

Counterparts - Robert C. Zumbiel

LAW OFFICES

REA, CROSS & AUCHINCLOSS

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RECORDATION NO. **18890** FILED 1425

JUL 8 1994 - 12:50 PM

INTERSTATE COMMERCE COMMISSION

DONALD E. CROSS (1923-1986)

THOMAS M. AUCHINCLOSS, JR.
LEO C. FRANEY
JOHN D. HEFFNER
HARRY J. JORDAN
WILLIAM E. KENWORTHY
KEITH G. O'BRIEN
BRYCE REA, JR.
BRIAN L. TROLANO
ROBERT A. WIMBISH*
*MEMBER VA. BAR ONLY

0700303044

BY HAND

July 8, 1994

Ms. Mildred R. Lee
Equipment Recordation Office
Room 2303
Interstate Commerce Commission
Washington, D.C. 20423

Dear Ms. Lee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) is the following document:

An executed and acknowledged original and one certified true counterpart (copy) of a Security Agreement dated July 5, 1994, a primary document as defined in the Commission's Rules for Recordation of Documents under 49 CFR § 1177. The names and addresses of the parties to this Security Agreement are:

Secured Party: NationsBank of Tennessee
1616 West Market Street
Johnson City, TN 37602

Debtor: Idaho Northern & Pacific Railroad Company
4420 West Vickery Boulevard
Suite 110
Fort Worth, TX 76185

A description of the railroad equipment covered by this Security Agreement is as follows:

- (1) Fifty-eight (58) log gondolas with reporting marks INPR 66804 - 67646 (formerly UP 66804 - 67646) as listed in the first column of Exhibit A of the attached security agreement;

Ms. Mildred R. Lee
July 8, 1994
Page 2

- (2) One hundred and fifty-five (155) log flat cars
with reporting marks INPR 51009 - 59701
(formerly UP 51009 - 59701)
as listed in the second, third and fourth columns
of Exhibit A of the attached security agreement.

A short summary of the enclosed document to appear in the
Commission's index is:

- Security Agreement dated July 5, 1994, between Northern
Idaho Northern & Pacific Railroad Company (debtor) and
NationsBank of Tennessee (secured party) covering INPR
log gondolas 66804 through 67646, and INPR flat cars
51009 through 59701, a total of 213 railroad cars.

Also enclosed is a check for \$18.00, payable to the
Interstate Commerce Commission covering the required recordation
fee.

Please stamp and return for our files the copies of the
transmittal letter and the copies of the security agreement
marked "stamp and return."

Sincerely Yours,

Robert A. Wimbish
Robert A. Wimbish

Enclosures

cc: Richard D. Bertel
Howard Capito
Jeffrey Benedict

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

7/8/94

Robert A. Wimbush
Rea, Cross & Auchincloss
1920 N Street, NW., Ste. 420
Washington, DC 20036

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 7/8/94 at 12:50PM, and assigned recordation number(s) 18890.

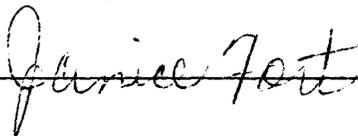
Sincerely yours,

Sidney L. Strickland, Jr.
Secretary

Enclosure(s)

\$ 18.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one stamped on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



RECORDATION NO. 18890 FILED 1425

JUL 8 1994 -12 50 PM

SECURITY AGREEMENT INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT, is made and entered into this 5th day of July, 1994, by and between IDAHO NORTHERN & PACIFIC RAILROAD COMPANY, a Delaware corporation ("Borrower"), with offices at 4420 West Vickery Boulevard, Suite 110, Fort Worth, Texas, and NATIONSBANK OF TENNESSEE, a national bank ("Lender") with offices at 1616 West Market Street, Johnson City, Tennessee.

W I T N E S S E T H:

WHEREAS, Lender, Borrower and others are parties to that certain Loan Agreement dated July 5, 1994 (the "Loan Agreement") pursuant to which Lender has agreed to loan funds to Borrower (the "Loan"); and

WHEREAS, pursuant to the Loan Agreement, Borrower and others have executed and/or delivered certain documents (the "Loan Documents"), including, but not limited to, the Loan Agreement, this Security Agreement and a Promissory Note dated July 5, 1994, in the maximum principal amount of \$2,200,000, payable to Lender (the "Note");

WHEREAS, Borrower desires to secure the performance of its obligations to pay, duly and punctually, the principal of and interest on the Note and to perform, duly and punctually, all other obligations of every kind whatsoever owing to Lender including, but not limited to, the Secured Obligations (as hereinafter defined).

