

LON P. MACFARLAND, P.C.

ATTORNEY AT LAW

P. O. BOX 1121

MIDDLE TENNESSEE BANK BUILDING
COLUMBIA, TENNESSEE 38401

LON P. MACFARLAND
GLENN L. COX

11485

RECORDATION NO. Filed 1425 TELEPHONE
(615) 388-3215

FEB 4 1980 - 11 05 AM

January 29, 1980 INTERSTATE COMMERCE COMMISSION

Secretary of the Interstate
Commerce Commission
Washington, DC 20423

No. 0-683A013

Date FEB 4 1980

Fee \$ 50.00

ICC Washington, D. C.

Re: William Ross Security Agreement

Dear Sir:

Enclosed you will find documents for filing
pursuant to Title 49 of the United States Code.

Sale of Cars

Vendor: Pullman Standard
Purchaser: William M. and Ellen D. Ross
119 S. Main Street
Mt. Pleasant, TN 38474

Mortgage

Mortgagor: William M. and Ellen D. Ross
Mortgages: Middle Tennessee Bank
700 N. Garden
Columbia, TN 38401
Guarantor: None

Equipment Trust

Vendor: William M. and Ellen D. Ross
Trustee Lessor: Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, NJ 07633

Lease

Lessee: Lamoille Valley Railroad Co.
Lessor: Rex Railways, Inc.

Secretary of the Interstate
Page 2
January 29, 1980

General Description

Two (2) 50 foot, 70 ton, steel XM boxcars with a
5,344 foot capacity, No. LVRC 5343 and 5344.

Very truly yours,



Glenn L. Cox

GLC:vmc

Enclosures

P. S. Please return the original material to the
address on this letterhead in care of Mr. Glenn L. Cox.

Interstate Commerce Commission
Washington, D.C. 20423

2/20/80

OFFICE OF THE SECRETARY

Glenn L. Cox
Lon P. MacFarland, FC
P.O. Box 1121
Middle Tennessee Bank Building
Columbia, Tennessee 38401

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/4/80 at 11:05am , and assigned re-
recording number(s) 11485

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

11485

S E C U R I T Y A G R E E M E N T

SECURITY AGREEMENT dated Oct. 19 , 1979, (hereinafter called this Agreement), between the party or parties executing this Agreement as Debtor(s) (hereinafter called the Debtor) and the Middle Tennessee Bank, a Tennessee Corporation (hereinafter called the Bank).

The Debtor has requested that the Bank make a loan to the Debtor (hereinafter called the Loan), evidenced by a promissory note issued or to be issued by the Debtor (hereinafter called the Note) payable to the order of the Bank. The proceeds of the Loan will be used by the Debtor to pay a portion of the purchase price of the units of railroad equipment described in Schedule A attached hereto, which will be leased initially to Lamoille Valley Railroad, and, subject to the terms of this Agreement, may be leased to certain other short-line railroads pursuant to a Lease or Leases of Equipment, substantially in the form attached as Exhibit D to the Private Placement Memorandum (as hereinafter defined), between the Lessee and Rex Railways, Inc. (hereinafter called the Agent), as agent for the Debtor under a Management Agreement (hereinafter called the Management Agreement), in the form attached as Exhibit C to the Private Placement Memorandum. The term "Private Placement Memorandum" means the Private Placement Memorandum dated August 31, 1979, of the Agent pursuant to

which prospective investors were offered the opportunity to participate in the Agent's Boxcar Management Program, 1979-D.

In order to induce the Bank to make the Loan, the Debtor has agreed to secure to the extent hereinafter set forth (a) the payment in full of principal of and interest on the Note when and as the same shall become due and payable whether at the stated date for the payment thereof, by acceleration, by notice of prepayment or otherwise and (b) the due and punctual payment of all other monetary obligations of the Debtor to the Bank pursuant to the Note and this Agreement (such principal, interest and obligations being hereinafter called the Obligations).

