

Arent, Fox, Kintner, Plotkin & Kahn

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In Maryland
7475 Wisconsin Avenue
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Gerald P. McCartin
(202) 857-6090

16923
RECORDATION NO. FILED 1425
JUL 3 1990 5:00 PM
INTERSTATE COMMERCE COMMISSION

In Virginia
8000 Towers Crescent Drive
Vienna, Virginia 22182-2733
(703) 847-5800

0-186A001
\$15.00

July 3, 1990

Secretary
Interstate Commerce Commission
12th and Constitution, N.W.
Washington, D.C. 20423

Dear Sirs:

Enclosed for recordation in accordance with 49 U.S.C. § 11303 is an executed and notarized copy of a Security Agreement dated June 29, 1990. The names and addresses of the parties to the above document are as follows:

LNW Acquisition Corporation
402 South Dee Road
Park Ridge, IL 60068
Attn: Gerald Hausman

The Louisiana and North West Railroad Company
402 South Dee Road
Park Ridge, IL 60068
Attn: Gerald Hausman

Secured Parties:

Harry E. Salzberg
David E. Schwab II
Trustees of The Murray M. Salzberg Trusts
Under Agreement Dated October 14, 1983
c/o Schwab, Goldberg, Price & Dannay
Room 3655
1185 Avenue of the Americas
New York, New York 10036

David E. Schwab II, Esquire
Schwab, Goldberg, Price & Dannay
Room 3655
1185 Avenue of the Americas
New York, New York 10036

JUL 3 4 55 PM '90
NOT RECORDED

Arent, Fox, Kintner, Plotkin & Kahn

Secretary
July 3, 1990
Page 2

Collateral Covered:

The following rolling stock in addition to the other equipment listed in Schedule 1 to the Security Agreement:

Three (3) Electro-Motive Division (EMD) diesel locomotives, Type F7A, bearing road numbers 45, 46 and 48, with "L&NW" markings

Three (3) EMD diesel locomotives, Type GP7A, bearing road numbers 50, 52 and 53, with "L&NW" markings

One (1) EMD diesel locomotive, Type GP9A, bearing road number 51, with "L&NW" marking

Two (2) caboose cars bearing road numbers 215 and 216, with "L&NW" markings

Twenty-five (25) box cars (A.A.R. mechanical designation XM) bearing road numbers 13001 to and including 13012 and 13014 to and including 13026, with "L&NW" markings

Seven (7) box cars (A.A.R. mechanical designation XM) bearing road numbers 9000, 12002, 12003, 12004, 12006, 12007 and 12008, with "L&NW" markings

Two (2) tank cars (A.A.R. mechanical designation T103) bearing road numbers 603 and 604, with "L&NW" markings

Two (2) flat cars (A.A.R. mechanical designation F102) bearing road numbers 41 and 4015, with "L&NW" markings

A filing fee of \$15.00 is enclosed. Please file one counterpart of the foregoing document under the provisions of 49 U.S.C. § 11303 and stamp the additional copies of the

Arent, Fox, Kintner, Plotkin & Kahn

Secretary
July 3, 1990
Page 3

document for return to the parties involved in the transaction. Please also return to me a stamped copy of this transmittal letter, which is enclosed.

Sincerely,


Gerald P. McCartin

Enclosures

Interstate Commerce Commission

Washington, D.C. 20423 7/5/90

OFFICE OF THE SECRETARY

Gerald P. McCartin
Arent, Fox, Kintner, Plotkin & Kahn
1050 Connecticut Avenue, N.W.
Washington, D. C. 20036-5339

Dear Sirs:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 7/3/90 at 5:00PM, and assigned recordation number(s). 16923.

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

JUL 3 1990 - 5:00 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

SECURITY AGREEMENT ("Agreement") dated as of June 29, 1990, made by LNW Acquisition Corporation, a Delaware corporation ("LNW"), and The Louisiana and North West Railroad Company, a Louisiana corporation ("Railroad"), to Harry E. Salsberg and David E. Schwab II, as Trustees of The Murray M. Salsberg Trusts under Agreement dated October 14, 1983 ("Trusts") and David E. Schwab II, individually ("Secured Parties").