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) in hand paid by Lender to Borrower and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower, intending to be legally bound, hereby agree as follows:

1. Secured Obligations. This Security Agreement is given to secure the due and punctual payment of the principal of and interest on the Note, the due and punctual performance of all other obligations under the Note and this Security Agreement and the other Loan Documents, and the due and punctual payment and performance of all other indebtedness and obligations of Borrower to Lender whether now existing or hereafter arising, however evidenced,

whether direct or indirect, absolute or contingent, individually or jointly with any other person or entity, together with any extensions and renewals of the foregoing obligations and reasonable attorneys' fees if collected by or through an attorney-at-law (collectively the "Secured Obligations").

2. Security Interest. As security for the due and punctual payment and performance by Borrower of the Secured Obligations, Borrower hereby pledges, assigns, transfers, sets over, conveys and delivers to Lender, and grants to Lender a security interest in, all right, title and interest of Borrower in and to the following property of Borrower described on Exhibit A attached hereto and made a part hereof and all products and proceeds thereof, including, without limitation, proceeds of insurance policies insuring the foregoing, together with all additions and accessions to any of the foregoing and all substitutions and replacements for any of the foregoing (the "Collateral").

3. Representations, Warranties and Agreements. Borrower hereby represents, warrants and agrees to and with Lender as follows:

(a) Borrower has full power and authority to assign and convey the Collateral to Lender and Borrower has full title to the Collateral. The security interest in the Collateral granted to Lender herein is a first-priority security interest in and encumbrance on all rights, title and interest of Borrower in and to the Collateral;

(b) No financing statement, security interest, mortgage, deed of trust, deed to secure debt, statutory or common law lien, or other lien or encumbrance covering the Collateral or its proceeds is outstanding or on file in any public office;

(c) The Collateral will be used solely for business use and will remain in the possession or control of Borrower at all times at Borrower's risk of loss.

(d) Borrower will take or cause to be taken all necessary and appropriate action to protect and preserve the value of and its rights, title and interest in and to the Collateral and its proceeds, including without limitation, payment of all taxes, fees, assessments, insurance premiums and other charges that may be imposed on or relate to the Collateral.

Borrower will maintain all Collateral in good condition and will not waste, misuse, abuse or otherwise permit the Collateral to deteriorate in value, except for the ordinary wear and tear in connection with its intended use;

(e) Borrower will not sell, lease, assign, or create or permit to exist any subsequent lien on or security interest in any Collateral to or in favor of anyone other than Lender, without the prior written approval of Lender.

(f) In the event that there shall be filed, perfected, or sought to be enforced in the future any statutory or common law lien in favor of materialmen, mechanics, laborers, warehousemen or other storers of property, Borrower shall promptly bond or discharge such lien;

(g) Borrower shall at all times maintain insurance on the Collateral at a level acceptable to Lender and shall cause Lender to be named as an additional insured on each such policy.

4. Events of Default. The occurrence of (i) any default in the timely payment of principal or interest on the Note or (ii) the breach by the Borrower of any representation, warranty or covenant contained herein or in any other Loan Document, that is not cured within the applicable grace period contained therein, shall constitute an Event of Default by Borrower hereunder.

5. Lender's Rights Exclusive of Default. Borrower agrees that during the term of this Security Agreement Lender shall be entitled to exercise any or all of the following rights:

(a) This Security Agreement, the rights of Lender hereunder, or the indebtedness secured hereby may be assigned from time to time, and in any such case the assignee shall be entitled to all of the rights, privileges and remedies granted in this Security Agreement to Lender;

(b) Lender may, upon prior notice to Borrower, enter upon Borrower's premises, or wherever the Collateral may be at any reasonable time to inspect the Collateral and to inspect the books and records pertaining to the Collateral, and Borrower shall assist Lender in making any such inspection;

(c) At its option, Lender may (but shall not be obligated to) from time to time (i) discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral, (ii) pay for insurance on the Collateral that Borrower fails to maintain as required by this Security Agreement, or (iii) perform any other agreement of Borrower hereunder or under the Agreement that Borrower shall fail to perform and take any other reasonable action that Lender deems necessary for the maintenance or preservation of any of the Collateral or its interest therein. Borrower agrees to reimburse Lender on demand for any payment made or reasonable expenses incurred by Lender pursuant to the foregoing authorization and agrees that all such payments or expenses shall be secured hereby.

