

 **FRANKLIN-LAMOILLE BANK**
Serving Northern Vermont

HYDE PARK, VERMONT 05655

802-888-4975

March 25, 1977 RECORDATION NO. **8776** Filed & Recorded

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I.C.C.
FEE OPERATION BR.

INTERSTATE COMMERCE COMMISSION
Interstate Commerce Commission
Washington,
D.C. 20423

Gentlemen:

I enclose an original and two fully executed counterparts of a security agreement-personal property mortgage running from St. Johnsbury & Lamoille County Railroad, Inc. to Franklin-Lamoille Bank.

I also enclose a check in the amount of \$50.00 as the filing fee for these documents.

The equipment covered by the documents are as follows:

One General Motors EMD GP7 52A83 Diesel
Electric Locomotive

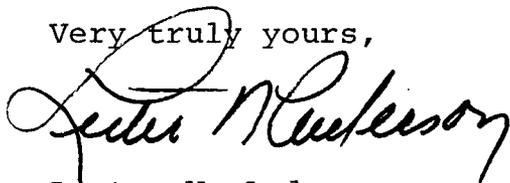
One General Motors EMD GP7 37009 Diesel
Electric Locomotive

Such locomotives presently bearing Reading
Company Road Numbers 606 and 614

No prior federal recordation has been made by the parties to these documents.

Please return the original documents to the undersigned at the Franklin-Lamoille Bank at Hyde Park, Vermont.

Very truly yours,



Lester W. Anderson
Senior Vice-President

LWA/rm
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

4/7/77

OFFICE OF THE SECRETARY

Lester W. Anderson
Senior Vice-President
Franklin-Lamoille Bank
Hyde Park, Vermont 05655

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 4/7/77 at 9:50am and assigned recordation number(s) 8776

Sincerely yours,



Robert L. Oswald
Secretary

Enclosure(s)

SE-30
(5/76)

APR 7 1977 -9 50 AM

SECURITY AGREEMENT

UNIVERSAL COMMERCE COMMISSION

Security Agreement made March 3/ , 1977, by St. Johnsbury & Lamoille County Railroad, Inc. to Franklin-Lamoille Bank of Hyde Park, Vermont.

St. Johnsbury & Lamoille County Railroad, Inc. of Hyde Park, Vermont, hereinafter called "Debtor", as security for the payment for an indebtedness evidenced by and subject to the provisions of Debtor's promissory note of even date herewith, and any renewals or extensions thereof, hereby creates a security interest in favor of the Franklin-Lamoille Bank, a Vermont banking institution of Hyde Park, Vermont, hereinafter called "Secured Party", in collateral consisting of equipment of the following description:

Two General Motors EMD GP7 Diesel Electric Locomotives presently bearing Reading Company Road Numbers 606 and 614 conveyed or to be conveyed to Debtor by the Trustees of the Property of the Reading Company, Bankrupt, and all proceeds of its sale or other disposition, and all additions and excessions thereto.

1. Debtor shall pay to Secured Party the sum evidenced by the promissory note executed pursuant to this Agreement in accordance with the terms of said note.

2. Debtor covenants and agrees as follows:

a. To use the collateral exclusively as locomotives on the St. Johnsbury & Lamoille County Railroad unless Secured Party consents in writing to other use.

b. To keep the collateral within the confines of the State of Vermont, except for its temporary removal in connection with the repair, overhaul or rebuilding thereof, unless Secured Party consents in writing in advance to its removal outside of the State of Vermont.

c. To keep the collateral in first-class repair and running condition, reasonable wear and tear excepted, and to replace at its own expense any worn, broken or defective parts.

d. To allow Secured Party or its designated representatives the right of inspection thereof at all times.

e. To keep the collateral insured against loss by fire, theft, damage or total destruction for an amount equal to not less than the indebtedness hereby secured, and to procure such additional insurance as is ordinary in the railroad business in such circumstances, and should the Debtor fail to furnish, maintain and pay the premiums for the insurance provided for herein Secured Party may, at its election and in its absolute discretion, procure and pay for such insurance and Secured Party may likewise, should Debtor fail to do so, pay for any labor done or for any material or accessories furnished, before or after claim or lien is filed, and pay any other sum which Secured Party in its discretion may deem necessary or advisable to keep the collateral free of all liens, taxes, encumbrances or other charges for keep, repairs, storage, maintenance or accessories; any sum or sums so paid by Secured Party, together with interest thereon at 8 1/2% per annum, shall be a lien on such collateral

and shall immediately upon demand become due and repaid by Debtor to the Secured Party and should Debtor fail to pay the same upon demand, the entire amount then due as a result of said demand together with the entire amount, principal and interest, due on account of the said promissory note shall then and there become due and owing.

3. Debtor further covenants and agrees:

a. To use the proceeds advanced by Secured Party pursuant to this Agreement for the sole purpose of acquiring the above described collateral.

b. Not to encumber, rent, sell, create a security interest in or otherwise transfer or dispose of any interest in the collateral without the prior written consent of Secured Party.

c. To sign and execute with Secured Party any financing statement or statements or other document or documents any procure any document and pay all necessary costs to protect the security interest under this Agreement against the interests of third persons.

4. None payment of the promissory note referred to herein, or non-compliance with or non-performance of any other obligations of Debtor hereunder or any misrepresentation or misstatement in connection herewith shall constitute a default under this Agreement.

5. This is a purchase money security interest.

6. Secured Party may exercise its right of enforcement under the Uniform Commercial Code in force in the State of Vermont at the date of this Agreement. In the case Secured Party is required to exercise his rights of enforcement hereunder, pursuant to the Uniform Commercial Code, being Title IXA of the Vermont Statutes Annotated, and the collateral should be sold, and a deficiency should result, Secured Party may collect such deficiency from Debtor.

7. Debtor represents and warrants:

a. The information supplied and the statements made by it in connection with this Security Agreement, the promissory note secured hereby, and any other representations made by it are true and correct.

b. Its acquisition of the collateral is lawful under the laws of the United States of America and regulations of the Interstate Commerce Commission.

c. That the Trustees of the Property of the Reading Company, Bankrupt, have obtained permission from the United States District Court for the Eastern District of Pennsylvania to sell the same to Debtor, and that upon Debtor's acquisition of title the collateral will be free and clear of all encumbrances.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

ST. JOHNSBURY & LAMOILLE
COUNTY RAILROAD, INC.

FRANKLIN-LAMOILLE BANK

By: Bruno G. Loati
Its President and Duly
Authorized Agent, Debtor

By: Victor Henderson
Its Senior Vice-President and
Duly Authorized Agent
Secured Party

STATE OF VERMONT

LAMOILLE COUNTY, SS.

On this 31st day of March, 1977, before me personally appeared Bruno A. Loati, to me personally known, who being by me duly sworn, says that he is the President of St. Johnsbury & Lamoille County Railroad, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that 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.

Richard A. Mayson
Notary Public

My commission expires: 2/10/79