RECITALS

A. Pursuant to a Share Purchase Agreement dated the date of this Agreement between LNW and the Secured Parties (the "Purchase Agreement"), LNW has purchased from the Secured Parties all of the issued and outstanding capital stock of Railroad, so that Railroad is now a wholly owned subsidiary of LNW.

B. Part of the purchase price payable by LNW to the Secured Parties is deferred pursuant to the Purchase Agreement and is evidenced by separate promissory notes from LNW to each of the Secured Parties dated the date of this Agreement ("Notes").

C. LNW desires to secure its obligations to the Secured Parties under the Notes by causing Railroad to grant to each Secured Party, pro rata, a security interest in certain property of Railroad, described below, and Railroad desires to grant such security interest.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Grant of Security. Railroad hereby assigns, pledges and grants to each of the Secured Parties, pro rata, a security interest in all the right, title and interest of Railroad to the following described property:

(a) All of the right, title and interest of Railroad in and to the railroad cars, locomotives and other rolling stock and equipment listed in Schedule 1 hereto (the "Equipment");

(b) All attachments, additions, accessories and accessions to the Equipment, now existing or hereafter acquired by Railroad, all replacements and substitutions therefor and for the Equipment and all proceeds thereof;

(c) All proceeds and products of the foregoing (and proceeds and products of proceeds and products), in whatever form and whether such proceeds arise before or after the

commencement of any case under the Bankruptcy Code (Title 11 of the U.S. Code) by or against Railroad, including, without limitation, all payments under insurance whether or not the Secured Parties are the loss payees thereof, all proceeds of any governmental taking payable by reason of any loss of or damage to or otherwise with respect to any of the foregoing.

All of the property described in subsections (a) through (c) above is herein collectively called the "Collateral".

SECTION 2. Security for Amounts Payable. This Agreement secures the payment of all amounts payable by LNW pursuant to each of the Notes ("Amounts Payable"). The rights of each Secured Party hereunder with respect to the Collateral shall be in proportion to the percentage obtained by dividing the Amount Payable under the Note of such Secured Party by the Amounts Payable under both Notes.

SECTION 3. Representations and Warranties. LNW and Railroad, jointly and severally, represent, warrant and covenant to the Secured Parties as follows:

(a) Railroad owns the Collateral free and clear of any lien, security interest, charge or encumbrance created by LNW or Railroad, except for the security interests created by this Agreement and any lien, security interest, charge or encumbrance consistent with the practice of Railroad prior to the acquisition of shares of Railroad by LNW (the "Acquisition").

(b) To the knowledge of LNW and Railroad, this Agreement is enforceable in accordance with its terms.

SECTION 4. Documentation.

(a) LNW and Railroad shall from time to time, at the Secured Parties' expense (with no charge for the time of Railroad employees), promptly execute and deliver or cause to be executed and delivered all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Secured Parties may reasonably request, in order to perfect with first priority and otherwise protect the security interest granted or purported to be granted hereby or to enable the Secured Parties to exercise and enforce their rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, LNW and Railroad shall cooperate with the Secured Parties so as to permit the Secured Parties to: (i) duly note the security interest of the Secured Parties on each certificate of title covering any of the Equipment and on any registration without certification of title covering any of the Equipment, (ii) file an executed counterpart of

this Agreement with the Interstate Commerce Commission in order to perfect the liens of the Secured Parties on the rolling stock forming part of the Collateral under the provisions of 49 U.S.C.A. § 11303 (1979) (formerly Section 20c of the Interstate Commerce Act), and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, and make such recordings, as may be necessary or desirable, or as the Secured Parties may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby, including, without limitation, execution and filing of such instruments and recordings as may be necessary under federal law relating to the creation and perfection of a security interest in any of the Equipment.