6. Remedies on Default. Upon the occurrence of an Event of Default as described in Paragraph 4 hereof, Lender may, in its sole discretion and without further notice or demand (i) declare all of the Secured Obligations to be immediately due and payable, (ii) proceed immediately to exercise any and all of the Lender's rights, powers and privileges with respect to the Collateral, including, without limitation, the right to repossess or sell or otherwise dispose of the Collateral or any part thereof in such manner as Lender in its sole discretion may choose, or (iii) exercise any other right or remedy available to Lender under the applicable Uniform Commercial Code or otherwise available by agreement, at law or in equity. All rights and remedies specified herein are cumulative and are in addition to such other rights and remedies as are available to the Lender. Upon and after an Event of Default, Borrower agrees, upon request by Lender, to assemble the Collateral at a location reasonably convenient to Lender and to make such Collateral available to Lender. Borrower authorizes Lender upon the occurrence of an Event of Default to enter the premises where the Collateral is located and to take possession of and remove any such Collateral without further notice or demand and without institution of legal proceedings. Any requirement imposed by law for reasonable notification of any intended disposition of the Collateral shall be deemed reasonably and properly made if given in accordance with the provisions of this Security Agreement at least ten (10) days prior to any public sale of the Collateral or the time at which any private or other intended disposition of the Collateral is to be made; provided, however, no notice shall be required with respect to any Collateral which is perishable, threatens to decline

speedily in value or is sold in or on a recognized market. Borrower hereby authorizes Lender pursuant to the Power-of-Attorney granted in Paragraph 7 hereof to sign and execute in the name of Borrower any intended transfer, conveyance or instrument in writing that may be necessary or desirable to effect any disposition of the Collateral. No disposition of any Collateral shall extinguish any Secured Obligation of Borrower except to the extent that the net proceeds are applied thereto.

7. Power-of-Attorney. While any Event of Default occurs and is continuing, Borrower does hereby irrevocably make, constitute and appoint Lender and any of its officers or designees its true and lawful attorney-in-fact, with full power and authority to do any and all acts necessary or proper to carry out the intent of this Security Agreement including, without limitation, the right, power and authority (i) to enforce all rights of Borrower under and pursuant to any agreements with respect to the Collateral, all for the sole benefit of Lender; (ii) to enter into and perform such arrangements as may be necessary in order to carry out the terms, covenants and conditions of this Security Agreement that are required to be observed or performed by Borrower; (iii) to execute such other and further mortgages, pledges and assignments of the Collateral as Lender may reasonably require for the purpose of perfecting, protecting or maintaining the security interest granted to Lender by this Security Agreement; and (iv) to do any and all other things necessary or proper to carry out the intent of this Security Agreement, and Borrower hereby ratifies and confirms all that Lender as such attorney-in-fact or its substitutes do by virtue of this Power-of-Attorney, which power is coupled with an interest and is irrevocable, until Borrower has paid in full the Secured Obligations and this Security Agreement is terminated.

8. Borrower to Hold in Trust. Subsequent to the occurrence of any Event of Default and regardless of whether Lender makes any demand to or request of Borrower, Borrower agrees, subject to the rights of holders of security interests in the Collateral having priority over the security interest of Lender, to hold in trust for Lender any and all cash, checks, drafts, items, chattel paper and other instruments or writings for the payment of money that may be received by Borrower in full or partial payment or otherwise as proceeds of any of the Collateral, in precisely the form received. Borrower will immediately upon request by Lender endorse, transfer and deliver any and all such payments to Lender for application against the Secured Obligations.

