

8-103A982

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DUNCAN GARNER
EXECUTIVE VICE PRESIDENT

LUFKIN NATIONAL BANK

Date APR 13 1978

Fee \$ 50

April 13, 1978

ICC Washington, D. C

RECORDATION NO. 9325 Filed & Recorded

APR 13 1978 - 11 05 AM

INTERSTATE COMMERCE COMMISSION

Secretary of the Interstate
Commerce Commission
Washington, D. C. 20423

IN RE: Recordation of mortgage of
railroad equipment

Dear Secretary:

Pursuant to Title 49, Section 20C U.S.C., The Lufkin National Bank, Lufkin, Texas, a party to the mortgage instrument hereinafter mentioned, is submitting herewith for recordation three copies of the security agreement dated April 13, 1978, each bearing original signatures, wherein The Lufkin National Bank is the secured party and the Angelina & Neches River Railroad Company (called "Company" in the Security Agreement) is the mortgagor.

In accordance with Regulation 1116 we furnish the following information:

Mortgagor: Angelina & Neches River Railroad Company,
P. O. Box 1312, Lufkin, Texas, 75901.

Mortgagee: The Lufkin National Bank, P. O. Box 789,
Lufkin, Texas, 75901.

Collateral: 50 new 60 feet 10 inch long, single sheath, all steel, 100 ton boxcars manufactured by FMC Corporation, Portland, Oregon, bearing reporting markings and road numbers, ANR600 through ANR649, both inclusive, including all appurtenances and additions thereto, substitutions therefor, and all parts and accessories used in connection therewith, and the proceeds therefrom.

We are also enclosing herewith cashier's check no. 14490 covering the filing cost.

Continued

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RECEIVED

APR 13 11 02 AM '78

CERTIFICATION UNIT

Duncan Garner

Secretary of the Interstate
Commerce Commission

Page 2

April 13, 1978

We request that the security agreements be duly recorded
and the recordation thereof be recorded on two of the copies
and such copies be returned to our attorney as follows:

Zeleskey, Cornelius, Rogers,
Berry & Hallmark
Attention: John C. Fleming
P. O. Box 1728
Lufkin, Texas 75901

The Lufkin National Bank

A handwritten signature in cursive script, appearing to read "Duncan Garner".

Duncan Garner, Executive Vice President

Interstate Commerce Commission

Washington, D.C. 20423

4/13/78

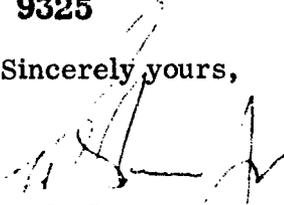
OFFICE OF THE SECRETARY

**Duncan Garner
Executive Vice President
Lufkin National Bank
P.O.Box 789
Lufkin, Texas 75901**

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on **4/13/78** at **11:05am** and assigned recordation number(s) **9325**

Sincerely yours,


**H.G. Homme, Jr.
Acting Secretary**

Enclosure(s)

SE-30-T
(6/77)

9325

RECORDATION NO. Filed & Recorded

APR 13 1978 - 11 05 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS AGREEMENT is executed as of this 13th day of April, 1978, between the ANGELINA & NECHES RIVER RAILROAD COMPANY (herein called "Company"), whose mailing address is P. O. Box 1328, Lufkin, Texas 75901, and the LUFKIN NATIONAL BANK, LUFKIN, TEXAS (hereinafter called "Bank"), whose address is 203 South First Street, Lufkin, Texas 75901.

The Bank and Company have executed a Note Agreement (herein called the "Note Agreement") by and among the Bank, Company, and First City National Bank of Houston, which Note Agreement is dated the 13th day of April, 1978. Pursuant to the Note Agreement, the Company has agreed to execute its promissory note (herein called the "Note") in the principal amount of \$1,750,000.00 to evidence a loan to be made pursuant to the Note Agreement by Bank to Company.