(b) To the best of their ability, LNW and Railroad shall furnish to the Secured Parties from time to time, at the Secured Parties' expense (with no charge for the time of Railroad employees), statements and schedules further identifying and describing the Collateral (including, without limitation, the locations and condition thereof) and such other reports in connection with the Collateral as the Secured Parties may reasonably request, all in reasonable detail.

SECTION 5. Equipment. LNW and Railroad shall:

(a) Cause the Equipment to be kept in jurisdictions where all action required by Section 4 has been taken with respect to the Equipment, except to the extent, if any, that the Equipment was kept in other jurisdictions prior to the Acquisition.

(b) Except as set forth in Schedules 4.7 and 4.8 of the Purchase Agreement, cause the Equipment to be maintained and preserved in good operating condition and repair, normal wear and tear and required maintenance excepted, suitable and fit for the purposes for which it is currently being used, and shall forthwith, or in the case of any loss or damage to any of the Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith which are necessary or desirable to such end. LNW and Railroad shall promptly furnish to the Secured Parties a statement respecting any material loss or damage to the Equipment.

(c) Pay promptly when due, or cause to be so paid, all property and other taxes, fees, assessments and governmental charges or levies imposed upon or in respect of the Equipment or this Agreement and all claims, including claims for labor, materials and supplies, against the

Equipment, except for payments being contested in good faith in appropriate proceedings.

(d) Cooperate with the Secured Parties so as to permit the Secured Parties, at their expense (with no charge for the time of Railroad employees) and upon their request, to:

(1) Mark or cause to be marked each car of the rolling stock forming part of the Collateral appropriately to show Railroad's ownership and with its assigned reporting mark and number in accordance with the rules and regulations of the American Association of Railroads, and maintain and cause such rolling stock to be always so marked while this Agreement remains in effect and not cause or allow such rolling stock to be marked so as to indicate ownership in any other party or to be renumbered without the prior written consent of the Secured Parties, nor allow such rolling stock to be marked so as to indicate a lien thereon allegedly held by any parties other than the Secured Parties.

(2) Cause each item of the Equipment (if not prevented by applicable law or regulations or governmental authority, and if it will not adversely affect the proper use thereof) to be legibly marked in a reasonably prominent location with such a plate, disk or other marking of customary size, and bearing such a legend, as shall be appropriate or desirable to evidence the fact that it is subject to the security interests of the Secured Parties hereunder. LNW and Railroad shall not remove or deface, or permit to be removed or defaced, any such plate, disk, or other marking of the identifying manufacturer's serial number, and, in the event of such removal, defacement or other disappearance thereof, LNW and Railroad shall promptly cause such plate, disk or other marking or serial number to be promptly replaced.

SECTION 6. Insurance.

(a) Railroad shall, at its expense, maintain or cause to be maintained insurance with respect to the Equipment in the types and amounts maintained prior to the Acquisition and maintain or cause to be maintained such insurance with respect to the Equipment in such amounts, against such risks, in such form and with such insurers as shall be reasonably requested by the Secured Parties from time to time. Within 20 days after the date of this Agreement, each policy shall (i) if for liability insurance, provide for all losses to be paid on behalf of the Secured Parties, for their benefit, and as their respective interests may appear and (ii) if for property damage insurance, provide

for all losses to be paid directly to the Secured Parties on a pro rata basis as provided in Section 2, to the extent payable to the Secured Parties and not to Railroad pursuant to Section 6(b) and (c). Within 20 days after the date of this Agreement, each such policy shall in addition (i) name the Secured Parties as insured parties and as loss payees thereunder, without any representation or warranty by or obligation upon the Secured Parties, as their interests may appear; (ii) contain an agreement by the insurer that any loss thereunder shall be payable to the Secured Parties notwithstanding any action, inaction or breach of representation or warranty by LNW or Railroad; (iii) provide that there shall be no recourse against the Secured Parties for payment of premiums or other amounts with respect thereto and (iv) provide that at least 30 days' prior written notice of cancellation or lapse shall be given to the Secured Parties by the insurer. Railroad shall, if so requested by the Secured Parties, deliver to the Secured Parties duplicate policies of such insurance and a report of a reputable insurance broker with respect to such insurance. Further, Railroad shall, at the request of the Secured Parties, duly execute and deliver confirmatory instruments of assignment of such insurance policies to comply with the requirements of this Agreement and cause the respective insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained pursuant to this Section 6 may be paid directly to the individual or entity who incurred liability covered by such insurance. In case of any loss involving damage to Equipment when Section 6(c) is not applicable, Railroad shall make or cause to be made the necessary repairs to or replacements of such Equipment, and any proceeds of insurance maintained pursuant to this Section 6 shall be paid to Railroad as reimbursement for the costs of such repairs or replacements.