9. Application of Proceeds. The proceeds from the sale of or other realization on the Collateral pursuant to Paragraph 6 hereof shall be applied as follows:

(a) First, to the payment of all reasonable costs and expenses incurred by Lender in connection with such sale or other realization including, without limitation, attorneys' fees as specified in Paragraph 1 hereof and all court costs, and to the repayment of all advances by Lender hereunder for the account of Borrower and the payment of all reasonable costs and expenses paid or incurred by Lender in connection with or in the exercise of any right or remedy under this Security Agreement, to the extent that such advances, costs and expenses shall not have been previously paid to Lender upon its demand to Borrower therefor;

(b) Second, to the payment in full of the principal and interest on the Note;

(c) Third, to Lender in payment in full of all of the remaining Secured Obligations of Borrower; and

(d) Fourth, to Borrower or as a court of competent jurisdiction may direct.

10. Financing Statements. Borrower will execute financing statements or other documents deemed necessary by Lender to perfect or preserve its security interest in the Collateral and the proceeds thereof, and will pay the costs of fees of filing or recording such statements or documents in all jurisdictions deemed necessary by Lender. Borrower hereby authorizes Lender to file continuations to financing statements without the signature of Borrower so long as they shall be consistent with the intent of this Security Agreement. Upon payment in full of the Secured Obligations and the termination of this Security Agreement, Lender shall execute and deliver to Borrower such termination statements as Borrower shall reasonably request.

11. Term of Agreement. Borrower may terminate this Security Agreement and Lender shall release its security interest in the Collateral upon the payment in full by or on behalf of Borrower of all of the Secured Obligations, provided however that if such payment of any of the Secured Obligations is set aside, voided or recovered, this Security Agreement and Lender's rights in the Collateral shall continue in full force and effect and shall not be deemed to have terminated or lapsed due to such prior payment.

12. Indemnity. Borrower hereby agrees to indemnify Lender and its agents, servants and employees against and agrees to protect, save and hold harmless each thereof from any and all liabilities, obligations, losses, damages, penalties, actions, suits, costs, expenses (including reasonable attorneys fees) and disbursements of whatever kind and description imposed on, incurred by or asserted against any such person in any way arising out of or related to the Collateral, the Secured Obligations, the Note, this Security Agreement, the transactions contemplated thereby and hereby, or the use, possession, maintenance, operation, condition, sale, registration, ownership, lease or other disposition of the Collateral.

13. Survival of Representations and Warranties. All representations and warranties contained herein or made by or furnished on behalf of Borrower in connection herewith shall survive the execution and delivery of this Security Agreement.

14. Modification. No modification, amendment or alteration of any provision of this Security Agreement shall be effective unless contained in a written agreement signed by the parties hereto, and then such modification, amendment or alteration shall be effective only in the specific instances and for the specific purposes for which given.

15. Successors and Assigns. This Security Agreement shall bind and inure to the benefit of the parties and their respective successors and assigns; provided, however, Borrower shall have no right to assign its rights or obligations hereunder to any person or entity.

16. Further Assurances. Upon the request of Lender, Borrower shall duly execute and deliver, at the cost and expense of Borrower, such further instruments as may be necessary or proper, in the judgment of Lender to carry out the provisions and purposes of this Security Agreement or to perfect, protect and preserve the security interest of Lender in the Collateral or in any portion thereof.

17. Time of Essence. Time is of the essence in interpreting and performing this Security Agreement.

18. Expenses. Borrower will pay to Lender all reasonable costs and expenses of, or incidental to, the enforcement of any of the provisions of this Security Agreement.

19. No Waiver. No delay or failure on the part of Lender in the exercise of any right, power or privilege under this Security Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of such right, power or privilege shall preclude the further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver shall be valid against Lender unless made in writing and signed by Lender, and then only to the extent expressly specified therein. Borrower hereby waives presentment and notice of dishonor and protest of all instruments included in or evidencing the liability of Borrower in respect to the Secured Obligations or the Collateral and any and all notices and demands whatsoever, whether or not relating to such instruments, except as otherwise provided in such instruments.

20. Severability. If any part of any provision contained in this Security Agreement shall be invalid or unenforceable under applicable law, said part shall be ineffective to the extent of such invalidity only, without in any way affecting the remaining parts of said provisions or the remaining provisions.

21. Choice of Law. This Security Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee.

22. Descriptive Headings. The descriptive headings of the several paragraphs of this Security Agreement are inserted for convenience only and do not constitute a part of this Security Agreement.

