

Townsend, Elliott & Munson

Attorneys at Law

1600 Western Savings Bank Building

Broad and Chestnut Streets

Philadelphia, Pennsylvania 19107

215-545-3700

Cable: Jaybee

7-235A079

RECORDATION NO. 8946 A Filed & Recorded

AUG 23 1977 - 2 52 PM

INTERSTATE COMMERCE COMMISSION

8946

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RECORDATION NO. Filed & Recorded

AUG 23 1977 - 2 52 PM

HARRISBURG AREA OFFICE
5007-A CARLISLE PIKE
MECHANICSBURG, PA. 17055
717-761-8210

August 23, 1977

INTERSTATE COMMERCE COMMISSION

Secretary of the Interstate Commerce Commission
ICC Building
12th and Constitution Avenue, N.W.
Washington D.C. 20423

Attention: Mrs. Mildred Lee
Room 1227

Gentlemen:

I enclose herewith for filing pursuant to section 20c of the Interstate Commerce Act two counterpart originals of a Security Agreement, Assignment of Lease and Management Agreement and Covenant Agreement dated August 23, 1977 (the "Security Agreement") between The Philadelphia National Bank and Jacobson-Larson Investment Company. Pursuant to the Security Agreement, Jacobson-Larson Investment Company grants and assigns to The Philadelphia National Bank a security interest in thirty (30) new 50', 70 ton Rigid Underframe Outside Stake Boxcars with 10' Sliding Doors, with reporting numbers NSL 100874 through 100903 inclusive. Also pursuant to the Security Agreement, Jacobson-Larson Investment Company assigns to The Philadelphia National Bank its rights, title and interests in a Lease and Management Agreement dated July 13, 1977 (the "Lease") between Jacobson-Larson Investment Company and National Railway Utilization Corporation. The names and addresses of the parties to the transaction are as follows:

Mortgagor
Assignor of Lease

Jacobson-Larson Investment Company
P.O. Box 224
Des Moines, Iowa 50301

Mortgagee
Assignee of Lease

The Philadelphia National Bank
Broad & Chestnut Streets
Philadelphia, Pennsylvania 19107

Handwritten signature: B.H.W. enheim

REC'D
AUG 23 1977
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

Townsend, Elliott & Munson

Secretary of the Interstate
Commerce Commission
August 23, 1977
Page 2

Guarantors Jacobson Warehouse Company
 Richard O. Jacobson
 Lawrence E. Larson et ux
 c/o Jacobson-Larson Investment Company
 P.O. Box 224
 Des Moines, Iowa 50301

Also enclosed for filing pursuant to section 20c of the Interstate Commerce Act are two counterpart originals of the Lease and Management Agreement dated July 13, 1977 between Jacobson-Larson Investment Company and National Railway Utilization Corporation covering the 30 Boxcars referred to above. The names and addresses of the parties to the transaction are as follows:

Lessor Jacobson-Larson Investment Company
 P.O. Box 224
 Des Moines, Iowa 50301

Lessee National Railway Utilization Corporation
 860 Suburban Station
 1617 John F. Kennedy Boulevard
 Philadelphia, Pennsylvania 19103

Our firm's check in the amount of \$100 made payable to the Interstate Commerce Commission is enclosed for the recording fee for the Security Agreement and for the Lease. Please return an original Security Agreement and an original Lease with recording information stamped thereon to the undersigned.

