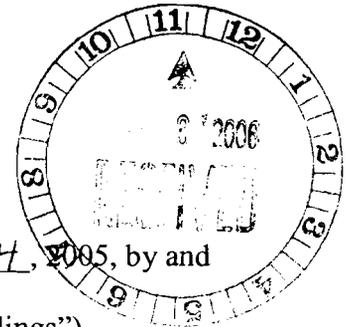


**MEMORANDUM OF SECURITY AGREEMENT**



This Memorandum of Security Agreement, dated as of October 14, 2005, by and between **TANGENT RAIL CORPORATION**, a Delaware corporation (“Holdings”), **TANGENT RAIL SERVICES, INC.**, a Kansas corporation (f/k/a RailWorks Rail Products & Services, Inc.) (“Services”), **TANGENT RAIL PRODUCTS, INC.**, a Delaware corporation (f/k/a RailWorks Wood Products, Inc.) (“Products”), and **TANGENT RAIL ENERGY, INC.**, a Virginia corporation (f/k/a Wood Waste Energy, Inc.) (“Energy” and, together with Holdings, Services and Products, each a “Grantor” and collectively “Grantors”), and **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services, Inc. (“Administrative Agent”).

1. The Administrative Agent and certain other lenders (the “Lenders”) have made loans to the Grantors and certain affiliates thereof pursuant to a Credit Agreement , dated as of the date hereof (the “Credit Agreement”), and a Security Agreement (the “Security Agreement”) dated as of the date hereof.

2. Pursuant to the Security Agreement, each Grantor has granted to the Administrative Agent, for the benefit of itself and the Lenders, a security interest in all of such Grantor’s right, title and interest in and to (among other things): (i) rolling stock, including but not limited to the the locomotives and rail grinding equipment (the “Grinders and Locomotives”) described on the attached Exhibit A, all equipment, inventory, or other property comprising the same, together with all related software (embedded therein or otherwise) and general tangibles, all additions, attachments, accessories and accessions thereto whether or not originally furnished with the Grinders and Locomotives and all substitutions and replacements thereof, (ii) all leases,

RECORDATION NO. 26099 FILED

JAN 03 '06

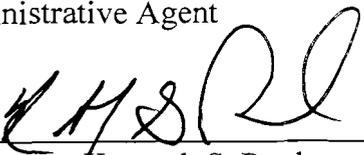
4-16 PM

subleases, or other agreements relating to the Grinders and Locomotives, and (iii) any and all insurance and/or other proceeds of the Grinders and Locomotives and other collateral.

[signature page to follow]

IN WITNESS WHEREOF, each of the parties hereto has caused this Memorandum of Security Agreement to be executed by its duly authorized officer as of the date first above written.

**MERRILL LYNCH CAPITAL,**  
a division of Merrill Lynch Business Financial  
Services, Inc.,  
as Administrative Agent

By:   
Name: Kenneth S. Pardue  
Title: Vice President

**TANGENT RAIL CORPORATION,**  
as Grantor

By: \_\_\_\_\_  
Name:  
Title:

**TANGENT RAIL SERVICES, INC.,**  
**(f/k/a RailWorks Rail Products & Services,**  
**Inc.)**  
as Grantor

By: \_\_\_\_\_  
Name:  
Title:

**TANGENT RAIL PRODUCTS, INC.,**  
**(f/k/a RailWorks Wood Products, Inc.)**  
as Grantor

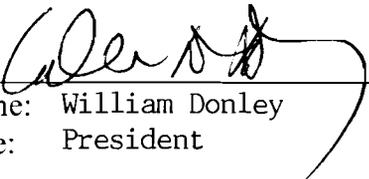
By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Memorandum of Security Agreement to be executed by its duly authorized officer as of the date first above written.

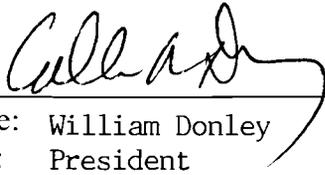
**MERRILL LYNCH CAPITAL,**  
a division of Merrill Lynch Business Financial  
Services, Inc.,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

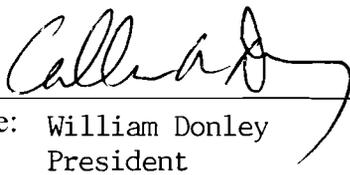
**TANGENT RAIL CORPORATION,**  
as Grantor

By:  \_\_\_\_\_  
Name: William Donley  
Title: President

**TANGENT RAIL SERVICES, INC.,**  
**(f/k/a RailWorks Rail Products & Services,**  
**Inc.)**  
as Grantor

By:  \_\_\_\_\_  
Name: William Donley  
Title: President

**TANGENT RAIL PRODUCTS, INC.,**  
**(f/k/a RailWorks Wood Products, Inc.)**  
as Grantor

By:  \_\_\_\_\_  
Name: William Donley  
Title: President

**TANGENT RAIL ENERGY, INC.,**  
**(f/k/a Wood Waste Energy, Inc.)**  
as Grantor

By:  \_\_\_\_\_  
Name: William Donley  
Title: President

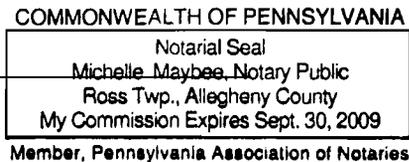
STATE OF )  
 ) SS  
COUNTY )