NOW, THEREFORE, for and in consideration of the loan or advance made or hereafter to be made to the Company pursuant to the Note Agreement, and for other good and valuable consideration, the parties hereto agree as follows:

1. SECURITY INTEREST. As security for the repayment of any and all indebtedness incurred by the Company to the Bank pursuant to the terms of the Note Agreement (and also to others to the extent of participation granted therein by the Bank) including, without limitation, the Note and any and all renewals, extensions, and rearrangements thereof, the Company grants to Bank a security interest in and agrees that the Bank has and shall continue to have a security interest in the following property: 50 new 60-foot 10-inch long, single sheath all steel, 100-ton boxcars manufactured by FMC Corporation, Portland, Oregon, bearing reporting markings and road numbers; ANR 600 through ANR 649, both inclusive, all additions and accessions thereto and replacements or substitutions therefor, including all parts and accessories used in connection therewith, and the proceeds therefrom, including without limitation, all cash, notes, drafts, acceptances, instruments and chattel paper or other property, benefits or rights arising therefrom (all hereinafter sometimes called the "Collateral").

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF COMPANY.

The Company represents, warrants, and covenants as follows:

(a) Except for the security interest granted hereby, the Company is, or as to the Collateral acquired after the date hereof which is included within the security interest granted hereby, the Company will be, the owner of all such Collateral free from any adverse claim, security interest or encumbrance;

(b) There is no financing statement or other document now on file in any public office covering any part of the Collateral, and so long as any amount remains unpaid on the Note or any obligation arising pursuant to the Note Agreement, the Note, or this Security Agreement to the Bank, Company will not execute and there will not be on file in any public office any such financing statement or other document except the financing statement or document filed or to be filed in respect to the security interest hereby granted;

(c) Subject to any limitation stated therein or in connection therewith, all information furnished to the Bank concerning the Collateral and proceeds thereof, or otherwise, for the purpose of obtaining credit or an extension of credit, is or will be at the time the same is furnished, accurate and correct in all material respects;

(d) The Company maintains its place of business and chief executive office at 2225 Spence Street, Lufkin, Angelina County, Texas;

(e) The Collateral will be used by the Debtor primarily for business use. The indebtedness secured hereby represents funds advanced by the Bank for the benefit of the Company as part of the purchase price for the Collateral described herein;

(f) The Company agrees that it will use such Collateral and operate the same in conformity with

the Association of American Railroad Interchange Rules and the Association of American Railroads Car Hire Rules;

(g) The Company agrees to execute and deliver such financing statement or statements, such other instruments, or amendments thereof or supplements thereto, as the Bank may from time to time require in order to comply with the applicable law relating to the preservation and protection of the security interest hereby granted;

(h) The Company will not, without written consent of the Bank, sell, contract to sell, or otherwise dispose or encumber the Collateral or any interest therein until this Security Agreement and all debts secured hereby have been fully satisfied;

(i) The Company will keep the Collateral in good order and repair and will not waste or destroy the Collateral or any part thereof. The Company will not use the Collateral in violation of any statute or ordinance and the Bank will have the right to examine and inspect the Collateral at any reasonable time;

(j) The Company will pay promptly when due all taxes and assessments upon the Collateral or for its use and operation;

(k) The Company will keep at its principal office a list of the Collateral showing, to the extent possible, the location of the same;

(l) Bank may, at its option, whether before or after default, but without obligation to the Company, discharge taxes, liens or security interests or other encumbrances at any time levied or placed upon the Collateral, and may pay for the repair, improvement, maintenance and preservation of the Collateral and pay any filing or recording fees necessary to preserve and protect the security interest hereby granted.

