCO	539-660hp	RE	808
ALCO	S6	RE	896
EMD	SW8	RE	906
EMD	SW8	RE	909
EMD	SW8	RE	912
ALCO	539-1000hp	RE	1003
ALCO	539-1000hp	RE	1007
ALCO	539-1000hp	RE	1008
ALCO	539-1000hp	RE	1010
ALCO	539-1000hp	RE	1016
ALCO	539-1000hp	RE	1017
ALCO	539-1000hp	RE	1019
ALCO	539-1000hp	RE	1021
ALCO	539-1000hp	RE	1023
ALCO	539-1000hp	RE	1026

<u>Manufacturer</u>	<u>Model Designation</u>	<u>Initials</u>	<u>Unit No.</u>
ALCO	<del>539-1000hp</del>	RE	1030
ALCO	539-1000hp	RE	1034
ALCO	539-1000hp	RE	1038
ALCO	539-1000hp	RE	1039
ALCO	539-1000hp	RE	1044
ALCO	539-1000hp	RE	1049
ALCO	<del>539-1000hp</del>	RE	1050
ALCO	<del>539-1000hp</del>	RE	1052
ALCO	<del>539-1000hp</del>	RE	1071
ALCO	539-1000hp	RE	1072
EMD	NW2	RE	1201
EMD	NW2	RE	1202
EMD	NW2	RE	1206
EMD	NW2	RE	1207
EMD	NW2	RE	1231
EMD	NW2	RE	1232
EMD	NW2	RE	1234
EMD	SW1200	RE	1256
EMD	SW1200	RE	1257
EMD	SW1200	RE	1258
EMD	SW1200	RE	1259
EMD	SW1200	RE	1260
EMD	SW1200	RE	1266
EMD	SW1200	RE	1267
EMD	SW1200	RE	1270
EMD	SW1200	RE	1271
EMD	SW1200	RE	1272
EMD	SW1200	RE	1273
EMD	SW1200	RE	1288
EMD	GP7	RE	1602
EMD	GP9	RE	1612
EMD	GP9	RE	1618
EMD	GP9	RE	1620
EMD	GP10-3	RE	1801