Very truly yours,

Winston Walp II

Winston W. Walp II

WWW:vlg

Interstate Commerce Commission
Washington, D.C. 20423

8/23/77

OFFICE OF THE SECRETARY

Winston W. Walp 11
Townsend, Elliott & Munson
1600 Western Saving Bank Building
Broad And Chestnut Street
Phila. Pa. 19107

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 **8/23/77** at **2:50pm** and assigned recordation number(s) **8946 & 8946-A**

Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

AUG 23 1977 - 2 50 PM

SECURITY AGREEMENT, ASSIGNMENT OF
LEASE AND MANAGEMENT AGREEMENT and FEDERAL COMMERCE COMMISSION
COVENANT AGREEMENT

SECURITY AGREEMENT, ASSIGNMENT OF LEASE AND MANAGEMENT AGREEMENT and COVENANT AGREEMENT (the "Security Agreement") made this 23 day of August, 1977 by and between Jacobson-Larson Investment Company, P. O. Box 224, Des Moines, Iowa 50301 (an Iowa general partnership comprised of Richard O. Jacobson and Lawrence E. Larson), hereinafter called "JLIC", and THE PHILADELPHIA NATIONAL BANK, Philadelphia, Pennsylvania 19101, hereinafter called "PNB".

WHEREAS, JLIC has agreed to grant to PNB a security interest in certain railroad equipment (hereinafter called the "Equipment") owned by JLIC and described in Exhibit "A" hereto and in certain other collateral as described herein as security for payment of a promissory note of JLIC to PNB described below; and

WHEREAS, under date of July 13, 1977, National Railway Utilization Corporation, a South Carolina corporation (hereinafter called "NRUC"), and JLIC entered into a lease and management agreement (hereinafter called the "Lease and Management Agreement"), a copy of which is attached hereto and incorporated herein as Exhibit "B", whereby NRUC leases the Equipment from JLIC and manages and operates the Equipment on behalf of JLIC; and

WHEREAS, JLIC has agreed to assign and grant to PNB all its rights, title and interests in and under said Lease and Management Agreement as security for payment of said promissory note of JLIC to PNB; and

WHEREAS, JLIC has executed and delivered to PNB a promissory note (the "Note") of even date herewith, in the principal amount of \$1,989,000.00 payable in installments over a term, bearing interest and having the other provisions set forth therein, all of the provisions, terms, covenants and conditions of the Note being incorporated herein by reference;

NOW, THEREFORE, in consideration of the advance under the Note and the promises contained herein and in the Note, JLIC and PNB hereby agree as follows:

Section I. Creation of Security Interest.

JLIC hereby grants and assigns to PNB a security interest in the Collateral described in Section II of this Security Agreement to secure performance and payment of (i) the Note described above, (ii) all renewals and extensions of the Note, (iii) any sums advanced by PNB pursuant to any provision

hereof or of the Note and (iv) interest on (i), (ii) and (iii). PNB hereby expressly denies any liability for or undertaking of any obligations of JLIC with respect to the Collateral. This Security Agreement shall remain in full force and effect until such time as all indebtedness of JLIC to PNB has been repaid in full.

Section II. Collateral.

The collateral of this Security Agreement (collectively called the "Collateral") is all of the rights, title and interests of JLIC in and to (i) the Equipment described in Exhibit "A" hereto and all additions and accessions thereto, (ii) the Lease and Management Agreement (Exhibit "B") described above between JLIC and NRUC, (iii) any other mileage charges or car hire revenues (including both straight and incentive per diem) now or hereafter to become payable to JLIC with respect to such Equipment, (iv) any other revenues, income, rents, charges and profits from the Equipment or the Lease and Management Agreement, (v) the assets required by Subsection IV. (2) hereof and described in the Collateral Pledge Agreement of even date herewith, a copy of which is attached hereto as Exhibit C and incorporated herein, and in any other security document executed hereafter and (vi) all proceeds from any of the above. It is understood and agreed that JLIC will use the proceeds of the Note to partially finance purchase of the Equipment.

Section III. Payment Obligations of JLIC.

(1) JLIC shall pay to PNB any such sum or sums due or which may become due pursuant to the Note or any other promissory note or notes now or hereafter executed by JLIC to evidence JLIC's indebtedness to PNB, in accordance with the terms of such Note or other promissory note or notes and the terms of this Security Agreement. It is understood and agreed that pursuant to this Security Agreement PNB shall be entitled to be paid directly by NRUC rental charges and all other sums due under the Lease and Management Agreement, to be applied by PNB first to any indebtedness of JLIC presently due and any remaining sums thereafter to be paid over to JLIC.

