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RECORDATION NO

FILED 1425

DEC 29 1989 - 11 23 AM

INTERSTATE COMMERCE COMMISSION

December 29, 1989

10699-363A019

RECORDATION NO

FILED 1425

DEC 29 1989 - 11 23 AM

INTERSTATE COMMERCE COMMISSION

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two originals and two photocopied conformed counterparts of each of the two documents below.

The first document is a Security Agreement ("Security Agreement"), dated as of November 10, 1989, between Precision National Corporation ("Debtor") and Deutsche Credit Corporation ("Secured Creditor").

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

Debtor

Precision National Corporation
1100 Shawnee Street
Mount Vernon, IL 62864

Secured Creditor

Deutsche Credit Corporation
2333 Waukegan Road
Deerfield, IL 60015

A description of the locomotives covered by the Security Agreement is set forth in Schedule A attached thereto.

A check for \$15.00 payable to the order of the Interstate Commerce Commission is enclosed to cover the required recordation fee for the Security Agreement.

11/27/89
[Signature]

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Ms. Noreta R. McGee
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The second document is a Loan Agreement, dated as of November 10, 1989, between Precision National Corporation ("Borrower") and Deutsche Credit Corporation ("Lender"). The Loan Agreement should be filed concurrently with the Security Agreement, the primary document to which it relates.

The names and addresses of the parties to the Loan Agreement are:

Borrower

Precision National Corporation
1100 Shawnee
Mount Vernon, IL 62864

Lender

Deutsche Credit Corporation
2333 Waukegan Road
Deerfield, IL 60015

A description of the locomotives covered under the Loan Agreement is set forth in Schedule A attached to the Security Agreement, the primary document to which it relates.

A check for \$15.00 payable to the order of the Interstate Commerce Commission is enclosed to cover the required recordation fee for the Loan Agreement.

Kindly return one original and the two photocopies of each of the two enclosed documents in the envelope provided to Kelley W. White, Esq., Ross & Hardies, 150 North Michigan Avenue, Chicago, Illinois 60601.

Following is a short summary of each of the enclosed documents:

Primary Document. Security Agreement, dated as of November 20, 1989, between Precision National Corporation, as Debtor, and Deutsche Credit Corporation, as Secured Creditor, covering one hundred thirty-eight (138) locomotives described on Schedule A attached to the Security Agreement.

Secondary Document. Loan Agreement, dated as of November 10, 1989, between Precision National Corporation, as Borrower, and Deutsche Credit Corporation, as Lender, covering one hundred thirty-eight (138) locomotives described in Schedule

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A attached to the Security Agreement, the primary document to which it relates.

Please call me at the above telephone number in Chicago if you have any questions.

Very truly yours,

Kelley W. White (WPH)
Kelley W. White

KWW/ds

cc: Steven Ordaz
Robert W. Kleinman
T. Stephen Dyer

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LOAN AGREEMENT

INTERSTATE COMMERCE COMMISSION

This Agreement, by and between PRECISION NATIONAL CORPORATION ("PNC"), and DEUTSCHE CREDIT CORPORATION ("DCC"), is hereby entered into this 10th day of November, 1989.

DCC hereby agrees to make available to PNC a secured credit line in the maximum principal amount of Five Million Dollars (\$5,000,000), in one initial advance and two subsequent advances, in amounts and at times, pursuant to the terms and conditions set forth herein. For each advance, PNC shall give to DCC, its Promissory Note in the principal amount equal to the advance made by DCC, with all terms of repayment and at the rate(s) of interest as set forth therein.

The advances, as referenced above, shall be made in the following manner: at such time as PNC shall have satisfied all loan requirements of DCC, including, but not limited to, those set forth in DCC's Commitment Letter, dated October 25, 1989, and all documentation, in form and in substance satisfactory to DCC, has been fully executed and appropriately recorded by whatever means necessary, an initial advance ("Initial Advance") of Three Million Dollars (\$3,000,000), shall be made to PNC. Thereafter, two additional advances ("Additional Advance"), each in the amount of One Million Dollars (\$1,000,000), shall be made, at intervals of three to six months from the previous advance, but only at such time as all conditions precedent, as set forth below, are met by PNC. In any event, PNC shall give DCC at least 15 days prior written notice of a request for an Additional Advance.