Any and all such expenditures shall constitute an additional indebtedness of the Company which shall be due on demand and which shall be secured by and entitled to the benefits of this Security Agreement;

(m) Any and all deposits or other sums at any time credited by or due from Bank to Company shall at all times constitute additional security for the indebtedness secured hereby and may be set off against any such indebtedness at any time whether or not they are due or whether or not other security held by Bank is considered by Bank to be adequate;

(n) If Bank should at any time be of the opinion that the Collateral is not sufficient or has declined or may decline in value, or should Bank deem payment of Company's indebtedness to Secured Party to be unsecure, then Bank may call for additional collateral satisfactory to the Bank, and the Company promises to furnish such additional security forthwith. The call for additional collateral may be oral, by telegram, or United States Mail addressed to the Company and shall not affect any other subsequent right of the Bank to exercise the same;

(o) The Company hereby appoints the Bank as Company's attorney-in-fact to do any and every act which Company is obligated by this Security Agreement to do and to exercise all rights of Company in Collateral and to make collections and to execute any and all papers and instruments and to do all things necessary to preserve and protect the Collateral and to protect Bank's security interest in said Collateral.

3. EVENTS OF DEFAULT. The Company shall be in default under this Security Agreement upon the happening of any of the following events or conditions (herein sometimes called an "Event of Default"):

(a) Failure of Company to pay within fifteen (15) days of the due date thereof any interest on

or any principal or installment of principal of the Note or any other indebtedness secured by this Security Agreement;

(b) The occurrence of any event which under the terms of any evidence of indebtedness, loan agreement, security agreement or similar instrument permits the acceleration of maturity of any indebtedness of Company to Bank, or to others than Bank;

(c) Any representation or warranty made by the Company herein or made in any statement of certificate furnished or to be furnished by the Company to the Bank pursuant to the Note Agreement, the Security Agreement, Note or other document in connection with this loan proves incorrect in any material respect;

(d) If default occurs in the observance or performance by the Company of any provision of the Note Agreement, this Security Agreement, or of the Note, or any other document relating thereto;

(e) The Company becomes insolvent or admits in writing its inability to pay its debts as they mature; or the Company applies for, consents to, or acquiesces in the appointment of a trustee or receiver for the Company, or any property owned by the Company; or if a trustee or receiver is appointed for the Company or for a substantial part of the assets of the Company and such receiver is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against the Company, and if instituted against the Company remains undismissed for a period of sixty (60) days; or

(f) The Collateral becomes in the judgment of Bank unsatisfactory or insufficient in character or value.

5. REMEDIES. Upon the occurrence of an Event of Default, or if the Bank deems payment of the Company's indebtedness to Bank to be insecure, and at any time thereafter, the Bank may, at its

option, without notice or demand to the Company, declare all the indebtedness secured hereby immediately due and payable and the Bank shall thereupon have the rights and remedies of a secured party under the Texas Uniform Commercial Code, including without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and to apply the proceeds thereof toward payment of any costs and expenses and attorney's fees and legal expenses incurred by the Bank and toward payment of the Note, or other indebtedness arising under the Note Agreement, the Note, this Security Agreement, or other related document, in such order or manner as the Bank may elect. The Bank shall have the right to take immediate possession of the Collateral, with or without process of law, and for that purpose the Bank may enter upon any premises of the Company on which the Collateral or any part thereof is kept. The Company agrees to make the Collateral available to the Bank at a place to be designated by the Bank which is reasonably convenient to both parties. Expenses of retaking, holding, repairing, improving, maintaining, preparing for sale, selling or the like shall include the Bank's reasonable attorney's fees and legal expenses, plus interest thereon at a rate per annum at all times equal to the highest lawful contract rate permitted by the applicable law of the State of Texas, and shall constitute additional indebtedness of the Company which shall be due on demand and which shall be secured by and entitled to the benefits of this Security Agreement. If the proceeds of any sale or other lawful disposition by the Bank of the Collateral following its retaking are insufficient to pay the expenses of retaking, repairing, holding, preparing the Collateral for sale, selling it and the like, to satisfy any indebtedness of the Company to the Bank, then the Company agrees to pay any deficiency. The Company shall be entitled to any surplus, if one results, after lawful application of all such proceeds.

The Bank may remedy any default and may waive any default without waiving the default remedied or without waiving any other prior or subsequent default.

