

SECURITY AGREEMENT
AND
LEASE ASSIGNMENT

This Security Agreement and Lease Assignment dated as of the 1st day of April, 1974, by and between CITIZENS FIDELITY BANK AND TRUST COMPANY (the "Bank"), having its principal office in the Citizens Plaza, 500 West Jefferson Street, and COMMONWEALTH LIFE INSURANCE COMPANY ("Commonwealth"), having its principal office in the Commonwealth Building, 680 River City Mall, both in Louisville, Jefferson County, Kentucky, 40202,

W I T N E S S E T H:

(1) The Bank has purchased the four (4) locomotives described in Section I hereof (the "Equipment") and has leased the Equipment to Kentucky and Indiana Terminal Railway Company (the "Lessee"), under a lease dated as of October 16, 1973, and a Lease dated as of January 14, 1974 (the "Leases and

(2) the Bank desires to borrow from Commonwealth the sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00), evidenced by its note (the "Note"), a copy of which is attached, and secured by a security interest in the Equipment and an assignment of the Leases.

NOW THEREFORE,

I. Security Interest. In consideration of the loan and to secure the payment of the Note, evidencing the indebtedness in the amount of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00), and its

RECORDATION NO. 1314-A Filed & recorded

JUN 17 1974 9 22 AM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 7187-A Filed & recorded

JUN 17 1974 9 25 AM

INTERSTATE COMMERCE COMMISSION

obligations hereunder. The Bank hereby assigns to Commonwealth all right, title and interest in and to the Leases, which shall include the granting to Commonwealth of a security interest in the Equipment, hereinafter identified, including all accessories, accessions and replacements thereto and all proceeds and products thereof, provided, that such assignment and granting of a security interest shall be limited by, and shall terminate upon the Bank's payment in full of, the amount of principal and interest at any time outstanding under this Agreement and the Note.

The Equipment is described as follows:

<u>Type</u>	<u>Builder's Specifications</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Inclusive)</u>
Model SW-1500 (Type 0440) 1500 HP, 125 Ton Diesel Electric Switching Locomotives	No. 8036 dated January 3, 1972 as amended by Specification Amendment No. 8036-2 dated January 3, 1972	4	80 - 83

The assignment of the Leases and the granting of a security interest is for security purposes only, shall not transfer title of the Equipment to Commonwealth and shall not impose upon Commonwealth any obligation as Owner-Lessor with respect to the Leases or the Equipment.

II. Representations and Warranties. The Bank represents and warrants that

2.1 Both the Lessee and the Bank are corporations legally incorporated and validly existing under laws of their respective states of incorporation.

2.2 Each item of the Equipment has been delivered to the Lessee under the Leases, and the Lessee has delivered to the Bank a Certificate of Delivery as provided in the Leases and is in possession of the Equipment under the Leases. The Leases constitute the valid, legal and binding agreements of the Lessee, enforceable in accordance with their respective terms, and the copies thereof delivered to Commonwealth are complete and reflect the entire agreement of the parties. No part of the rentals payable under the Leases have been prepaid; no Casualty Occurrences, as defined in the Leases, and no Event of Default has occurred; and no condition exists which constitutes, or, either with the lapse of time or the lapse of time and the giving of notice, would constitute an Event of Default under either of the Leases. The Bank is not in default under either of the Leases.

2.3 This Agreement has been duly authorized, executed and delivered by the Bank. The Bank has the right to enter into this Agreement and assign the Leases, and this Agreement constitutes the valid, legal and binding obligation of the Bank, enforceable in accordance with its terms. The Bank is the lawful owner of the Equipment, free of any interest in others except the interest of the Lessee under the Leases, and free of any liens or encumbrances except liens for ad valorem taxes not yet due and payable. The Bank has made no prior assignment of either of the Leases.

2.4 The Leases and this Agreement have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and such filing and recordation will protect the Bank's interest in the Leases and Equipment and Commonwealth's interest as assignee and secured creditor.

All representations and warranties of the Bank shall survive the delivery of the Note and the making of the loan evidenced thereby.

III. Covenants of the Bank. The Bank covenants that,

3.1 The Bank will enforce the Leases and will apply rentals and other proceeds payable under the Leases to the payment of the Note. The Bank will not agree to any amendment or modification of the Leases, waive any right, or resort to any remedy in the event of a default without first having obtained the concurrence of Commonwealth. The Bank will perform its obligations as lessor.

3.2 The Bank will promptly give to Commonwealth, (a) a copy of any notice given to it by the Lessee under either of the Leases, (b) notice of the occurrence of any Event of Default or the existence of any condition which constitutes, or either with a lapse of time, or the lapse of time and the giving of notice, may constitute an Event of Default under either of the Leases of which it has knowledge, (c) a copy of the annual report of the Lessee at the close of each fiscal year, substantially in the form of that furnished for the year ended December 31, 1972, and (d) a copy of all other reports and inspections furnished by the Lessee.

3.3 If requested by Commonwealth, the Bank will cause Commonwealth to be named as an additional insured in the insurance maintained under Section 7 of the Leases.