RELCO Locomotives, Inc. locomotives

Schedule B

LOCOMOTIVE LEASE / FINANCE LOG

LN	DESCRIPTION	LOCATION	SERVICE DATE	LEASE DATE	LEASE TERM	MONTHLY RATE	INITIAL COST	MONTHLY ASSET	MONTHLY DEPR	TOTAL DEPR	TOTAL VALUE	RESIDUAL VALUE
502	RE	Emmou to Minooka				\$0	\$0	\$0	\$0	\$74,201	\$24,162	\$120,000.00
504	RE	Agri Northwest	12/01/1984	Dec-84	Monthly	\$1,200	\$521	\$1,721	\$0	\$14,648	\$12,810	\$120,000.00
506	RE	Occidental Chemical	07/26/1999	Dec-98	5 yrs.	\$2,159	\$3,429	\$4,788	\$259,120	\$184,881	\$190,000.00	
508	RE	Crown Valveage	02/01/1992	4-86 (2-92)	Monthly	\$1,100	\$2,494	\$3,594	\$43,893	\$18,806	\$120,000.00	
517	RE	STORED										
601	RE	Troy Elevator (Mennell)	02/01/1986	Feb-86	Monthly	\$1,680	\$709	\$2,389	\$28,114	\$15,000	\$30,000.00	
603	RE	Behr Iron & Steel	04/01/1973	Apr-73	Monthly	\$971	\$1,348	\$2,219	\$15,000	\$15,000	\$30,000.00	
607	RE	Horsehead Resources	07/01/1992	Jul-92	Monthly	\$1,050	\$3,699	\$4,749	\$49,337	\$15,000	\$30,000.00	
701	RE	Ferrous Processing	08/01/1994	Aug-94	Monthly	\$1,050	\$2,947	\$3,997	\$70,807	\$51,958	\$50,000.00	
705	RE	Ferrous Processing	09/01/1991	Sep-91	Monthly	\$1,050	\$2,213	\$3,263	\$55,320	\$15,869	\$50,000.00	
708	RE	Lauhoff Grain	11/01/1997	May-97	5 yrs.	\$1,050	\$3,151	\$4,201	\$73,452	\$55,602	\$95,000.00	
711	RE	Horsehead Resources	07/01/1992	Jul-92	Monthly	\$1,076	\$1,618	\$2,694	\$25,771	\$15,000	\$50,000.00	
712	RE	Chicago Gravel	06/01/1979	Jun-79	Monthly	\$2,689	\$0	\$2,689	\$15,000	\$15,000	\$30,000.00	
713	RE	Emesco Marine Service	04/01/1994	Apr-94	Monthly	\$1,155	\$788	\$1,943	\$15,000	\$15,000	\$50,000.00	
714	RE	STORED				\$0	\$0	\$0	\$15,000	\$15,000	\$50,000.00	
715	RE	PCS Phosphate	03/01/1993	4-81 (3-93)	Monthly	\$1,200	\$761	\$1,961	\$40,418	\$21,355	\$50,000.00	
716	RE	Strong Steel	02/11/1999	Aug-97	5 yrs.	\$1,025	\$1,842	\$2,867	\$170,445	\$83,840	\$85,000.00	
719	RE	STORED				\$0	\$0	\$0	\$109,321	\$66,072	\$50,000.00	
720	RE	STORED				\$0	\$0	\$0	\$77,866	\$19,142	\$50,000.00	
801	RE	Elkhart Grain	12/11/1996	Sep-96	5 yrs.	\$1,050	\$713	\$1,763	\$15,208	\$0	\$50,000.00	
802	RE	STORED				\$0	\$0	\$0	\$52,549	\$44,414	\$15,000.00	
803	RE	Staley Grain	07/01/1994	Jul-94	Monthly	\$1,000	\$461	\$1,461	\$33,403	\$15,000	\$50,000.00	
804	RE	Frontier Coop.	12/01/1988	Dec-88	Monthly	\$1,050	\$884	\$1,934	\$15,000	\$15,000	\$50,000.00	
805	RE	STORED										
808	RE	Intercontinental Term	10/09/1998	Jul-97	5 yrs.	\$1,500	\$725	\$2,225	\$116,767	\$71,573	\$50,000.00	
896	RE	STORED										
906	RE	Chocaw Maid Farms	01/27/1996	Jul-95	Monthly	\$2,075	\$4,343	\$6,418	\$25,186	\$23,772	\$120,000.00	
909	RE	GE Plastics	02/10/1995	Aug-94	7 yrs.	\$2,000	\$1,959	\$3,959	\$147,518	\$98,658	\$120,000.00	
912	RE	GEON	08/30/2000	Aug-99	5 yrs.	\$2,789	\$1,000	\$3,789				
1003	RE	Ametsteel	03/10/1997	Aug-96	5 yrs.	\$1,300	\$3,671	\$4,971	\$116,373	\$0	\$70,000.00	
1007	RE	LaRoche Industries	02/11/1999	3-91 (7-96)	5 yrs.	\$1,300	\$2,150	\$3,450	\$89,063	\$33,313	\$55,000.00	
1008	RE	STORED				\$0	\$0	\$0	\$54,210	\$22,471	\$20,000.00	
1010	RE	A.E. Staley	12/01/1984	Dec-84	3 yrs.	\$1,150	\$1,444	\$2,594	\$25,221	\$15,000	\$50,000.00	
1016	RE	Lammers Coop.	08-01-1991	Aug-91	Monthly	\$1,136	\$1,171	\$2,307	\$47,753	\$15,000	\$50,000.00	