(c) Upon the occurrence and during the continuance of any Event of Default, or any event of default under the Notes or Section 2.4 of the Purchase Agreement, all insurance payments in respect of such Equipment shall be paid to and applied by Railroad as specified in Section 12(d).

SECTION 7. Transfers and Other Liens. Railroad shall not:

(a) Sell, assign (by operation of law or otherwise), lease (except in a manner consistent with Railroad's practices prior to the Acquisition), charter or otherwise dispose of (or cause such to be done) any of the Collateral without the prior written consent of the Secured Parties.

(b) Create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral for so long as such security interests are permitted by the provisions of this Agreement, except such liens, security interests or other charges or encumbrances consistent with Railroad's practices prior to the Acquisition or that would not materially adversely affect the Secured Parties; provided that in no event shall any such lien, security interest, charge or encumbrance be incurred in connection with the borrowing of money, provided further, however, that purchase money indebtedness may be incurred in connection with the purchase of new Equipment that is not a replacement for Equipment owned by Railroad as of the Acquisition.

SECTION 8. Attorney-in-Fact. LNW and Railroad hereby irrevocably appoint each of the Secured Parties as the attorney-in-fact of each of LNW and Railroad, respectively, with full authority in the place and stead of LNW and Railroad, respectively, and in the name of LNW and Railroad, respectively, the Secured Parties, or otherwise, from time to time in the discretion of the Secured Parties, to take any action and to execute any instrument which the Secured Parties may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Secured Parties, for their benefit, pursuant to Section 6;

(b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) to receive, indorse and collect any drafts or other instruments and documents in connection with clauses (a) and (b) above;

(d) to file claims or take any action or institute any proceedings which either Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of a Secured Party with respect to any of the Collateral; and

(e) to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of LNW or Railroad where permitted by law.

SECTION 9. Secured Parties May Perform. If LNW or Railroad fails to perform any agreement contained herein,

then a Secured Party may perform, or cause performance of, such agreement, and the expenses of such Secured Party incurred in connection therewith shall be payable by LNW and Railroad under Section 13(b).

SECTION 10. Absence of Secured Parties' Duties. The powers conferred on the Secured Parties hereunder are solely to protect their interests in the Collateral and shall not impose any duty upon them to exercise any such powers. Except for the safe custody of any Collateral in their possession and the accounting for moneys actually received by them hereunder, the Secured Parties shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

SECTION 11. Events of Default. Each of the following events shall constitute an event of default ("Event of Default") under this Agreement:

(a) The failure of LNW to pay when due any Amount Payable by it to a Secured Party pursuant to a Note.

(b) The failure of LNW or Railroad to perform any of their other obligations under this Agreement when such performance is due, and the continuation of such failure for 30 days after written notice of such default is given to LNW or Railroad, as the case may be; provided, however, that no such failure shall be deemed an Event of Default if the Secured Parties are in material breach of a representation, warranty or obligation under the Purchase Agreement.

SECTION 12. Remedies. If any Event of Default shall have occurred and be continuing:

(a) Each Secured Party may, by notice to Railroad, declare all of the Amount Payable to such Secured Party to be forthwith due and payable.

