



300 Clinton Avenue W  
Huntsville, AL 35801  
www.mysoutherncommunitybank.com

February 9, 2016

Chief  
Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street SW  
Washington, DC

RECORDATION NO. 32140 FILED

MAR 21 2016 -4:25 PM

SURFACE TRANSPORTATION BOARD

Dear Section Chief:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) is two (2) originals of the document described below. The document is a security agreement dated February 9, 2016 (the "Commercial Security Agreement"), and is a primary document.

The Names and Addresses of the parties to the Commercial Security Agreement are as follows:

Secured Party

Southern Commercial Bank  
1400 North Jackson Street  
Tullahoma, TN 37388

Debtor

The Huntsville and Madison County Railroad Authority  
PO BOX 18925  
Huntsville, AL 35804

A description of the equipment covered by the enclosed document is as follows:

- One (1) GE B39-8 Locomotive #8527, Qualified and Repaired (1987)
- One (1) GE B39-8 Locomotive #8560, Qualified and Repaired (1988)
- One (1) GE B39-8 Locomotive #8539, As-Is, Where-Is (1987)

Replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.

A fee of \$43.00 is enclosed. Please return one (1) stamped original to the undersigned after recording. If you have any questions, please feel free to call me at (256) 539-7730.

Sincerely,

A handwritten signature in cursive script, appearing to read "Terri L. Nicholson".

Terri L. Nicholson  
Market President

MAR 21 2016 -4 :25 PM

SECURITY AGREEMENT AND  
ASSIGNMENT OF LEASE

SURFACE TRANSPORTATION BOARD

Contract # 02-16-12-644-01  
For: Huntsville and Madison County Railroad Authority

THIS AGREEMENT, by and between LEASESOUTH, L.L.C. a Limited Liability Company, operating under the laws of the State of Alabama with an office at 300 Clinton Avenue West, Suite 1, Huntsville, Alabama 35801 (hereinafter called "Debtor"), and Southern Community Bank having a place of business at 300 Clinton Avenue West Huntsville, Al 35801, (hereinafter called the "Lender").

NOW, THEREFORE, in consideration of ONE DOLLAR and other good and valuable consideration, it is hereby agreed as follows:

1. Recitals

1.1 Lender has made or will make a loan to the Debtor to be secured by certain collateral as herein provided.

1.2 To evidence its indebtedness to the Lender, Debtor has made or will make to the order of Lender Debtor's Recourse Promissory Note (the "Note"), a copy of which is attached hereto, made a part hereof and marked Exhibit B.

1.3 Debtor is the Lessor under a certain Equipment Schedule described on Exhibit A, aka Attachment A, hereto with the lessee (the "Initial Lessee") described on such Exhibit A.

2. Definitions

The following terms shall have the following meanings for the purposes of this Agreement:

2.1 "Initial Lease" shall mean the Equipment Schedule listed on Exhibit A hereto.

2.2 "Equipment" shall mean the Equipment covered by, and listed on, the initial Lease together with all replacement parts, repairs, additions and accessories incorporated therein and/or affixed thereto and/or substitutions therefor (except additions and accessories which may be removed without interfering with the normal and satisfactory operation or maintenance of the Equipment).

2.3 "Collateral Documents" shall mean any and all instruments or documents (whether presently existing hereinafter arising) pursuant to which any person, entity or corporation shall issue a guaranty of, or provide collateral security for, the obligations of the lessee under any Lease of Equipment, and shall include, without limitation, all guarantees, security agreements, assignments and mortgages.

A list of the presently existing Collateral Documents is attached hereto as Exhibit C, although the failure to list the same on said Exhibit shall in no way prejudice the security interest created hereby in Collateral Documents.

2.4 "Lease" shall mean the Lease Agreement, the initial lease, any renewal or extension of the Initial Lease and any lease of any equipment to any party other than the initial Lessee.

2.5 "Lessee" shall mean the lessee under any Lease, and shall include, without limitation, the Initial Lessee.

