



**Illinois
Central
Gulf**

An **IC Industries** Company

12567

RECORDATION NO. _____ Filed 1425

William H. Sanders
Corporate Counsel

Illinois Central
Gulf Railroad
Two Illinois Center
233 North Michigan Avenue
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DEC 11 1980 - 1 45 PM

December 11, 1980

INTERSTATE COMMERCE COMMISSION

0-346A120

Honorable Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D. C. 20423

DEC 11 1980
Date _____
Fee \$ 50.00

ICC Washington, D. C.

Dec 11 1 40 PM '80
DOCKET FILES
BRANCH

Dear Ms. Mergenovich:

Pursuant to the provisions of 49 U.S.C. Sec. 11303 and the applicable regulations of the Interstate Commerce Commission, there are herewith transmitted for filing and recording five counterparts of a Security Agreement dated as of December 1, 1980 between The Fidelity Bank and Waterloo Railroad Company, a wholly-owned subsidiary of Illinois Central Gulf Railroad Company, covering certain railroad rolling stock.

A draft payable to the order of the Interstate Commerce Commission for the recording fee applicable to this filing is enclosed herewith.

The name of the owner and mortgagor of this equipment is:

Waterloo Railroad Company
233 N. Michigan Avenue
Chicago, Illinois 60601

The name of the mortgagee and holder of a security interest in said equipment is:

The Fidelity Bank
Broad & Walnut Streets
Philadelphia, Pennsylvania 19109

The equipment covered by this Agreement is 200 new 70-ton Pulpwood Cars, Nos. ICG 822800-822999, both inclusive. This Agreement has not previously been recorded with the Interstate Commerce Commission.

It is respectfully requested that all counterparts not needed

Countersigned - Shoshanna M. Severick

for the Commission's files be returned to the bearer of this letter with the Commission's recordation stamp shown thereon.

Very truly yours,

William H. Sanders

William H. Sanders

SECURITY AGREEMENT

DEC 11 1980 -1 45 PM

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT (herein sometimes referred to as "this Agreement"), dated as of December 1, 1980, is between WATERLOO RAILROAD COMPANY, an Iowa corporation (herein called the "Company"), having its office at 233 North Michigan Avenue, Chicago, Illinois 60601, and THE FIDELITY BANK (herein called the "Bank"), having its office at Broad & Walnut Streets, Philadelphia, Pa. 19109.

W I T N E S S E T H:

WHEREAS, a letter agreement, dated as of December 1, 1980 (which agreement, together with any amendments which may be thereafter made thereto, is herein called the "Financing Agreement"), among the Company, Illinois Central Gulf Railroad Company (herein called the "Guarantor") and the Bank provides, among other things, for loans thereunder (herein called the "Loans") to be made by the Bank to the Company to purchase the Equipment (as hereinafter defined); and

WHEREAS, under the terms of the Financing Agreement, the Company has agreed to perform certain obligations; and

WHEREAS, the Company has duly authorized the execution and delivery of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Company agrees with the Bank as follows:

1. DEFINITIONS. When used herein the following terms shall have the following meanings:

The term "Collateral" shall mean all property and rights in which a security interest is granted hereunder.

The term "Default Event" shall mean the occurrence of any of the following events: (a) default by the Company in the due performance or observance of any agreement on its part hereunder and continuance of such default for a period of 30 days; or (b) default in the payment of any principal of or interest on the Loan or any fees payable by the Company hereunder or under the Financing Agreement for a period of 10 days; or (c) any warranty made by the Company or the Guarantor herein or in connection herewith is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished to the Bank by the