Accordingly, the Debtor and the Bank hereby agree as follows:

ARTICLE ONE

Grant of Security

SECTION 1.01. Grant of Security. The Debtor does hereby transfer, assign, grant, bargain, sell, convey, hypothecate, and pledge to the Bank, its successors and assigns, a security interest in all right, title and interest of the Debtor which presently exists or which may hereafter arise, in, to and under the following (all of the properties in which the Bank is hereby granted a security interest being hereinafter called collectively the Collateral):

(a) the units of railroad equipment described in Schedule A attached hereto, together with (i) any and all accessories, equipment, parts and improvements now or at any time hereinafter attached or appertaining to such units, except such thereof as remain the property of the Lessee under the Lease, and (ii) any and all substitutions, renewals and replacements for, and any additions, accessions and accumulations to, any and all of such units (such units of railroad equipment, together with such accessories, equipment, parts, improvements, substitutions, replacements, additions, accessions and accumulations being hereinafter called collectively the Units and severally a Unit);

(b) the Lease of Equipment described in Schedule B attached hereto and any other Lease pursuant to which any Unit shall at any time be leased, together with any and all schedules and exhibits thereto (all such leases together with such schedules and exhibits being hereinafter called collectively the Lease; and all lessees thereunder, including without limitation the lessee set forth in Schedule B attached hereto, being hereinafter called collectively the Lessee), including without limitation the right to receive and collect all rental, casualty value payments, insurance proceeds, condemnation awards and other payments now or hereafter payable to the Debtor pursuant to the Lease; and

(c) to the extent not included in the next preceeding clause, all rental, issues, income and profit from the Units.

(d) in addition to the security hereinbefore mentioned the Debtor also will deposit with the Bank the following pledge(s) as additional security: (i) Three hundred fourteen (314) shares of Industrial Products, Inc. and (ii) a note by Industrial Products, Inc., payable to William Ross in the amount of One Hundred Eight-two Thousand (\$182,000) Dollars.

SECTION 1.02. Limitations of Security Interest.

The security interest granted by the Debtor in and to the Collateral is subject to (a) the Lessee's rights of possession, use and enjoyment set out in the Lease and (b) the Agent's right to compensation set out in Paragraph 6 of the Management Agreement.

SECTION 1.03. Duration of Security Interest. The security interest granted by the Debtor in and to the Collateral shall remain in effect at all times until the Debtor shall pay or cause to be paid all Obligations and shall observe and perform all the terms, conditions and agreements contained in this Agreement and the Note.

ARTICLE TWO

Representations, Warranties and Covenants

SECTION 2.01. Representations and Warranties. The Debtor represents and warrants to the Bank that (a) the Debtor

is the record and beneficial owner of all right, title and interest in the Collateral free and clear of all liens, charges and encumbrances, except for the rights of the Lessee under the Lease and of the Agent under the Management Agreement, (b) the Debtor had full right and power to grant a security interest in the Collateral to the Bank free of any contractual provision binding on the Debtor or his assets and (c) without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed or permitted to be filed or recorded covering any of the Collateral (except the financing statements or other instruments filed or to be filed in respect of the security interest provided herein).

SECTION 2.02. Covenants. The Debtor unconditionally covenants and agrees with the Bank as follows:

(a) the Debtor will promptly cause this Security Agreement and each supplement or amendment hereto to be duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Debtor will do, execute, acknowledge, deliver, file, register and record 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

or property intended so to be, whether now owned or hereafter acquired;

(b) the Debtor shall not encumber or grant a security interest in or file a financing statement covering the Collateral, or permit any of the foregoing, without the prior written consent of the Bank, except as required hereunder;

(c) the Debtor will, at no expense to the Bank, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest in the Collateral herein provided for; without limiting the foregoing, the Debtor covenants and agrees that it will, pursuant to Paragraph 7(a) of the Management Agreement, direct the Agent to make all payments of rental and other sums payable to the Debtor under the Lease and the Management Agreement directly to the Bank or as the Bank may otherwise direct;

(d) the Debtor will not sell, mortgage, transfer or assign (other than to the Bank hereunder) its interest in the Units or in any part thereof or in any amount to be received by it from the use or disposition of the Units;

(e) subject to the rights of the Lessee under the Lease, the Debtor will cause the Units and each and every part thereof to be maintained, preserved and kept in safe and

good repair, working order and condition, and will from time to time make or cause to be made all necessary and proper repairs, renewals, and replacements so that the value and efficiency of such property shall not be impaired;