3. Creation of Security Interest

The Debtor does hereby grant, pledge, transfer, assign, set over to Lender and grant Lender a security interest in the following property (herein collectively referred to as the ("Collateral")):

3.1 Chattel Paper of Debtor consisting of the Initial Lease; and

3.2 All of the monies, rentals and other rights and benefits due and hereafter to become due or otherwise to accrue to the benefit of the Debtor under the Initial Lease except all rentals due for periods prior to 2/4/2016; and

3.3 All "collateral documents"; and

3.4 The Equipment; and

3.5 All right, title and interest of the lessor under any Lease together with all rights, powers and privileges and other benefits of the lessor pursuant to any Lease including, but not by way of limitation, the immediate and continuing right to receive and collect all payments (except payments due lessor in the nature of reimbursement or tax indemnification); and

3.6 All claims, rights, powers, privileges and remedies on the part of Debtor with respect to the Equipment whether arising under any Lease or by statute or at law or in equity or otherwise; and

3.7 All right, title and interest of Debtor under any collateral documents; and

3.8 Any proceeds and products of the assets listed in subsections 3.1 through 3.7 above.

4. Secured Indebtedness

The assignment and security interest hereby effected and created is granted and created to secure the payment of the following obligations (the "Obligations"):

4.1 The liabilities and duties of the Debtor under the Note, this Agreement, and any other instruments or documents made by the Debtor in favor of the Lender with respect to the loan evidenced by the Note, and any and all extensions, renewals, substitutions and changes in form thereof which may be from time to time and for any term or terms effected: and

4.2 All costs and expenses incurred or paid by the Lender in enforcing its rights under or pursuant to this Security Agreement, the Note and/or any such other instruments or documents, including reasonable attorney's fees and interest on all sums expended by the Lender in enforcing such rights from the date of each such expenditure at the rate of (10%) percent per annum.

5. Representation and Warranties

In order to induce Lender to make the loan evidenced by the Note, and to consummate the transactions contemplated hereby, Debtor represents and warrants to Lender, as follows:

5.1 One original of all documents and agreements executed or delivered by Debtor or the Lessee with regard to the Initial lease has been delivered to Lender.

5.2 The Debtor warrants that, the Initial Lessee had capacity to contract the Initial Lease, the Initial Lease is valid and enforceable in accordance with its terms and the signatures on the Initial Lease are genuine.

5.3 The Equipment has been delivered to and accepted by the Initial Lessee and no default on the part of the Debtor or to the Debtor's best knowledge, the Lessee has occurred under the terms and provisions of the Initial lease.

5.4 No offsets, counterclaims and rights of recoupment or other defenses exist in favor of the lessee under the Initial Lease.

5.5 Debtor has not made any other assignments of the monies and benefits due or to accrue under any Lease except to the Lender, and Debtor is the owner of the Lease, the equipment and the other Collateral free and clear of all liens, security interests and encumbrances whatsoever, subject only to the rights of the lessee under the Initial Lease.

5.6 There is owing on the Initial Lease all of the rents set forth therein for the Initial Term as defined therein, except for any rentals which are owing for periods prior to 2/4/2016 or rentals paid for periods prior to such date.

5.7 The Debtor is and will continue to be a corporation duly incorporated and validly existing under the laws of the State of its incorporation, and is and will continue to be qualified and in good standing in all jurisdictions wherein the character of the property owned or the nature of the business transacted by it makes licensing or qualification as a foreign corporation necessary.

5.8 The execution, delivery and performance by the Debtor of this Agreement and any other documents and instruments contemplated by this Agreement to which the Debtor is a party (herein the "Relevant Documents") have been duly authorized by all necessary action on the part of the Debtor and do not violate or constitute a breach under, its Certificate of Incorporation or By-Laws or any law, rule or regulation or any indenture, contract or other instruments to which the Debtor is a party or by which it is bound. This agreement and the Relevant Documents, upon their execution and delivery, will constitute the legal, valid and binding agreements of the Debtor enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by the possible unavailability of the remedies of specific performance and injunctive relief.

5.9 There is no action, suit or proceeding now pending, or to the knowledge of the Debtor, threatened against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its ability to carry on its business or would materially affect its financial condition.

## 6. Rights Under Assignment of Lease

6.1 All leases and all Collateral Documents are hereby assigned irrevocably to the Lender until the obligations are satisfied in full.

6.2 Debtor hereby authorizes and empowers the Lender to give written notice of this to any Lessee and, regardless of the occurrence or non-occurrence of any default by Debtor, in Lender's own name and right to ask, demand, collect, receive, receipt for and enforce all rents and other sums due unto Debtor under or pursuant to the provisions of any Lease and any Collateral Documents and agrees that the receipt by the Lender for any such sums shall be binding upon Debtor and constitute the valid receipt of Debtor therefore, even though any such sum or sums may be in excess of the indebtedness then due and owing by Debtor to the Lender.