3.4 The Bank will not, without Commonwealth's prior written consent, make any further assignment of its interest in the Leases and will not sell the Equipment, or grant any security interest in the Equipment other than that granted to Commonwealth.

3.5 In the event of a Casualty Occurrence, as defined in the Leases, or payment of any insurance proceeds, the Bank will apply the proceeds received to prepayment of the Note without premium or penalty.

IV. Conditions of Closing. The obligation of Commonwealth to make the loan shall be subject to compliance with the following conditions:

4.1 The representations and warranties set forth in Section II shall be true at and as of the closing with the same effect as though they had been made on and as of such date, and the Bank will furnish to Commonwealth the certificate of an appropriate officer to that effect.

4.2 Commonwealth shall have received an opinion of Counsel for the Bank, satisfactory to Commonwealth and its Special Counsel, to the effect that the Leases constitute the valid, legal, and binding agreements of the Lessee enforceable in accordance with their respective terms and as to the matters referred to in Sections 2.1, 2.3, and 2.4.

V. Default. Should there be any default in any installment of the Note for a period of twenty-five (25) days after such installment becomes due and payable, should any representation or warranty prove to be untrue in any material respect, or should there be any default in the performance of any of the covenants and conditions of this Agreement, then in any such event the Note, with all accrued interest thereon, shall at the option of the holder and without notice become immediately due and payable. At its option, the holder of the Note may resort to all rights and remedies under the Leases, direct the Lessee to make all rental and other payments to it, and take

possession of the Equipment subject to all rights of the Lessee and shall have all rights and remedies which are provided for in the Uniform Commercial Code.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

CITIZENS FIDELITY BANK AND TRUST COMPANY

ATTEST:

William F. Leonard
Leasing Officer

By: J. Michael Maxwell
Vice President

COMMONWEALTH LIFE INSURANCE COMPANY

ATTEST:

R. J. Pett
SECOND VICE PRESIDENT - INVESTMENTS

By: Stewart L. Shader
SECOND VICE PRESIDENT - INVESTMENTS

STATE OF KENTUCKY :
:SS
COUNTY OF JEFFERSON:

On this 31st day of May, 1974, before me personally appeared J. Michael Maxwell, to me personally known, being by me duly sworn, says that he is Vice President of CITIZENS FIDELITY BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said banking corporation, that said instrument was signed and sealed on behalf of said banking corporation by authority of its Board of Directors and who acknowledged that the execution of the foregoing instrument was the free act and deed of said banking corporation.

[NOTARIAL SEAL]

Julia B. Smith
Notary Public

My Commission expires Sept. 4, 1974

NOTE

\$500,000.00

Louisville, Kentucky

April 1, 1974

FOR VALUE RECEIVED, the Maker, CITIZENS FIDELITY BANK AND TRUST COMPANY, promises to pay to the order of COMMONWEALTH LIFE INSURANCE COMPANY at its Home Office in Louisville, Kentucky, the principal sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00), with interest thereon from date at Eight and Three-Fourths Per Cent (8-3/4%) per annum on the amount of the principal sum remaining unpaid from time to time, payable in fifty-seven (57) consecutive quarterly installments, the first fifty-six (56) for the sum of FIFTEEN THOUSAND FOUR HUNDRED THIRTY-TWO AND 99/100 DOLLARS (\$15,432.99) each, and the last and final installment for the unpaid balance of principal and interest then due, the first of said installments being due and payable October 1, 1974, and a like installment being due and payable on the first day of each January, April, July, and October thereafter, until this Note, with interest thereon, has been fully paid and satisfied, each installment when paid to be applied first to the payment of interest and then to the payment of principal, unless the Payee shall otherwise elect. Any installment not paid when due shall bear interest at the rate of Ten Per Cent (10%) per annum.

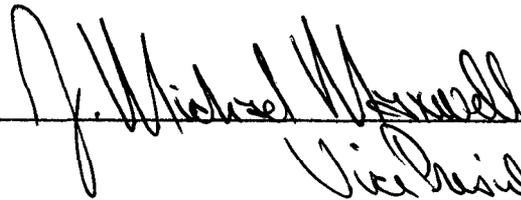
Should there be any default in the payment of any installment hereunder for the period of twenty-five (25) days after such installment becomes due and

payable or should there be any default in the performance of any of the covenant or conditions of the Security Agreement hereafter mentioned, then in any such event the principal sum, with all accrued interest thereon, shall, at the option of the holder of this Note and without notice, become immediately due and payable

This Note is secured by and entitled to the benefits of a Security Agreement and Lease Assignment between the Maker and the Payee of even date herewith, and except as provided in said Security Agreement, may not be prepaid in whole, or in part. The Maker is liable for the payment of this Note only from the rentals and other proceeds payable under the leases assigned, and from the proceeds of other security provided by the Security Agreement and Lease Assignment above referred to.

CITIZENS FIDELITY BANK AND TRUST COMPANY

By: _____


Vice President