(b) The Secured Parties, in lieu of or in addition to exercising any other power hereby granted, may without notice, demand or declaration of default, which are hereby waived by LNW and Railroad, proceed by an action or actions in equity or at law for the seizure and sale of the Collateral or any part thereof, for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, for the foreclosure or sale of the Collateral or any part thereof under the judgment or decree of any court of competent jurisdiction, for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral or any part thereof or for the enforcement of any other appropriate

equitable or legal remedy; and upon the commencement of judicial proceedings by a Secured Party to enforce any right under this Agreement, the Secured Parties shall be entitled as a matter of right against LNW and Railroad to such appointment of a receiver, without regard to the adequacy of the security by virtue of this Agreement or any other collateral or to the solvency of LNW or Railroad.

(c) The Secured Parties may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code, whether or not the Uniform Commercial Code applies to the affected Collateral, and also may (i) require LNW or Railroad to, and LNW hereby agrees that at its expense and upon request of a Secured Party it shall forthwith, assemble, or cause to be assembled, all or part of the Collateral as directed by such Secured Party and make it available to the Secured Parties at such places reasonably convenient to all parties as the Secured Parties may designate and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more sales at public or private sales, at any of the Secured Parties' offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Secured Parties may deem commercially reasonable. LNW and Railroad agree that, to the extent notice of sale shall be required by law, at least 10 days' notice to LNW and Railroad of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Parties shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Parties may adjourn any public or private sale from time to time by public announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(d) All cash proceeds received by the Secured Parties in respect of any sale of, collection from or other realization upon all or any part of the Collateral shall be applied as follows:

(i) First, to the payment of all costs and expenses incident to the enforcement of this Agreement, including but not limited to compensation to the agents, contractors and attorneys of the Secured Parties.

(ii) Second, to the payment of all other Amounts Payable; and

(iii) Third, the remainder, if any, to Railroad or to whomever may be lawfully entitled to receive such remainder; provided, however, that LNW shall remain liable to the Secured Parties for any deficiency in the Amounts Payable remaining after the application of such proceeds as provided in this Section 12(d).

(e) The Secured Parties, or either of them, shall have the right to become the purchaser at any public sale made pursuant to the provisions of this Section 12 and shall have the right to credit against the amount of the bid made therefor the amount payable to the Secured Parties, or either of them, as the case may be, out of the net proceeds of such sale. Recitals contained in any conveyance to any purchaser at any sale made hereunder shall conclusively establish the truth and accuracy of the matters therein stated, including, without limitation, nonpayment of the Amounts Payable and advertisement and conduct of such sale in the manner provided herein. LNW and Railroad do hereby ratify and confirm all legal acts that the Secured Parties may do in carrying out the provisions of this Agreement.

(f) Any sale of the Collateral or any part thereof pursuant to the provisions of this Section 12 shall operate to divest all right, title, interest, claim and demand of LNW and Railroad in and to the property sold and shall be a perpetual bar against LNW and Railroad. Nevertheless, if requested by the Secured Parties so to do, LNW and Railroad shall join in the execution, acknowledgement and delivery of all proper conveyances, assignments and transfers of the property so sold. It shall not be necessary for the Secured Parties to have physically present or constructively in their possession any of the Collateral at any such sale, and LNW and Railroad shall deliver all of the Collateral to the purchaser at such sale on the date of sale and, if it should be impossible or impracticable then to take actual delivery of the Collateral, the title and right of possession to the Collateral shall pass to the purchaser at such sale as completely as if the same had been actually present and delivered. Each of LNW and Railroad agrees that if LNW or Railroad retains possession of the property or any part thereof subsequent to such sale, LNW or Railroad, as the case may be, shall be considered a tenant at sufferance of the purchaser and shall, if LNW or Railroad remains in possession after demand to remove, be guilty of forcible detainer and be subject to eviction and removal, forcible or otherwise, with or without process of law, and all damages by reason thereof are hereby expressly waived by LNW and Railroad.

(g) Subject to any requirements of applicable law, LNW agrees that neither LNW, nor any entities under its control, shall at any time have or assert any right, under

any law pertaining to the marshalling of assets, the sale of property in the inverse order of alienation, the administration of estates of decedents, appraisement, valuation, stay, extension or redemption now or hereafter in force in order to prevent or hinder the rights of the Secured Parties or any purchaser of the Collateral or any part thereof under this Agreement, and LNW, to the extent permitted by applicable law, hereby waives the benefit of all such laws.