I hereby certify that on this 13 day of October, 2005, before me, the undersigned Notary Public of said State, personally appeared William Donley, who acknowledged herself/himself to be the President & CEO of **TANGENT RAIL SERVICES, INC.** (f/k/a RailWorks Rail Products & Services, Inc.) and acknowledged that she/he, as such President & CEO, being authorized so to do, executed the instrument for the purposes therein contained by signing the name of **TANGENT RAIL SERVICES, INC.** (f/k/a RailWorks Rail Products & Services, Inc.) by herself/himself as President & CEO.

IN WITNESS my Hand and Notarial Seal.

Michelle Maybee  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_



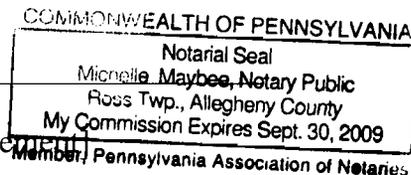
STATE OF )  
 ) SS  
COUNTY )

I hereby certify that on this 13 day of October, 2005, before me, the undersigned Notary Public of said State, personally appeared President & CEO William Donley, who acknowledged herself/himself to be the President & CEO of **TANGENT RAIL PRODUCTS, INC.**, (f/k/a RailWorks Wood Products, Inc.) and acknowledged that she/he, as such President & CEO, being authorized so to do, executed the instrument for the purposes therein contained by signing the name of **TANGENT RAIL PRODUCTS, INC.** (f/k/a RailWorks Wood Products, Inc.) by himself/herself as President & CEO.

IN WITNESS my Hand and Notarial Seal.

Michelle Maybee  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_



[Signature Page to Notary of Memorandum of Security Agreement]

STATE OF )  
 ) SS  
COUNTY )

I hereby certify that on this \_\_\_\_ day of October, 2005, before me, the undersigned Notary Public of said State, personally appeared \_\_\_\_\_, who acknowledged himself to be the \_\_\_\_\_ of **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services, Inc., and acknowledged that he, as such \_\_\_\_\_, being authorized so to do, executed the instrument for the purposes therein contained by signing the name of **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services, Inc. by himself as \_\_\_\_\_.

IN WITNESS my Hand and Notarial Seal.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_

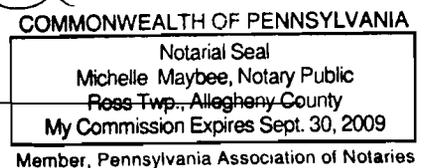
STATE OF )  
 ) SS  
COUNTY )

I hereby certify that on this 13 day of October, 2005, before me, the undersigned Notary Public of said State, personally appeared William Donley, who acknowledged herself/himself to be the President & CEO of **TANGENT RAIL CORPORATION**, and acknowledged that she/he, as such President & CEO, being authorized so to do, executed the instrument for the purposes therein contained by signing the name of **TANGENT RAIL CORPORATION** by herself/himself as President & CEO.

IN WITNESS my Hand and Notarial Seal.

Michelle Maybee  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_



[Signature Page to Notary for Memorandum of Security Agreement]

STATE OF )  
 ) SS  
COUNTY )

I hereby certify that on this 14 day of October, 2005, before me, the undersigned Notary Public of said State, personally appeared Kenneth S. Pardue, who acknowledged himself to be the Vice President of **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services, Inc., and acknowledged that he, as such Vice President, being authorized so to do, executed the instrument for the purposes therein contained by signing the name of **MERRILL LYNCH CAPITAL**, a division of Merrill Lynch Business Financial Services, Inc. by himself as Vice President.

IN WITNESS my Hand and Notarial Seal.

  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_

Notarial Seal  
Donna M. Stupy, Notary Public  
City Of Pittsburgh, Allegheny County  
My Commission Expires July 4, 2006  
Member, Pennsylvania Association Of Notaries

## Exhibit A

### Description of Locomotives and Grinders

Description	Serial #
Grinders	
J-4 Grinder Pandrol Jackson SCG-23	139417
J-6 Grinder Pandrol Jackson SCG-23	139419
J-8 Grinder Pandrol Jackson SCG-23	144047
J-9 Grinder Pandrol Jackson SCG-23	144048
J-10 Grinder Pandrol Jackson SCG-23	144053
J-11 Grinder Pandrol Jackson SCG-23	144054
RW-12 Grinder Pandrol Jackson SCG-23	139418
Locomotive	
1941 GE 300 HP locomotive	B-B-90-90-2GE733
1945 GE 150 HP Locomotive	B-50-50IGE133
1980 EMD GP39-2 Locomotive	796342-3
1978 EMD GP39-2 Locomotive	776116-3
1978 EMD GP39-2 Locomotive	776116-10