(f) the Debtor will not, and will not permit or cause the Agent to, declare or exercise any of the remedies of the lessor under, or accept a surrender of, or offer or agree to any assignment, termination, modification or surrender of, the Lease (except as otherwise expressly provided in the Management Agreement), or by affirmative act consent to the creation or existence of any security interest or other lien in or on the Lease or any part thereof;

(g) the Debtor will not, and will not permit or cause the Agent to, receive or collect any rental payment under the Lease in respect of any of the Units prior to the date for payment thereof, provided for by the Lease or assign, transfer or hypothecate (other than to the Bank hereunder and to the Agent under the Management Agreement) any rent payment then due or to accrue in the future under the Lease in respect of any of the Units;

(h) the Debtor will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges lawfully imposed upon or against the Collateral or any part thereof, and

(a) default shall be made in the payment of principal of, or interest on, the Note when and as the same shall become due and payable, whether at the stated date for the payment thereof, by acceleration or by notice of prepayment or otherwise;

(b) any representation or warranty made herein or in any certificate delivered in connection herewith shall prove to be false or misleading in any material respect;

(c) default shall be made in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor pursuant to the terms hereof and such default shall continue unremedied for 30 days;

(d) final judgment for the payment of money in excess of an aggregate of \$25,000 shall be rendered against the Debtor and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed;

(e) the Debtor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of his property, (ii) admit in writing his inability to pay his debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy,

reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or if action shall be taken by the Debtor for the purpose of effecting any of the foregoing; or

(f) an order, judgment or decree shall be entered, without the application, approval or consent of the Debtor by any court of competent jurisdiction, appointing a receiver, trustee or liquidator of the Debtor and such order, judgment or decree shall continue unstayed and in effect for any period of 30 days;

(g) the good faith belief of the Bank that the prospect of payment or performance of any obligation of Debtor to Bank under this Agreement is impaired;

then, in any such case, the Bank may, by notice in writing delivered to the Debtor, declare the unpaid principal of the Note to be due and payable, and thereupon the same, together with accrued interest thereon, shall become and be immediately due and payable.

SECTION 4.02. Remedies. In case of the happening of any Event of Default, the Bank may, subject to the Lessee's rights of possession, use and enjoyment set out in the Lease and the Agent's right to compensation set out in Paragraph 6 of the Management Agreement, by its agents enter upon the premises of the Lessee (or other party having acquired the possession or use

of the Units) where any of the Units may be and take possession of all or any part of the Units and withdraw the same from said premises, retaining all payments which up to that time may have been made on account of rental for the Units and otherwise, and shall be entitled to collect, receive and retain all unpaid per diem, incentive per diem, mileage or other charges of any kind earned by the Units, and may lease or otherwise contract for use of any of the Units; or the Bank may, with or without retaking possession; sell any of the Units, free from any and all claims of the Debtor at law or in equity, in one lot and as an entirety or in separate lots, at public or private sale for cash or upon credit in the discretion of the Bank, and may proceed otherwise to enforce its rights, all subject to any mandatory requirements of law applicable thereto. Upon any such sale, the Bank may itself bid for the property offered for sale or any part thereof. Any such sale may be held or conducted at such place and at such time as the Bank may specify, or as may be required by law, and without gathering at the place of sale the Units to be sold, and in general in such manner as the Bank may determine.

In case of the happening of an Event of Default, the Bank also may, subject to the Lessee's rights of possession, use and enjoyment set out in the Lease and the Agent's right to compensation set out in Paragraph 7 of the Management Agreement, proceed to exercise in respect of the Lease and the property covered thereby and the duties, obligations and liabilities of

IN WITNESS THEREOF, the parties have executed this Agreement at Columbia, Tennessee, the day and year first above written.

William M. Ross
WILLIAM M. ROSS

Ellen D. Ross
ELLEN D. ROSS

MIDDLE TENNESSEE BANK

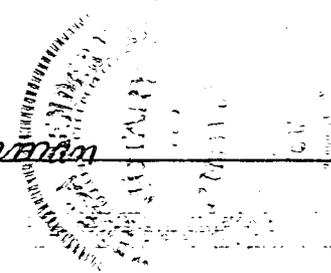
By James W. [Signature]

STATE OF TENNESSEE

COUNTY OF MAURY

On this 16 day of October, 1979, before me personally appeared William M. Ross and Ellen D. Ross, to me personally known to be the persons described in and who executed the foregoing instrument and they acknowledged that they executed the same as their own free act and deed.