(h) Upon any sale made under the powers of sale herein granted and conferred, the receipt of the Secured Parties shall be sufficient discharge to the purchaser or purchasers at any sale for the purchase money, and such purchaser or purchasers and the heirs, devisees, personal representatives, successors and assigns therefor shall not, after paying such purchase money and receiving such receipt of the Secured Parties, be obliged to see to the application thereof or be in anywise answerable for any loss, misapplication or non-application thereof.

(i) Each and every right, power or remedy hereby granted to the Secured Parties is in addition to, and not in derogation of, any right, power or remedy granted by the Purchase Agreement and the Note issued thereunder and shall be cumulative and not exclusive, and each and every right, power or remedy, whether specifically hereby granted or otherwise existing, may be exercised from time to time and as often and in such order as may be deemed expedient by the Secured Parties, and the exercise of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. No delay or omission by the Secured Parties in the exercise of any right, power or remedy shall impair any such right, power or remedy or operate as a waiver thereof or of any other right, power or remedy then or thereafter existing. Any and all covenants in this instrument may from time to time, by an instrument in writing, be waived to such extent and in such manner as set forth in such written instrument, but no such waiver shall ever affect or impair the Secured Parties' rights hereunder, except to the extent specifically stated in such written instrument.

SECTION 13. Indemnity and Expenses.

(a) LNW and Railroad, jointly and severally, agree to indemnify the Secured Parties, and each of them, from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Secured Parties' gross negligence or willful misconduct.

(b) LNW and Railroad, jointly and severally, agree to pay upon demand to the Secured Parties the amount of any and all reasonable expenses, including the reasonable fees and disbursements of their counsel and or any experts and agents, which the Secured Parties may incur in connection with (i) the exercise or enforcement of any of the rights of the Secured Parties hereunder with respect to an Event of Default or (ii) the failure by LNW or Railroad to perform or observe any of the provisions hereof.

SECTION 14. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by LNW or Railroad herefrom, shall in any event be effective unless the same shall be in writing and executed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 15. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopied or telex communication) and mailed or telegraphed or telecopied or delivered: if to LNW or Railroad at 402 South Dee Road, Park Ridge, Illinois 60068, Attention: Gerald Hausman, with a copy to Robert C. Kneupfer, Esq., Baker & McKenzie, One Prudential Plaza, 130 East Randolph Drive, Chicago, Illinois 60601, and if to the Secured Parties to David E. Schwab II, Esq., Schwab, Goldberg, Price & Dannay, 1185 Avenue of the Americas, New York, New York 10036 or, as to each party, at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this section. All such notices and communications shall, when mailed, telegraphed or telecopied, be effective on receipt or, if sent by telex, when the telex is sent and the appropriate answer back is received.

SECTION 16. Continuing Security Interest, Etc. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full of the Amounts Payable and performance in full of all of the obligations of LNW and Railroad hereunder and under any documents or instruments evidencing or relating to the Amounts Payable; (ii) be binding upon LNW and Railroad, their successors and assigns, provided, however, that LNW and Railroad shall not have the right to assign their rights or obligations hereunder or any interest herein; and (iii) inure to the benefit of each of the Secured Parties and their respective successors, transferees and assigns. Upon payment in full of the Amounts Payable and performance in full of all of the obligations of LNW and Railroad hereunder and under any documents or instruments

evidencing or relating to any of the Amounts Payable, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to LNW and Railroad. Upon any such termination, the Secured Parties shall, at LNW's expense, execute and deliver to LNW and Railroad such documents as LNW and Railroad shall reasonably request to evidence such termination.

SECTION 17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder or remedies hereunder in respect of any particular Collateral must be governed by the laws of a jurisdiction other than the State of New York, including federal law.