(2) JLIC shall pay to PNB all expenses and expenditures, including reasonable attorneys' fees and other legal expenses incurred or paid by PNB, in exercising or protecting its interests, rights and remedies under this Security Agreement, the Note or any other notes, plus interest thereon at the lower of fifteen percent (15%) per annum or the highest rate of interest permitted by law with respect to JLIC, provided that nothing herein contained shall result in any interest charge being duplicated by any such charge provided for in the Note.

It is the intention of JLIC and PNB to contract in strict compliance with the usury laws of the Commonwealth of Pennsylvania from time to time in effect. In furtherance thereof, JLIC and PNB stipulate and agree that none of the terms and provisions contained in this Security Agreement or the Note shall ever be construed to create a contract to pay interest for the use, forbearance or detention of money at a rate in excess of the highest interest rate permitted to be charged by the laws of the Commonwealth of Pennsylvania from time to time in effect. In the event PNB shall collect monies which are deemed to constitute interest which would otherwise increase the effective rate on the Note to a rate in excess of that permitted to be charged by the laws of the Commonwealth of Pennsylvania then in effect, all such sums deemed to constitute interest in excess of the legal rate shall be immediately returned to JLIC upon such determination.

(3) JLIC shall pay immediately, without notice, the entire unpaid indebtedness of JLIC to PNB, whether created or incurred pursuant to this Security Agreement or otherwise, upon an Event of Default as defined in under Section V of this Security Agreement.

Section IV. JLIC's Covenants, Representations and Warranties.

JLIC covenants, represents, and warrants as follows:

(1) JLIC shall maintain as of the end of each fiscal quarter of JLIC unencumbered assets (including the assets specified in Subsection IV(2) hereof) in cash, certificates of deposit, negotiable instruments and securities listed by a national stock exchange worth (i) at least \$300,000 during the period commencing on the date of the Note and ending five (5) years after such date, and (ii) at least \$200,000 during the remaining period that JLIC remains indebted to PNB; and JLIC shall deliver or cause to be delivered to PNB within sixty (60) days after the end of each fiscal quarter a statement by an independent certified public accountant satisfactory to PNB as to JLIC's compliance with the above provisions; provided, however, that JLIC may, in lieu of its own compliance with the above provisions in any fiscal quarter, cause to be provided to PNB a statement by an independent certified public accountant satisfactory to PNB to like effect as to the unencumbered assets of the kind and amount set forth above owned as of the end of that fiscal quarter by any one of the following (but not in the aggregate): Richard O. Jacobson or Lawrence E. Larson or Jacobson Warehouse Company.

(2) JLIC shall place and continuously maintain in PNB's possession at least \$75,000 worth of unencumbered assets in cash, certificates of deposit of PNB, negotiable instruments

and/or securities listed by a national stock exchange indorsed in blank. JLIC shall grant and assign to PNB its rights, title and interest in and shall deliver to PNB, to be held by PNB as additional Collateral hereunder, all new, substituted and additional shares, warrants, rights, options or other securities issued by reason of any stock dividend, reclassification, readjustment or other change to or in connection with any securities held as Collateral hereunder.