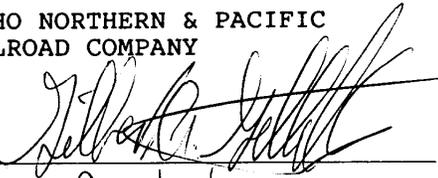
23. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

24. Entire Agreement. This Security Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereof, are expressly superseded hereby.

WITNESS the hand and seal of the parties hereto
through their duly authorized officers.

BORROWER

IDAHO NORTHERN & PACIFIC
RAILROAD COMPANY

By: 

Title: President

LENDER

NATIONS BANK OF TENNESSEE, N.A.

By: 

Title: VP

EXHIBIT A

POOL	TYPE	T	TOTAL	CARS	SYS	00058	FGN	00000	PRI	00000	TOTAL=00058
INPR	066804	066806	066819	066825	066833	066844	066845	066859	066860		
	066861	066868	066871	066873	066876	066880	066888	066893	066900		
	066903	066907	066908	066909	066911	066914	066922	066924	066926		
	066931	066932	066938	066944	066948	067501	067502	067503	067513		
	067522	067524	067537	067544	067553	067556	067559	067562	067564		
	067568	067596	067602	067604	067608	067613	067616	067618	067626		
	067632	067634	067640	067646							
											TOTAL=00058

POOL	TYPE	C	TOTAL	CARS	SYS	00026	FGN	00000	PRI	00000	TOTAL=00026
INPR	054526	054579	054597	054607	054620	054646	054662	054670	054690		
	054720	054736	054798	058186	058304	058310	058365	058420	058449		
	058489	058775	058848	058882	058934	059361	059654	059665			
											TOTAL=00026

POOL	TYPE	P	TOTAL	CARS	SYS	00099	FGN	00000	PRI	00000	TOTAL=00099
INPR	005602	005009	005014	005069							
INPR	051009	051023	051025	051026	051038	051045	051048	051049	051049		TOTAL=00004
	051066	051082	051101	051101	051108	051114	051125	051136	051142		
	051143	051143	051147	051147	051164	051165	051172	051172	051183		
	051197	051222	051229	051239	051263	051285	051318	051330	051340		
	051355	051364	051371	051431	051477	051512	051518	051540	051585		
	051600	051629	051726	051742	051752	051774	057987	058007	058008		
	058025	058086	058095	058115	058133	058198	058315	058351	058412		
	058422	058440	058450	058509	058551	058563	058571	058580	058584		
	058747	058758	058768	058795	058796	058819	058825	058826	058827		
	058846	058875	058889	058892	058907	058956	058958	058985	058989		
	059567	059610	059653	059682	059701						

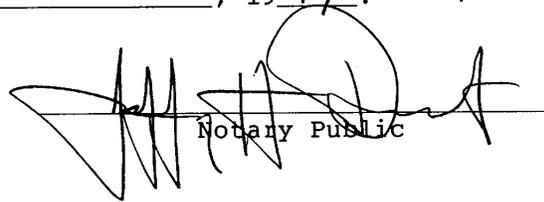
POOL	TYPE	T	TOTAL	CARS	SYS	00030	FGN	00000	PRI	00000	TOTAL=00030
INPR	057943	057972	058001	058003	058073	058162	058266	058281	058287		
	058341	058352	058354	058373	058385	058390	058395	058397	058416		
	058527	058530	058609	058628	058835	058842	058876	058884	058902		
	058916	058970	059549								TOTAL=00030

EOM

STATE OF TENNESSEE)
)
COUNTY OF WASHINGTON)

Before me, Jeffrey H. Benedict, a Notary Public of the state and county mentioned, personally appeared C. HOWARD CAPITO, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Vice President of the maker, the within named bargainer, a corporation, and that he as such Vice President executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

Witness my hand and seal, at office in Johann City,
this 7th day of July, 19 94.


Notary Public

My Commission Expires:
7-24-95



STATE OF TEXAS

COUNTY OF TARRANT

On this the 7th day of July, 1994, before me personally appeared RICHARD D. BERTEL, to me personally known, who being by me duly sworn, says that he is the Chairman of the Board and the Vice-President of Idaho Northern & Pacific Railroad Company, 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.

Barbara Marvin
Notary Public in and for
The State of Texas

(SEAL)