SECTION 18. Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

SECTION 19. Releases. No release from the lien of this Agreement or any part of the Collateral by the Secured Parties shall in anywise alter, vary or diminish the force, effect or lien of this Agreement on the balance of the Collateral.

SECTION 20. Subrogation. This Agreement is made with full substitution and subrogation of the Secured Parties, for their benefit, in and to all covenants and warranties by others heretofore given or made in respect of the Collateral or any part thereof.

SECTION 21. Nature of Agreement. This Agreement will be deemed to be and may be enforced from time to time as an assignment, chattel mortgage, contract, deed of trust, financing statement, or security agreement, and from time to time as any one or more thereof as is appropriate under applicable law.

SECTION 22. LNW Action. LNW agrees to cause Railroad to comply with Railroad's obligations under this Agreement.

SECTION 23. Secured Parties Action. All action on behalf of the Secured Parties under this Agreement shall be taken by David E. Schwab II. The Secured Parties may at any time designate a different individual to act on their behalf and, in such event, shall promptly so notify LNW and Railroad in accordance with Section 15.

SECTION 24. Counterparts. This Agreement may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

SECTION 25. Headings. The section headings used in this Agreement are intended principally for convenience and shall not, by themselves, determine the rights and obligations of the parties to this Agreement.

SECTION 26. Entire Agreement. This Agreement, the Purchase Agreement and the Notes, and all documents or instruments delivered or to be delivered to the Secured Parties and LNW hereunder or thereunder, as the case may be, contain all of the terms and conditions agreed upon by the parties relating to the subject matter of this Agreement and supersedes any and all prior and contemporaneous agreements, negotiations, correspondence, understandings and communications of the parties, whether oral or written, respecting that subject matter.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

LNW ACQUISITION CORPORATION

[CORPORATE SEAL]

By: *Gerald Hausman*
Gerald Hausman

Title: President

THE LOUISIANA AND NORTH WEST RAILROAD COMPANY

[CORPORATE SEAL]

By: *David E. Schwab*

Title: SECRETARY

**THE MURRAY M. SALSBERG TRUSTS
UNDER AGREEMENT DATED
OCTOBER 14, 1983**

By: *David E. Schwab*
David E. Schwab II

Title: Trustee

David E. Schwab
David E. Schwab II

SCHEDULE 1

A. Rolling Stock

Three (3) Electro-Motive Division (EMD) diesel locomotives, Type F7A, bearing road numbers 45, 46 and 48, with "L&NW" markings

Three (3) EMD diesel locomotives, Type GP7A, bearing road numbers 50, 52 and 53, with "L&NW" markings

One (1) EMD diesel locomotive, Type GP9A, bearing road number 51, with "L&NW" marking

Two (2) caboose cars bearing road numbers 215 and 216, with "L&NW" markings

Twenty-five (25) box cars (A.A.R. mechanical designation XM) bearing road numbers 13001 to and including 13012 and 13014 to and including 13026, with "L&NW" markings

Seven (7) box cars (A.A.R. mechanical designation XM) bearing road numbers 9000, 12002, 12003, 12004, 12006, 12007 and 12008, with "L&NW" markings

Two (2) tank cars (A.A.R. mechanical designation T103) bearing road numbers 603 and 604, with "L&NW" markings

Two (2) flat cars (A.A.R. mechanical designation F102) bearing road numbers 41 and 4015, with "L&NW" markings

B. Roadway Maintenance Equipment

C&M Air Compressor

Ingersoll-Rand Air Compressor

Burro Crane Model 15

Burro Crane Model 30

Fairmont Tie Changer

Jackson Spot Tamper

Kershaw Ballast Regulator Model 26-1-12

RMC Tie Spacer

Electromatic Tamper

Jr. Electromatic Tamper

Bantam Crane

Deere 300B Wheel Loader/Backhoe

Nordberg Gandy

Deere 210C Backhoe/Loader

C. Electronic Data Processing Equipment

1 Reliant Computer with Monitor
1 T I Model 810 Printer
1 Epson Model MX80FT Printer
1 Gemini Model 15X Printer
1 Columbia Computer with Monitor
1 C D Computer with Monitor
1 S A T Computer with Monitor
1 STAR SG15 Printer
1 STAR MX10 Printer
1 Epson FX85 Printer
2 DSL Model 6621 STU Units
2 DSL Model 6624 RDU Units
1 Southwestern Bell Office Telephone System