(3) JLIC shall deliver or cause to be delivered to PNB (i) as soon as available after the end of each fiscal quarter and in any event within sixty (60) days thereafter, a copy, in comparative form with the preceding year's quarterly period, of the balance sheet and income statement respectively of each of JLIC and Jacobson Warehouse Company as at the end of such quarter, (ii) as soon as available after the end of each fiscal year and in any event within one hundred twenty (120) days thereafter, a copy, in comparative form with the preceding fiscal year, of the balance sheet, statements of retained earnings and statements of changes in financial position respectively of each of JLIC and Jacobson Warehouse Company as at the end of such year and of the income statements of JLIC and Jacobson Warehouse Company for such year and (iii) any other financial statements, records, reports and data as may reasonably be requested by PNB with respect to JLIC and/or Jacobson Warehouse Company. Each of such annual balance sheets, statements of retained earnings, statements of change in financial position and income statements shall be prepared in reasonable detail, in accordance with generally accepted accounting principles and shall be accompanied by a report and unqualified opinion of an independent certified public accountant satisfactory to PNB, which report and opinion shall be based upon an examination made in accordance with generally accepted auditing standards. JLIC shall additionally deliver or cause to be delivered to PNB within one hundred twenty (120) days after the end of each calendar year a balance sheet and income statement of Richard O. Jacobson and Lawrence E. Larson individually and any other financial statements, reports, records and data as may reasonably be requested by PNB with respect to Richard O. Jacobson and/or Lawrence E. Larson.

(4) All information supplied and statements made by JLIC in any financial, credit or accounting statement or application for credit prior to, contemporaneously with or subsequent to the execution of this Security Agreement are and shall be true, correct, complete, valid and genuine in all material respects.

(5) No financing statement covering the Collateral or its proceeds is on file in any public office; except for the security interest granted and assignment made in this Security Agreement, there is no lien, security interest or encumbrance

in or on and no assignment by JLIC of any rights, title and interests in the Collateral; and JLIC is the owner of the Collateral. Except for the Lease and Management Agreement, there are no claims of any nature against the Equipment.

(6) JLIC has presently performed and in the future shall fully and promptly perform all obligations and duties required of it under the Lease and Management Agreement. JLIC shall provide that all insurance policies relating to the Collateral, including but not limited to the policies required under the Lease and Management Agreement, contain a standard mortgagee's endorsement providing for payment of any loss to PNB. PNB may apply any proceeds of such insurance which may be received by it to payment on account of the obligations secured hereby, whether due or not.

(7) JLIC shall notify PNB promptly in writing of any default by either JLIC or NRUC under the Lease and Management Agreement, including but not limited to failure by NRUC to pay any insurance premium as required.

(8) JLIC shall pay prior to delinquency all taxes, charges, liens and assessments against the Collateral, and upon JLIC's failure to do so, PNB at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Such payments shall become part of the indebtedness secured by this Security Agreement and shall be paid to PNB by JLIC immediately and without demand, with interest thereon at the lower of fifteen percent (15%) per annum or the highest rate of interest permitted by law with respect to JLIC.

(9) JLIC's main place of business is located at 1701 E. Euclid, Des Moines Iowa. JLIC shall promptly notify PNB of any change of location of such main place of business or of the addition of any new main place of business.

(10) JLIC shall at all times keep or cause to be kept complete and accurate books and records reflecting all facts concerning the Collateral, including those pertaining to JLIC's representations and warranties under this Security Agreement and such books and records shall be subject to reasonable inspection by PNB from time to time during regular business hours. JLIC shall supply PNB with copies of any books and records which PNB reasonably requests.

(11) JLIC shall hold any proceeds from the sale, exchange or other disposition of the Collateral of this Security Agreement separate and apart from and shall not commingle such proceeds with any of JLIC's funds or property.

(12) JLIC shall not, voluntarily or involuntarily, subject the Collateral or its proceeds or allow the Collateral or its proceeds to be subjected to any interest of any transferee, buyer, secured party, encumbrancer or other third person and shall not modify the Lease and Management Agreement in any manner.

(13) JLIC shall immediately notify PNB of any legal proceeding of which JLIC has knowledge wherein the Collateral is in any manner seized or possessed or wherein seizure or possession may be threatened or attempted.

(14) JLIC shall, at its expense, do, make, procure, execute and deliver all acts, things, writings and assurances as PNB may at any time require to protect, assure or enforce its interests, rights and remedies created by, provided for or arising from this Security Agreement.