Company or the Guarantor is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified; or (d) the commencement of a case under Subchapter IV of Chapter 11 of the Bankruptcy Code (as such Subchapter IV is now in effect or as it hereafter may be amended or replaced) by or against the Company or the Guarantor, and, unless such case shall have been dismissed, nullified or otherwise rendered ineffective (but then only so long as such ineffectiveness shall continue), (i) within 60 days after such case shall have been commenced, (A) all the obligations of the Company under this Agreement shall not have been duly assumed for the then unexpired term of the Financing Agreement and hereunder in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such case in such manner that such obligations shall have, to the fullest extent permitted by law, the same status and priority as to payment as obligations incurred by such trustee or trustees which are entitled to payment as a first priority for costs and expenses of administration, and (B) all Default Events under subparagraphs (a) or (b) hereof shall not have been cured, and (ii) thereafter during the pendency of the case, the trustee or trustees appointed in such proceedings or case shall not cure in a timely fashion all other Default Events under subparagraphs (a) or (b) hereof which from time to time occur under the Financing Agreement and hereunder; or (e) the commencement of any other case or proceeding by or against the Company or the Guarantor for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, or the Board of Directors of the Company or the Guarantor shall authorize the commencement of any case or proceeding for such relief or shall take any other action in furtherance thereof, and, if such case or proceeding has been commenced against the Company or the Guarantor, such case or proceeding shall not have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue) within 60 days after such proceedings shall have commenced; or (f) the Company or the Guarantor shall become or is adjudicated insolvent or bankrupt, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or is unable to pay or is generally not paying its debts as they become due, or a trustee, custodian or receiver is applied for or appointed for the Company or the Guarantor or for the major part of

the property of any thereof and such trustee, custodian or receiver is not discharged within 60 days after such appointment.

The term "Equipment" shall mean the railroad cars owned by the Company and described on Schedule I or any Supplementary Schedule hereto, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of such Equipment, whether now owned or hereafter acquired, and all substitutions, renewals and replacements of, and additions, improvements, accessories and accumulations to, any and all of such Equipment.

The term "Liabilities" shall mean all obligations, whether now or hereafter existing or due or to become due, of the Company under the Financing Agreement (including, without limitation, the Loan) and each other instrument (including, without limitation, this Agreement) now or hereafter executed by it pursuant to the Financing Agreement.

Any other term used herein which is defined in the Financing Agreement shall have the same meaning herein as such term has therein.

2. GRANT OF SECURITY INTEREST. As security for payment of all Liabilities, the Company hereby mortgages, transfers and assigns to the Bank, and grants to the Bank a continuing security interest in and to, all right, title and interest whatsoever of the Company in and to: the Equipment; all other property of the Company the possession of which may at any time now or hereafter be delivered to or for the account of the Bank as security for the payment of the Liabilities; and all proceeds (including, without limitation, insurance proceeds) of any of the foregoing.

3. WARRANTIES AND AGREEMENTS OF COMPANY.

(a) The Company is the owner and is lawfully seized and possessed of the Equipment and has the right, full power and authority to mortgage, transfer and assign the same to the Bank. Such property is and will be free from any and all liens and encumbrances prior to, on a parity with, or junior to the lien of this Agreement and the Company will warrant and defend the title thereto and the interest of the Bank therein against all claims and demands whatsoever.

(b) The Company, at its own expense, will do, execute, acknowledge, and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the better assuring, conveying, assigning and confirming unto the Bank all of the Collateral, whether now owned or hereafter acquired.

(c) The Company, so long as no Default Event shall have occurred under this Agreement and be continuing and subject to all the terms and conditions of this Agreement, shall be entitled to the possession of the Equipment and the use thereof in the contiguous continental United States and in Canada. The Company shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Company shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange (if and to the extent permitted by the Interchange Rules or supplements thereto of the Association of American Railroads (herein called the "AAR")). Except as required or permitted by the provisions of Section 3(d) hereof, the Company shall not modify any Equipment without the prior written authority and approval of the Bank, which authority and approval shall not be unreasonably withheld.

(d) Without limiting the foregoing subsection (c), the Company agrees to comply with all insurance policies covering the Equipment and all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission and, if and to the extent permitted thereby, the current Interchange Rules or supplements thereto of the Mechanical Division, AAR) as the same may be in effect from time to time with respect to the use, maintenance and operation of the Equipment. In case any equipment or appliance is reasonably interpreted as being required to be installed on any Equipment in order to comply with such laws, regulations, requirements and rules, the Company agrees to make such changes, additions and replacements at its own expense; provided, however, that the Company may,

in good faith and by appropriate legal proceedings, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not in the opinion of the Bank adversely affect the security interest of the Bank hereunder.

(e) The Company agrees that it will at all times, at no cost or expense to the Bank, keep each item of Equipment insured against loss, damage, theft and such other risks as are customarily insured against by railroad companies. The Bank may apply any proceeds of such insurance which may be received by it toward payment of any expenses incurred by it in connection with the Collateral, the Financing Agreement and herewith (including, without limitation, reasonable attorneys' fees and legal expenses) and any balance of such proceeds may be applied toward the payment of such of the Liabilities, and in such order of application, as the Bank may from time to time determine. The Company will also maintain public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others. All insurance shall cover the interests of the Company and the Bank in the Equipment, or, as the case may be, shall protect the Company and the Bank in respect of risks arising out of the condition, maintenance, use, ownership or operation of the Equipment. The Company shall furnish the Bank with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies.