The remedies of the Bank hereunder are cumulative, and the exercise of any one or more of the remedies provided herein shall not be construed as a waiver of any of the other remedies of the Bank.

6. MISCELLANEOUS.

(a) Any provision hereof found to be invalid under the law of the State of Texas or the United

States of America shall be invalid only with respect to the offending provision. All words used herein shall be construed to be of such gender or number as the circumstances may require. This Security Agreement shall be binding upon the successors and assigns of the parties hereto, and shall inure to the benefit of the Bank, its successors and assigns.

(b) Any carbon, photographic or other reproduction of any financing statement, or security agreement, signed by the Company is sufficient as a financing statement for all purposes, including without limitation, filing in any public office as may be permitted or required by the provisions of the Uniform Commercial Code of such state, or other applicable statute.

(c) In order to induce the Bank to advance and loan such funds to and for the benefit of the Company, the Company hereby covenants and agrees that in the Event of Default by the Company (as an Event of Default is defined herein) that the Bank shall have the absolute and unconditional right without the prior notice and/or prior hearing of any kind whatsoever, to seize and take possession of the Collateral, and furthermore the Company does hereby expressly waive any right to any prior notice and prior hearing prior to seizure and taking possession of the Collateral and property by the Bank in the Event of Default by the Company.

(d) The security interest hereby granted and all the terms and provisions hereof shall be deemed a continuing security interest and shall continue in full force and effect, and all the terms and provisions hereof shall remain effective as between the parties until the entire indebtedness represented by the Note Agreement, the Note, this Security Agreement, or other document relating thereto shall have been repaid by Company in full.

SIGNED in multiple original counterparts and delivered on the day and year first above written.

ANGELINA & NECHES RIVER
RAILROAD COMPANY

ATTEST:

By Melvin E. Kurtz Jr
President

Walter Henderson
Secretary

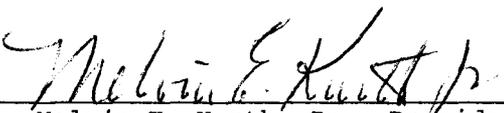
LUFKIN NATIONAL BANK,
Lufkin, Texas

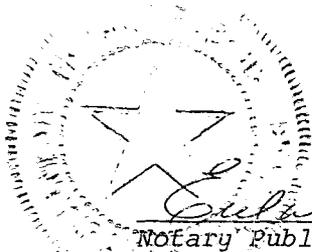
ATTEST:

By James J. Turner
Executive Vice President

Orville L. Kinard
Assistant Cashier

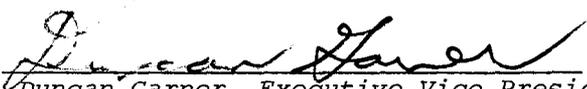
The State of Texas, County of Angelina, on this 12th day of April, 1978 before me personally appeared, Melvin E. Kurth, Jr. to me personally known, who being by me duly sworn, stated that he is the President of the Angelina & Neches River Railroad Company, that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

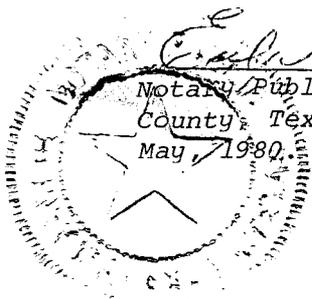

Melvin E. Kurth, Jr., President

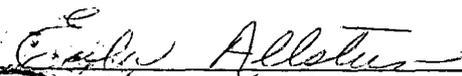



Notary Public in and for Angelina
County, Texas. Commission Expires
May, 1980.

The State of Texas, County of Angelina, on this 12th day of April, 1978 before me personally appeared, Duncan Garner to me personally known, who being by me duly sworn, stated that he is the Executive Vice President of the Lufkin National Bank of Lufkin, Texas, that the seal affixed to the foregoing instrument is the corporate seal of said Corporation, and said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.


Duncan Garner, Executive Vice President




Notary Public in and for Angelina
County, Texas. Commission Expires
May, 1980.