As consideration for the above-referenced credit line, PNC hereby grants to DCC, a security interest in, among other things, 138 used locomotives ("Locomotives"). The terms of this grant of a security interest shall be as more fully provided in a Security Agreement dated 11-10, 1989 ("Security Agreement").

The Locomotives, which are being refurbished, rebuilt, reconditioned and/or remanufactured, upon completion of said refurbishing, rebuilding, reconditioning and/or remanufacturing, are to be sold or leased. Notwithstanding anything to the contrary contained in any other agreement, DCC shall consent to such sale or lease, but only upon the following conditions, to wit:

1. In the event the Locomotives are sold, transferred or otherwise disposed, PNC shall pay to DCC an amount which will be set by DCC, but in any event, shall represent the approximate amount which is in direct proportion to the then cumulative total of Initial Advance and any Additional Advances; however, if any Locomotives are sold, transferred or disposed, prior to any Additional Advance, the ratio of amounts due to the then cumulative total of the Initial Advance and any Additional Advances shall be adjusted to reflect said sale of Locomotive(s);

2. Prior to the sale, transfer or disposal, of Locomotives, PNC must notify DCC and identify the Locomotives to be sold, transferred or disposed, and upon sale, transfer or disposal, PNC must provide DCC with sufficient evidence (e.g. Bill of Sale) that the same Locomotives have actually and in fact been sold, transferred or disposed.

If the above conditions have not been met, the sale, transfer or disposal of Locomotives shall be void ab initio, and DCC's rights as to the Locomotives, as outlined in this Agreement and other agreements, including, but not limited to, the Security Agreement, shall continue unaffected.

In the event the Locomotives are not sold, transferred or disposed, but are leased, as additional security, for the payment of any and all indebtedness and obligations of every kind of PNC to DCC, whether incurred by the Initial Advance or by Additional Advances, PNC shall assign, and by these presents does hereby assign, transfer and set over to DCC all of PNC's right, title and interest in-and-to all lease agreements ("Lease Agreements") entered into by PNC as lessor, involving the Locomotives, when they have been fully rebuilt, reconditioned, remanufactured or refurbished by PNC, and all of the proceeds thereof, now or hereafter covered by the Lease Agreements, or any replacements therefore ("Leased Equipment") and all rentals and other monies now or hereafter due or to become due pursuant to the Lease Agreements, and any and all guaranties, endorsements, warranties, indemnity agreements, maintenance agreements, insurance policies, if any, or other agreements pertaining to the Lease Agreements or Leased Equipment. In connection with the assignment of the Lease Agreements and rentals, PNC here by agrees to execute and provide any additional documentation as may be requested by DCC, including, but not limited to, all lease assignment acknowledgments by lessees.

As further consideration for the above referenced secured credit line, PNC hereby grants, in addition to the other the rights and security interests granted under the above referenced Security Agreement, a security interest in and to (i) any Bills of Sale from the sellers of the Locomotives; and (ii) all other documents executed in connection with the Bills of Sale, including, but not limited to, itemized invoices which identify the Locomotives by number, and mark and sets forth their respective selling prices.

Additional Advances are and shall be subject to DCC's satisfaction of progress made in the refurbishment, rebuilding, recondition and/or remanufacture of the Locomotives. The degree of such progress shall be at the discretion of DCC. In order to determine and monitor such progress, DCC shall be allowed to make periodic inspections of the Locomotives, from time to time, and at all reasonable times.

Notwithstanding any agreement to the contrary, PNC hereby agrees to provide DOC with quarterly and yearly financial statements (year-end to be audited, unless DOC agrees to waive audit requirement), quarterly work on hand reports, and quarterly status reports on the financed equipment, which shall all be submitted in a timely manner.