Teresa Benderman
Notary Public



My Commission Expires:

7-19-82

STATE OF TENNESSEE

COUNTY OF MAURY

On this 16 day of October, 1979, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a _____ of Middle Tennessee 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.

Teresa Bendeman
Notary Public

My Commission Expires:

7-19-82

SCHEDULE B

Date of Lease Agreement
with Rex Railways, Inc.,
as Agent for Lessors

Lessee

Lamoille Valley Railroad

July 24, 1979

<u>Number of Cars</u>	<u>Description of Cars</u>	<u>Reporting Marks and Serial Numbers</u>
*2	5,344 cubic foot capacity, 70-ton truck, 50'6" XM general purpose unequipped boxcar	LVRC 5343 and LVRC 5344

529
Number of Cars being purchased: ~~1~~ 2

BOXCAR PURCHASE CONTRACT

Rex
Rex Railways, Inc., a New Jersey corporation (hereinafter referred to as "REX"), and the person executing this agreement as Buyer (hereinafter referred to as "Buyer") hereby agree as follows:

1. Description - Sale of Goods

REX shall transfer to Buyer REX's entire right, title and interest in, and Buyer shall pay for, the number of railroad cars set forth on the top of this page, the reporting marks and serial numbers for which shall be listed by REX, unilaterally, on Schedule 1 hereto (such car or cars hereinafter referred to as "Cars"). This entire Agreement is conditioned upon the availability to REX of suitable railcars on the terms and conditions previously quoted to REX in the manufacturer's commitment.

2. Delivery

REX shall take delivery of the Cars on behalf of Buyer and subject to a management agreement between REX and Buyer (the "Management Agreement"), and, after title to the Cars has passed to Buyer in accordance with paragraph 3, REX shall accept the Cars under the lease agreement between REX, as agent for Buyer, as lessor, and Lamoille Valley Railroad Company, as lessee.

3. Passage of Title - Risk of Loss

Title and risk of loss of the Cars shall pass to Buyer at the earlier of (i) the moment this Agreement has been signed by both parties hereto in the case of Cars identified in Schedule 1 hereto at the time of such signing, (ii) the moment that Schedule 1 has been amended, unilaterally by REX, in the case of Cars identified in and added to Schedule 1 hereto by such amendment, and (iii) the moment that REX accepts delivery of the Cars from the manufacturer on behalf of Buyer, promptly after which acceptance REX shall unilaterally amend Schedule 1 to identify such Cars herein.

4. Disclaimer of Express Warranties

REX warrants that the Cars are as described in this Agreement but no other express warranty is made in respect to the Cars. If any model or sample was shown to Buyer, such model or sample was used merely to illustrate the general type and quality of the Cars and not to represent that the Cars would necessarily conform to the model or sample.

5. Disclaimer of Warranties

THE CARS SOLD UNDER THIS CONTRACT ARE PURCHASED BY THE BUYER "AS IS" AND, EXCEPT AS PROVIDED IN PARAGRAPH 4, REX DOES NOT

MAKE ANY WARRANTIES OR REPRESENTATIONS EXPRESS OR IMPLIED AS TO THE CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSES OR ANY OTHER MATTER CONCERNING THE CARS. REX HEREBY ASSIGNS TO BUYER ANY AND ALL WARRANTIES IT MAY HAVE AGAINST THE MANUFACTURER OF THE CARS.

6. Price

The price to be paid by Buyer shall be equal to the sum of (a) the actual and final manufacturer's invoice price for the Cars purchased by Buyer plus (b) a fee equal to 9-1/2% of such actual and final manufacturer's invoice price. Buyer has heretofore paid to REX, toward the purchase price of the Cars, and REX hereby acknowledges receipt of, an amount equal to \$45,442.50 per Car. REX shall refund to Buyer the amount by which such \$45,442.50 per Car exceeds the sum of (i) the actual purchase price of the Cars sold hereunder and (ii) the amount, if any, by which the initial storage (including switching into and out of storage) and transit costs for the Cars exceeds \$150 per Car. If the actual purchase price of the Cars sold hereunder exceeds \$45,442.50 per Car, Buyer shall promptly upon notice pay to REX such deficiency, such payment being a condition to the closing of the purchase of the Cars if such deficiency can be determined prior to such closing.