(f) Except as provided herein or with the prior written consent of the Bank, the Company will not sell, loan, pledge, mortgage, assign or otherwise dispose of, or create or suffer to be created any levies, liens or encumbrances on, or permit any bailment or other legal or equitable interest in, any of the Equipment or any interest therein, except for the lease of the Equipment to the Guarantor; and the Company will from time to time cause to be paid all liens, taxes, assessments and governmental charges levied, assessed or

imposed upon any of the Equipment or any interest therein; provided, however, that nothing herein contained shall be deemed to require any lien, tax, assessment, charge, claim or demand to be paid or discharged prior to the due date thereof. The Company will give the Bank notice of any attachment or judicial process affecting any of the Equipment as soon as the Company has knowledge thereof.

(g) The Bank shall have at all times the right to enter into and upon any premises under the control of the Company where any of the Equipment is located for the purposes of inspecting the same, observing its use or otherwise protecting Bank's interest therein.

4. CASUALTY OCCURRENCES.

(a) In the event that any unit of the Equipment (i) shall be worn out, lost, stolen, destroyed, irreparably damaged or otherwise rendered permanently unfit for use from any cause whatsoever, or (ii) shall be taken or requisitioned by condemnation or otherwise (any such occurrence being herein called "Casualty Occurrence"), the Company shall promptly and fully inform the Bank in regard thereto (after it has knowledge of such Casualty Occurrence). When the aggregate book value of all such units having suffered a Casualty Occurrence (exclusive of units having suffered a Casualty Occurrence with respect to which a payment previously shall have been made to the Bank pursuant to this Section 4) hereunder shall exceed \$100,000, the Company, within 10 days after it has knowledge of such event, shall promptly pay to the Bank as a prepayment of the Loan a sum equal to the product of (i) a fraction, the numerator of which is the book value of the Equipment having suffered a Casualty Occurrence (exclusive of units having suffered a Casualty Occurrence with respect to which a payment previously shall have been made to the Bank pursuant to this Section 4) and the denominator of which is the book value of the Equipment then subject hereto (including the book value set forth as the numerator), times (ii) the outstanding principal amount of the Loan on the day preceding such prepayment. The term "book value" shall mean the purchase price of each item of Equipment.

(b) In order to facilitate the sale or other disposition of any Equipment suffering a Casualty Occurrence, the Bank shall, upon request of the Company, after payment by the Company of the sum described in paragraph (a) of this Section 4, execute and deliver to the Company or the Company's vendee, assignee or nominee, a bill of sale (without warranties or representations of any kind or nature whatsoever) for such Equipment, and such other documents as may be required to release such equipment from the terms and scope of this Agreement, all in such form as may be reasonably requested by the Company.

5. DEFAULT. Whenever a Default Event shall be existing, the Bank may, to the fullest extent permitted by law, exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Bank may, by notice in writing to the Company, declare all Liabilities to be immediately due and payable, and thereupon all such Liabilities shall be and become immediately due and payable.

(b) The Bank, personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Equipment and other Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Company, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate the same until sold. It is understood, without limiting the foregoing, that the Bank may, and is hereby given the right and authority to, keep and store said Equipment and other Collateral, or any part thereof, on the premises of the Company specified by the Bank (including, without limitation, upon

the tracks in Chicago, Illinois or elsewhere of the Company), and that the Bank shall not thereby be deemed to have surrendered, or to have failed to take, possession of such Equipment and other Collateral.

(c) The Bank may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Company once at least 10 days prior to the date of such sale, and having given any other notice which may be required by law, sell and dispose of said Equipment and the other Collateral, or any part thereof, at public auction or private sale to the highest bidder, at any place, whether or not it be the location of any of the Equipment or other Collateral, or any part thereof, designated in the notice above referred to, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Bank may determine. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, without further published notice; and the Bank may bid and become the purchaser at any such sale.

(d) The Bank may proceed to protect and enforce this Agreement by suit or suits or proceedings in equity, at law or in pending bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Equipment and other Collateral, or any part thereof, or for the recovery of judgment for the Liabilities hereby secured, or for the enforcement of any other proper legal or equitable remedy available under applicable law.