(15) JLIC shall indemnify, protect and hold PNB harmless from and against any and all liability claims, demands, costs, charges and expenses, including but not limited to reasonable attorneys' fees and legal expenses, in any manner imposed upon or accruing against PNB because of PNB's interest in the Collateral; provided, however, that the foregoing shall not apply to any claim or demand of a third person against PNB arising from PNB's use of the Collateral after taking possession pursuant to Subsection VI.B. hereof.

(16) JLIC shall sign and execute alone or with PNB any Financing Statement or other document or procure any document, and pay all costs connected with signing, executing or filing such document, necessary to protect the security interest under this Security Agreement against the rights or interests of third persons.

(17) JLIC agrees that there shall be plainly, distinctly, permanently and conspicuously stenciled upon each side of each unit of the Equipment, the following words, in letters not less than one inch in height:

THIS CAR IS SUBJECT TO A SECURITY AGREEMENT
RECORDED UNDER SECTION 20c OF THE INTERSTATE
COMMERCE ACT.

Section V. Events of Default.

JLIC shall be in default under this Security Agreement if any of the following events or conditions (herein called an "Event of Default") shall occur and be continuing.

(1) JLIC's failure to pay when due any indebtedness, either principal or interest, secured by this Security Agreement.

(2) Continuance for more than 30 days of any of the following events or conditions after PNB shall have demanded in writing that such event or condition be cured:

(a) JLIC's failure to perform any of the obligations (other than the payment of money when due), covenants, terms or provisions contained or referred to in this Security Agreement or the Note, in any other note secured hereby or in any other security document or other obligation of JLIC to PNB.

(b) Any representation, warranty or statement contained in this Security Agreement or made or furnished to PNB by or on behalf of JLIC in connection with this Security Agreement or to induce PNB to make a loan to JLIC proves to have been false in any respect when made or furnished or becomes false in any respect while any indebtedness secured hereby is outstanding.

(c) Any statement of the financial condition of JLIC and/or others submitted to PNB in connection with this Security Agreement or to induce PNB to make a loan to JLIC proves to be false in any respect when made or furnished.

(3) Continuance uncured for more than 30 days of any of the following events or conditions:

(a) Loss, theft, substantial damage, destruction, sale or encumbrance of any of the Collateral, or any levy, seizure or attachment thereof.

(b) JLIC's dissolution, termination of existence, insolvency or business failure; the appointment of a receiver for all or any part of the property of JLIC; an assignment for the benefit of creditors by JLIC; the calling of a meeting of creditors of JLIC; or any proceeding brought under any bankruptcy or insolvency laws by or against JLIC or any guarantor, surety or endorser for JLIC.

(c) Any default (by either JLIC or NRUC) under or termination for any reason of the Lease and Management Agreement.

Section VI. PNB's Rights and Remedies.

A. Rights Exclusive of Default.

(1) This Security Agreement, PNB's rights hereunder or the indebtedness hereby secured may be assigned from time to time, and in any such case the Assignee shall be entitled to all of the interests, rights and remedies granted in this Security Agreement to PNB, and JLIC will assert no claims or defenses it may have against PNB against the Assignee except those granted in this Security Agreement.

(2) PNB may subrogate as against third persons to all of JLIC's claims, interests, rights, and remedies with respect to the Collateral.

(3) At its option, PNB may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral, may pay for the maintenance and preservation of the Collateral and may pay any other sums necessary to protect, assure or enforce its interests, rights and remedies hereunder. Such payment and any expenses relating thereto shall become part of the indebtedness secured by this Security Agreement and shall be paid by JLIC to PNB immediately and without demand, plus interest thereon at the lower of fifteen percent (15%) per annum or the highest rate of interest permitted by law with respect to JLIC. Any such payment by PNB shall not relieve JLIC from the consequences of any default.

(4) PNB shall render and send to JLIC a quarterly statement of account showing loans made, all other charges, expenses and items chargeable to JLIC, payment made by JLIC against the loans, proceeds collected and applied to the loans, other appropriate debits and credits, and the total of JLIC's indebtedness on the loans as of the date of the statement of account, and the statement of account shall be considered correct in all respects and accepted by and conclusively binding upon JLIC, except for specified objections which JLIC makes in writing within fifteen (15) days from the date upon which the statement of account is sent.