7. Storage and Transit Costs and Reserve for Operating Deficits

Buyer has heretofore paid to REX toward storage (including switching into and out of storage) and transit costs, and REX acknowledges receipt of, an amount equal to \$150 per Car sold hereunder. Buyer has also heretofore paid to REX, as a reserve for operating deficits during the first four months of operation, and REX acknowledges receipt of, an amount equal to \$375 per Car sold hereunder. On April 30, 1980 REX shall refund to Buyer the amount, if any, by which \$150 per Car exceeds the actual storage (including switching into and out of storage) and transit costs per Car sold hereunder. If the actual storage and transit costs of Cars sold hereunder exceed \$150 per Car, such excess will be reimbursed to REX, first, out of any excess of the amount paid hereunder (less \$150 per Car for the reserve for initial storage and transit costs and the amount, if any, of the operating deficit reserve applied to operating deficits) over the actual and final manufacturer's invoice price for the Cars plus REX's fee in the amount of 9-1/2% of such invoice price, and, second, out of the gross revenues, if any, allocable to Buyer, as provided in Section 5(d) of

the Management Agreement. No interest shall be payable on any advances of REX's funds to pay such storage (including switching) and transit costs until paid in accordance herewith.

REX shall retain out of the amount paid hereunder \$375 per Car as a reserve for operating deficits in connection with the Cars and shall apply such reserve pursuant to Section 7(i) of the Management Agreement.

8. Method of Payment

Payment shall be made by certified or cashier's check payable to REX or by wire transfer of funds.

9. Remedies

Buyer and REX shall have all remedies afforded each by the New Jersey Uniform Commercial Code.

10. Interpretation - Parol Evidence

This writing is intended by the parties as a final expression of their agreement with respect to the purchase of the Cars. No course of prior dealings between the parties and no usage of the trade shall be relevant to supplement or explain any term used in this Agreement. Acceptance or acquiescence in a course of performance rendered under this Agreement shall not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party has knowledge of the nature of the performance and opportunity for objection. Whenever a term defined by the New Jersey Uniform Commercial Code is used in this Agreement, the definition contained in the Code is to control.

11. Authority of REX's Agents

No agent, employee, or representative of REX has any authority to bind REX to any affirmation, representation, or warranty concerning the Cars sold under this Agreement, and unless an affirmation, representation, or warranty made by an agent, employee, or representative is specifically included within this written Agreement, it has not formed a part of the basis of this bargain and shall not in any way be enforceable.

12. Modifications

This Agreement can be modified or rescinded only by a writing signed by both of the parties or their duly authorized agents.

13. Waiver

No claim or right arising out of a breach of this Agreement can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party.

14. Assignment - Delegation

No right or interest in this Agreement shall be assigned by Buyer without the prior written consent of REX, and no delegation of any obligation owed, or of the performance of any obligation, by Buyer shall be made without the prior written consent of REX. Any attempted assignment or delegation by Buyer shall be wholly void and totally ineffective for all purposes unless made in conformity with this paragraph.

15. Applicable Law

This Agreement shall be governed by the laws of the State of New Jersey, including the New Jersey Uniform Commercial Code, as adopted, effective and in force on the date of this Agreement.

Signed this 3rd day, of October, 1979

BUYER: WILLIAM M. ROSS

Name: ELLEN D. ROSS

(Please print)

Signature: William M. Ross

Signature of Joint Purchaser: Ellen D. Ross

Title of person signing, if Buyer is not an individual: _____

REX RAILWAYS, INC.

BY Robert W. Gruber, Pres.

SCHEDULE A

<u>Number of Cars</u>	<u>Description</u>	<u>Reporting Marks and Serial Numbers</u>
2	5,344 cubic foot capacity, 70-ton truck, 50'6" XM general purpose unequipped boxcar	LVRC 5343 and LVRC 5344

SCHEDULE B

Date of Lease Agreement
with Rex Railways, Inc.,
as Agent for Lessors

Lessee

Lamoille Valley Railroad

July 24, 1979