In addition to representations made in any other agreement, including, but not limited to the Security Agreement, PNC warrants and represents to DOC that PNC is, has, and shall be the owner of the Locomotives, except for when ownership is transferred to any third party purchaser, and will provide such proof satisfactory to DOC evidencing such ownership. Furthermore, as the security interest above is to represent a first and prior interest in the Locomotives, notwithstanding any other representations or warranties made in any other agreement, PNC represents and warrants there are presently no other liens or encumbrances on the Locomotives, or that there will be no other liens or encumbrances at the time of the Initial Advance or Additional Advances, or that any other liens or encumbrances, if any, shall be subordinate to that of DOC, at the time of the Initial Advance or Additional Advances. Any breach of these representations or warranties shall be in violation of this Agreement and shall be an event of default of the Security Agreement referenced hereinabove.

Both the Security Agreement and this Agreement shall be filed with the Interstate Commerce Commission in accordance with Section 49 U.S.C. 11303.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of the Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

The parties hereto shall be entitled to all rights conferred by the provisions of Section 49 U.S.C. 11303 and such additional rights arising out of the filing, recording, registering or depositing, if any, of this Agreement as shall be conferred by the laws of any jurisdiction in which this Agreement shall be filed, recorded, registered or deposited, and any other additional rights conferred by any other applicable laws, including the Uniform Commercial Code, except as expressly agreed upon in this Agreement, and any other Agreement, including, but not limited to, the Security Agreement.

PNC agrees to pay DOC a documentation fee of Five Thousand Dollars (\$5,000).

This Agreement shall be binding upon and enure to the benefit of all successors and assigns of PNC and DCC. This Agreement may be executed in one or more counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 10th day of November, 1989.

PRECISION NATIONAL CORPORATION

DEUTSCHE CREDIT CORPORATION

By: Dean Mauer

By: [Signature]

Title: PRESIDENT

Title: SVP & TREASURER

By: [Signature]

Title: S.V.P. SECRETARY

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STATE OF ILLINOIS)
) SS.
COUNTY OF LAKE)

On this _____ day of _____, 1989, before me, the subscriber, _____, a Notary Public, duly commissioned, qualified and acting, within and for said County and State, appeared in person the within named _____ and _____ to me personally known, who stated and acknowledged that they are the _____ and _____ of Precision National Corporation, an Illinois corporation, and duly authorized by authority of the Board of Directors or By-Laws of said corporation in their capacity as such officers to execute and acknowledge the foregoing instrument for and in the name and on behalf of said corporation and further stated and acknowledged that they have so signed, executed and delivered the foregoing instrument as the free and voluntary act and deed of said corporation, for the consideration, uses and purposes therein mentioned and set forth and desired that the same might be recorded as such.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this _____ day of _____, 1989.

Notary Public

My commission expires:

STATE OF ILLINOIS)
) SS.
COUNTY OF LAKE)

On this 4th day of December, 1989, before me, the subscriber, DAVID K. SMRTNIK, a Notary Public, duly commissioned, qualified and acting, within and for said County and State, appeared in person the within named JAMES S. PODR and ROBERT E. SCHOEN to me personally known, who stated and acknowledged that they are the SENIOR VICE PRESIDENT & TREASURER and SENIOR VICE PRESIDENT & SECRETARY of Deutsche Credit Corporation, a Delaware corporation, and duly authorized by authority of the Board of Directors or By-Laws of said corporation in their capacity as such officers to execute and acknowledge the foregoing instrument for and in the name and on behalf of said corporation and further stated and acknowledged that they have so signed, executed and delivered the foregoing instrument as the free and voluntary act and deed of said corporation, for the consideration, uses and purposes therein mentioned and set forth and desired that the same might be recorded as such.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 4th day of December, 1989.

David K. Smrtnik
Notary Public

My commission expires: 5/2/1990