Any sale or sales pursuant to the provisions hereof, or pursuant to any legal proceedings, shall operate to divest the Company of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in

and to the items so sold, and shall be free and clear of any and all rights of redemption by, through or under the Company, the Company hereby covenanting and agreeing that it will not at any time insist upon or plead, or take the benefit or advantage of or from, any law now or hereafter in force providing for a valuation or appraisal of the Collateral, or any part thereof, prior to any sale or sales thereof or providing for any right to redeem the Collateral, or any part thereof. The receipt of purchase money or other consideration by the Bank, or by any person authorized under any judicial proceeding to make any such sale, shall be a sufficient discharge to any purchaser of the Collateral, or of any part thereof, sold as aforesaid; and no such purchaser shall be bound to see to the application of such purchase money, or be bound to inquire as to the authorization, necessity or propriety of any such sale.

Any notification required by law of intended disposition by the Bank of any of the Collateral shall be deemed reasonably and properly given if given at least 10 days before such disposition. Any proceeds of the Collateral may be applied by the Bank to the payment of any expenses incurred in connection with the Collateral, the Financing Agreement and herewith (including, without limitation, reasonable attorneys' fees and legal expenses) and any balance of such proceeds may be applied toward the payment of such of the Liabilities, and in such order of application, as the Bank may from time to time determine; and the Company shall continue obligated for all Liabilities remaining unpaid after any such application.

6. PERFORMANCE BY BANK OF OBLIGATIONS OF COMPANY. The Bank may from time to time, at its option, perform any obligation to be performed by the Company hereunder or under the Financing Agreement or any other instrument executed pursuant thereto or in connection therewith which the Company shall fail to perform and take any other action which the Bank deems necessary for the maintenance or preservation of any of the Collateral or its security interest in the Collateral. All moneys advanced by the Bank in connection with the foregoing, together with interest at the rate of 15% per annum (or such lower maximum rate as shall be legal under applicable law), shall be repaid by the Company to the Bank, upon the latter's demand, and shall be secured hereby prior to any other indebtedness or obligation secured hereby, but the making of any such advance by the Bank shall not relieve the Company of any default hereunder.

7. MISCELLANEOUS. The Bank does not assume any obligation or liability to any lessee, bailee, purchaser or other person (except to the Company as herein expressly set forth) with respect to the Collateral, and any such assumption is hereby expressly disclaimed. The Bank shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as the Company requests in writing, but failure of the Bank to comply with any such request shall not in itself be deemed a failure to exercise reasonable care, and no failure of the Bank to preserve or protect any rights with respect to any Collateral against prior parties, or to do any act with respect to the preservation of any Collateral not so requested by the Company, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

Any notice or other communication hereunder to either party shall be in writing and delivered or mailed to it at its address set forth above; provided that either party may by notice to the other designate a changed address for such party.

No failure or delay on the part of the Bank in the exercise of any right or remedy hereunder or under any other instrument or otherwise shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if, for any reason whatsoever, any one or more of the provisions of this Agreement shall be held or deemed to be inoperative, unenforceable or invalid as applied to any particular case or cases in any particular jurisdiction or jurisdictions or in all jurisdictions or in all cases, such circumstance shall not have the effect of rendering such provision inoperative, unenforceable or invalid in any other jurisdiction or in any other case or of rendering any of the provisions of this Agreement inoperative, unenforceable or invalid.

This Agreement shall be a contract made under and governed by the internal laws of the State of Illinois.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and, without limiting the foregoing, all rights and powers hereunder or with respect thereto of the Bank, or any agent or representative of the Bank, may be exercised by any successor or assignee of the Bank or any agent or representative of such successor assignee.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

WATERLOO RAILROAD COMPANY

By R. H. Hughes
Its TREASURER

(Corporate Seal)

ATTEST:

Richard M. Kanowski
Its SECRETARY

THE FIDELITY BANK

By [Signature]
Its Vice President

(Corporate Seal)

ATTEST:

[Signature]
Its Senior Loan Officer

SCHEDULE I
TO SECURITY AGREEMENT

DESCRIPTION OF EQUIPMENT

<u>Type of Equipment</u>	<u>Quantity</u>	<u>Identification Numbers</u>	<u>Maturity of Respective Loan</u>
New 70-ton Pulpwood Cars	200	ICG 822800-822999, both inclusive	