Schedule B

LOCOMOTIVE LEASE / FINANCE LOG

LINE	ASSET OR STATUS	LOCATION	SERVICE DATE	LEASE DATE	LEASE TERM	MON. BASE RATE	APX. MON. MAINT. \$S	MON. REVS	TOTAL BASES	BOOK VALUE AS OF 12/31/99	MARKET VALUE
1017	RE STORED	Chessteron, IN	-	-	-	\$0	\$0	\$0	\$71,152	\$60,545	\$20,000.00
1019	RE	Chenoa, IL	08/01/1992	Aug-92	Monthly	\$1,130	\$708	\$1,838	\$42,540	\$15,656	\$50,000.00
1021	RE STORED	Ord, NE	-	-	-	\$0	\$0	\$0	\$0	\$0	\$0
1023	RE	Cleveland, OH	03/29/2000	Sep-99	5 yrs.	\$1,580	\$727	\$2,307	\$18,089	\$0	\$95,000.00
1026	RE	Brokaw, WI	07/01/1983	Jul-83	Monthly	\$1,200	\$950	\$2,150	\$21,453	\$15,000	\$50,000.00
1030	RE STORED	Cherokee, AL	-	-	-	\$0	\$0	\$0	\$48,139	\$21,133	\$20,000.00
1034	RE STORED	Granite City, IL	-	-	-	\$0	\$0	\$0	\$123,387	\$90,913	\$30,000.00
1038	RE	Seneca, IL	04/01/1977	Apr-77	Monthly	\$1,391	\$105	\$1,496	\$21,819	\$15,000	\$30,000.00
1039	RE	Destrehan, LA	05/01/1973	May-73	Monthly	\$925	\$849	\$1,774	\$21,490	\$15,000	\$30,000.00
1044	RE	South Bend, IN	12/30/1996	Jun-94	Monthly	\$1,150	\$2,030	\$3,180	\$109,653	\$82,562	\$50,000.00
1049	RE STORED	Lake Charles, LA	-	-	-	\$0	\$0	\$0	\$57,509	\$15,000	\$20,000.00
1050	RE STORED	St. Gabriel, LA	-	-	-	\$0	\$0	\$0	\$35,026	\$15,000	\$15,000.00
1052	RE	Cairo, IL	03/01/1976	Mar-76	Monthly	\$1,150	\$1,700	\$2,850	\$30,966	\$26,383	\$50,000.00
1071	RE	Shelby, NE	10/01/1988	Oct-88	Monthly	\$1,139	\$622	\$1,761	\$15,000	\$15,000	\$50,000.00
1072	RE	Farmers Coop.	04/01/1988	Apr-88	Monthly	\$1,150	\$358	\$1,508	\$15,762	\$15,000	\$50,000.00
1201	RE STORED	Geismar, LA	-	-	-	\$0	\$0	\$0	\$74,124	\$15,000	\$25,000.00
1202	RE STORED	Portland, OR	-	-	-	\$0	\$0	\$0	\$33,982	\$30,196	\$50,000.00
1206	RE	Carrollton, KY	01/26/1996	Jan-95	Monthly	\$1,701	\$1,945	\$3,646	\$118,725	\$11,691	\$120,000.00
1207	RE	Ernoite to Minooka	-	-	-	\$0	\$0	\$0	\$24,433	\$14,819	\$30,000.00
1231	RE	Port Hudson, LA	01/01/1975	Jan-75	Monthly	\$1,585	\$1,791	\$3,376	\$51,076	\$47,856	\$120,000.00
1232	RE	International Paper	-	-	-	\$1,444	\$2,070	\$3,513	\$10,999	\$14,819	\$170,000.00
1257	RE	A.D.M.	11/01/1986	Nov-86	Monthly	\$1,275	\$1,100	\$2,375	\$17,196	\$14,819	\$120,000.00
1258	RE	A.E. Saley	07/01/1982	Jul-82	Monthly	\$1,360	\$2,414	\$3,774	\$62,208	\$25,149	\$120,000.00
1259	RE	AK Steel	10/11/1995	Sep-95	5 yrs.	\$2,800	\$3,325	\$6,125	\$190,527	\$114,180	\$190,000.00
1260	RE	Phillip Services	08/20/1996	Jan-96	5 yrs.	\$3,850	\$2,211	\$6,061	\$102,580	\$0	\$170,000.00
1266	RE	AIMCOR	12/02/1996	May-96	5 yrs.	\$1,750	\$1,720	\$3,470	\$89,233	\$0	\$120,000.00
1270	RE	AIMCOR	07/16/1997	May-96	5 yrs.	\$1,750	\$1,720	\$3,470	\$114,876	\$84,339	\$120,000.00
1271	RE STORED	Joliet, IL	-	-	-	\$0	\$0	\$0	\$0	\$15,000	\$30,000.00
1272	RE	Fiddyville, IA	05/28/1998	Apr-97	5 yrs.	\$2,050	\$2,440	\$4,490	\$170,060	\$143,040	\$190,000.00
1273	RE	Phillip Services	02/14/1997	Jan-96	5 yrs.	\$3,850	\$2,211	\$6,061	\$181,020	\$12,425	\$170,000.00
1288	RE	Wise Alloys	04/01/1984	4/84 (\$ 99)	3 yrs.	\$1,650	\$1,599	\$3,249	\$124,989	\$38,003	\$190,000.00

Schedule B

LOCOMOTIVE LEASE / FINANCE LOG

LOG#	OPENED AT	LESSEE OR STATUS	LOCATION	IN		LEASE DATE	LEASE TERM	MON BASE RATE	AVERAGE MON	MON REV	TOTAL BASES	BOOK VALUE		MARKET VALUE
				DATE	DATE							AS OF 12/31/1999	12/31/1999	
1602	RE	STORED	Joliet, IL					\$0	\$0	\$0	\$137,104	\$28,641	\$80,000.00	
1612	RE	KTN Midwest	Gary, IN	03/31/2000	Feb-95	5 yrs.	\$1,800	\$2,441	\$4,241	\$78,677	\$25,792	\$80,000.00		
1618	RE	STORED	Portland, OR				\$0	\$0	\$0	\$64,139	\$49,312	\$130,000.00		
1620	RE	Fornosa Plastics	Point Comfort, TX	09/30/1997	03/07/1997	5 yrs.	\$2,000	\$1,914	\$5,914	\$272,257	\$168,961	\$130,000.00		
1801	RE	Lone Star	New Orleans, LA	12/11/1999	Aug-96	5 yrs.	\$5,725	\$2,314	\$8,039	\$221,117	\$210,625	\$280,000.00		
73							\$80,330	\$84,224	\$164,555	\$4,722,270	\$2,533,477	\$5,090,000.00		