6.3 This Agreement shall not impose upon the lender any of the obligations of the debtor, or of any lessor, under any Lease.

6.4 Debtor will not in any manner hinder or interfere with the Lender in making collections under any lease and any collateral Documents and does hereby authorize the empower Lender to receive all rents and other sums which are the subject matter of the assignment of lease contained herein at the place of payment designated by Lender.

6.5 Debtor agrees that Lender may from time to time, without notice to Debtor, and without in any manner releasing or impairing Debtor's Obligations, grant indulgences and extensions of any payments due under any lease or any Collateral documents and take, or refrain from taking, any action with respect thereto which Lender may deem suitable or appropriate until the Obligations are satisfied in full; provided, however, that so long as no Event of Default has occurred and is permit any offsets, counterclaims and rights of recoupment or other defenses to arise in favor of any Lessee.

7. Covenants of Debtor

7.1 Debtor will comply with all terms of any Lease and will not knowingly suffer or permit any offsets, counterclaims and rights of recoupment or other defenses to arise in favor of any Lessee.

7.2 Debtor will not consent to the removal of the Equipment by the Initial Lessee or any other party from the location specified in the Initial Lease without prior notification to the Lender and receipt of the Lender's written consent thereto, which will not be unreasonably withheld.

7.3 Debtor will not sell, assign, transfer, grant or receive a security interest in or otherwise encumber, lease or otherwise dispose of, any Collateral, including without limitation the Equipment and/or any Lease, without the prior written consent of the Lender, except that Debtor may enter into the Initial lease and provided that Debtor may transfer or assign any of its interest in the Equipment and/or any Lease so long as the Lender has given its written consent, such consent not be to unreasonable withheld and the transferee or assignee takes subject to the security interests granted herein to Lender, whether or not such security interests are perfected, and such transferee or assignee prior to any transfer or assignment executes and delivers to Lender appropriate instruments of acknowledgment satisfactory in form and substance to Lender together with UCC-1 financing statement to be filed against such transferee or assignee. The transferee or assignee may, subject to the limitations of this Section, grant Debtor a security interest in the Equipment in connection with the sale of other transfer of the Equipment, which security interest shall be junior and subordinate in all regards to Lender's security interest.

7.4 The Debtor will permit the Lender to visit and inspect any of the Collateral, to the extent permissible under any Lease, and to examine all books and records of the Debtor concerning the Collateral.

7.5 The Debtor will not modify, amend or terminate the Lease to any extent or in any regard without the prior written consent of Lender.

8. Defaults

Any of the following events ("Events of Default") shall constitute a default under this Security Agreement and the Note:

8.1 Default in payment of an installment of principal on, or interest on, the Note when due; or

8.2 Debtor fails to perform or observe any covenant, term or condition of this Agreement to be performed or observed by Debtor (other than defaults covered by subsection 8.1) and such failure continues unremedied for a period of ten (10) days after written notice from Lender to Debtor stating the failure; or

8.3 Debtor shall have made any representation or warranty in this Agreement or in any document or certificate executed by Debtor incident to the transactions contemplated by the Note and/or this Agreement, which is at any time found to have been false in any material respect at the time such representation or warranty was made; or

8.4 Debtor ceases to do business as a going concern, makes an assignment for the benefit of creditors or files any petition with respect to its own financial condition under any bankruptcy law or any amendment thereto (including, without limitation, a petition for reorganization, arrangement or extension) or under any other insolvency law or laws, providing for the relief of debtors; or

8.5 A receiver, trustee, conservator or liquidator is appointed for Debtor or all or a substantial part of its assets, and any such proceeding is not discharged within thirty (30) days after the commencement thereof; or Debtor shall be adjudicated bankrupt or insolvent or in need of any relief provided to debtors by any court; or any petition or other such proceeding shall be filed against Debtor under any bankruptcy law or any amendment thereto (including without limitation, a petition for reorganization, arrangement or extension) or under any other insolvency law or laws, providing for the relief of debtors, and the same shall not be discharged within thirty (30) days after its commencement; or

8.6 Any of the foregoing Events of Default shall occur with respect to any person, entity or corporation other than Debtor who shall own the Equipment and/or the rights of the lessor under any Lease; or

8.7 Any default or event shall occur under the terms of any Lease or under any Collateral Document, on the part of any party thereto.