D. Vehicles

1969 Ford 3/4 Ton Truck (Crew-Cab) - F25YCT90309
1970 Dodge 1/2 Ton Truck (Cab-Over-Engine) -
A11AE08103703
1978 Dodge 3/4 Ton Truck - R29BF8S175917
1980 Chevrolet 3/4 Ton Truck (Crew-Cab) -
CCM24AB149286
1980 Chevrolet 3/4 Ton Truck (Crew-Cab) -
CM24AB149400
1982 Chevrolet 3/4 Ton Truck (Crew-Cab) -
1GCGC33JOC8159055
1983 GMC Sierra 3/4 Ton Truck (Crew-Cab) -
1GTGC23MODS507720
1984 Chevrolet 1 Ton Truck (Crew-Cab) -
1GCGC33M1ES199965
1987 Dodge Dakota 1/2 Ton Truck - 1B7GN14K9HS314846
1979 Olds Delta 88 Automobile - 3N68R9M178867
1989 Dodge Dynasty Automobile - 1B3BC563XKD520816

E. Radio Equipment

8 Motorola Model 1H23RPB1120AM
1 Motorola Model C53RTB1125C
1 Motorola Model L63BBB1190AM
8 Motorola Model R43RTH1190AA
3 Motorola Model R43RTB1190BA
7 Motorola Model D33TRA1300BK
1 Motorola Model L43TRB1130AM
2 Motorola Model H23HMB1124AM
3 Motorola Model D33GZA1300K
4 Motorola Model D43GMA1300AK
2 Motorola Model H43GNU1120M

F. Radio Towers and Antennas

**Antenna and Tower
Railroad Yard near Wye
Latitude 33° 21' 00" N
Longitude 93° 13' 00" W
McNeil (Columbia County), Arkansas**

**Antenna
West Union Street
Latitude 33° 16' 00" N
Longitude 93° 15' 00" W
Magnolia (Columbia County), Arkansas**

**Antenna, Maintenance equipment and supplies
North Main Street
Latitude 32° 47' 22" N
Longitude 93° 03' 16" W
Homer (Claiborne Parish), Louisiana**

**Antenna and pole
Railroad Avenue
Latitude 32° 32' 47" N
Longitude 93° 03' 04" W
Gibsland (Bienville Parish), Louisiana**

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

On this 29th day of June, 1990, before me, the undersigned, a Notary Public in and for said state, personally appeared Gerald Hausman, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of LNW Acquisition Corporation, one of the corporations therein named and acknowledged to me that said corporation executed it.

Signature: Shirley A. Barstow

My Commission Expires: January 18, 1994

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

On this 29th day of June 1990, before me, the undersigned, a Notary Public in and for said state, personally appeared DAVID E. Schwab, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as SECRETARY of The Louisiana and North West Railroad Company, one of the corporations therein named and acknowledged to me that said corporation executed it.

Signature: Shurley A. Barstow

My Commission Expires: January 18, 1994

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

On this 29th day of June, 1990, before me, the undersigned, a Notary Public in and for said state, personally appeared David E. Schwab II, personally known to me (or proved to be on the basis of satisfactory evidence) to be the person who executed the within instrument and acknowledged to me that he executed it as his free act and deed.

Signature: Shirley A. Barstow
My Commission Expires: January 18, 1994

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

On this 29th day of June, 1990, before me, the undersigned, a Notary Public in and for said state, personally appeared David E. Schwab II, personally known to me (or proved to be on the basis of satisfactory evidence) to be the person who executed the within instrument and acknowledged to me that he executed it as his free act and deed.

Signature: *Shirley A. Barstow*
My Commission Expires: *January 18, 1991*