B. Remedies in the Event of Default.

(1) Upon the occurrence of an Event of Default and at any time thereafter, PNB may declare all obligations secured hereby immediately due and payable and shall have the rights and remedies of a secured party under the Uniform Commercial Code of Pennsylvania, including without limitation thereto, the right to sell, lease or otherwise dispose of any or all of the Collateral and the right to take possession of the Collateral,

and for that purpose PNB may enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom. PNB may require JLIC to assemble the Collateral and make it available to PNB at a place to be designated by PNB which is reasonably convenient to both parties. Expenses of retaking, holding, preparing for sale, selling or the like shall include PNB's reasonable attorneys' fees and legal expenses, and JLIC agrees to pay such expenses, plus interest thereon at the lower of fifteen (15%) per annum or the highest rate of interest permitted by law with respect to JLIC. JLIC shall remain liable for any deficiency.

(2) PNB may in a commercially reasonable manner execute, sign, indorse, transfer or deliver in the name of JLIC notes, checks, drafts or other instruments for the payment of money and receipts, certificates of origin, applications for certificates of title or any other documents necessary to evidence, perfect or realize upon the security interest and obligations created by this Security Agreement or to protect, exercise or assure its interests, rights and remedies hereunder. PNB shall notify JLIC in writing of the exercise of any right granted in this subsection.

(3) PNB may remedy any default and may waive any default without waiving any other prior or subsequent default.

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

Section VII. Additional Agreements.

(1) The terms "PNB" and "JLIC" whenever occurring herein shall be deemed and construed to include the respective heirs, personal representatives, successors and assigns of PNB and JLIC.

(2) Any notice to or demand upon JLIC by PNB may be by mail or by telegraph addressed to JLIC at JLIC's address shown at the beginning of this Security Agreement or at any other address as JLIC shall have last notified PNB in writing.

(3) The section headings appearing in this instrument have been inserted for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions of this instrument.

(4) The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

(5) This Security Agreement shall be construed according to and governed by the laws of the Commonwealth of Pennsylvania.

EXECUTED this 23 day of August, 1977.

Jacobson-Larson Investment Company,

Witness:

Winston W. Walp II

By Richard O. Jacobson (Seal)
Richard O. Jacobson, General Partner

[CORPORATE SEAL]

THE PHILADELPHIA NATIONAL BANK

Attest:

Richard M. Quinn, AUP

By John F. Schoenfelder
John F. Schoenfelder, Vice President

STATE OF PENNSYLVANIA

SS

COUNTY OF PHILADELPHIA

On this 23rd day of August, 1977
before me personally appeared Richard O. Jacobson, to me known
to be the person described in and who executed the foregoing
instrument and he acknowledged that he executed the same as his
free act and deed and with authority to do so on behalf of
Jacobson-Larson Investment Company.

[SEAL]

My Commission expires

MARIE MAGEE

Notary Public, Phila., Phila. Co.

My Commission Expires July 5, 1981.

Marie Magee
Notary Public

STATE OF PENNSYLVANIA

SS

COUNTY OF PHILADELPHIA

On this 23rd day of August, 1977,
before me personally appeared John F. Schoenfelder to me
personally known, who being by me duly sworn, says that he is a
Vice President of THE PHILADELPHIA NATIONAL BANK, 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.

[SEAL]

Marie Magee
Notary Public

MARIE MAGEE

Notary Public, Phila., Phila. Co.

My Commission expires My Commission Expires July 5, 1981 .

EXHIBIT A
RAILROAD BOXCARS

TYPE	50' 70 ton Rigid Underframe Outside Stake Boxcar with 10' Sliding Doors
QUANTITY	30
REPORTING NUMBERS	NSL 100874-100903 (both inclusive)