9. Remedies Upon Event of Default

9.1 Upon the occurrence of an Event of Default, the Lender may declare immediately due and payable all sums owing under the Note and the other Obligations and/or may proceed to exercise any or all of the rights granted by the Uniform Commercial Code of Alabama to a secured party with respect to the Collateral.

9.2 Without limiting the generality of the foregoing, upon the occurrence of an Event of Default, Lender may sell any or all of the Collateral at a public or private sale for cash or upon credit and/or Lender may lease any or all of the Collateral upon such terms and conditions as lender may deem necessary or suitable. At any public sale of such collateral, Lender may bid at such sale and employ up to the outstanding amount of the Obligations as payment.

9.3 Without limiting the generality of the foregoing, if there be a default by any Lessee under any Lease, then to the extent permitted by applicable law, the Lender shall have the right to exercise any or all of the remedies which the lessor and its assigns shall enjoy under the provisions of any lease as well as under applicable law.

9.4 All remedies of Lender are cumulative and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy. No failure on the part of the Lender to exercise and no delay in exercising may right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of the same or any other right or remedy by Lender.

9.5 Lender shall have the right to exercise all rights, privileges and remedies which are set forth herein, and/or in any Lease, and/or in any Collateral Documents, or as provided by applicable law, either in its own name or in the name of the Debtor for the use and benefit of the Lender.

9.6 In connection with any sale or disposition of Collateral the requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of the Debtor shown at the beginning of this Agreement at least ten (10) days before the time of the sale or disposition.

9.7 Upon the occurrence of any Event of Default, and without limiting the generality of the foregoing provisions of this Section 9, Debtor will use its best efforts to assemble all Collateral at such place as shall be designated by the Lender.

9.8 Debtor shall be liable to the Lender for all costs and expenses incurred or paid by the Lender in enforcing its rights and remedies under or pursuant to this Security Agreement and the Note and including reasonable attorneys' fees and interest on all sums expended by the Lender in enforcing such rights from the dates of each such expenditure at the rate of (10%) percent per annum.

9.9 Lender and Debtor waive all right to trial by jury in any litigation relating to the Obligations, this Agreement and the transactions contemplated hereby.

9.10 Anything in this Agreement to the contrary notwithstanding, it is expressly agreed that so long as there exists no event of default under any lease, the Lender shall not disturb the Lessee's quiet and peaceful enjoyment of the Equipment and Lessee's right to use the Equipment.

#### 10. Notices

Any notice to be given hereunder shall be given by registered or certified mail, return receipt requested. Any notice which Lender gives to any Lessee shall be sent with a copy to Debtor, provided that the failure of Debtor to receive a copy shall impose no liability upon Lender, shall not impair any rights or remedies of Lender and shall not excuse any obligations of Debtor. All such notices shall be given to the address of the parties set forth herein, or to such other address as the parties may hereafter specify by written notice given in accordance with this section and shall be deemed given on the date such notice is mailed as provided herein.

#### 11. Further Assurances

Debtor, at the request of the Lender, shall execute and deliver to Lender such documents and instruments (including without limitation UCC-1 Financing Statement) as Lender shall deem necessary or suitable in order to effectuate the provisions of this Agreement. Any such Financing Statement may be executed on behalf of lender by any officer or representative of Lender or by any attorney representing Lender in said transaction.

#### 12. Miscellaneous

This Agreement shall be construed and enforced according to the laws of the State of Alabama. All rights of the Lender hereunder shall inure to the benefit of its successors and assigns and all obligations of the Debtor shall be binding upon its successors and assigns. This Agreement may not be amended or modified except by writing signed by the Debtor and Lender. All section headings contained herein are for convenience of reference only and shall not be deemed to define, limit or describe the terms hereof.

13. Lender's Representation

Lender represents that it will hold the Note for its own account for investment and has no present intention of distributing or reselling it, but without prejudice, however, to its right at all times to sell or otherwise dispose of it under a registration under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act. and further subject, however, to any requirement of law that the disposition by it of its property shall at all times be within its control.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of 2/9/2016.

Lender:

Southern Community Bank

By: Tenni L. Nicholson

Name: Tenni L. Nicholson

Title: Market President

Debtor:

LEASESOUTH, L.L.C.

By: TB Merson Jr

Name: TB Merson Jr

Title: Agent

02-16-12-644-01

LEASESOUTH, L.L.C.

300 Clinton Avenue West

Huntsville, AL 35801

(256)539-3311

Client Name: Huntsville and Madison County Railroad Authority  
119 Woodson Street NW  
Huntsville, AL, 35801