

RECORDATION NO. 21839 FILED

DEC 7 '98

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RECEIVED
SURFACE TRANSPORTATION
BOARD

December 7, 1998

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Security Agreement, dated November 30, 1998, a ~~secondary~~ ^{Primary} document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor : LRC Credit Corp.
704 E. Gallatin
Livington, Montana 59407

Secured Party: First Security Leasing Company
381 East Broadway, 2nd Floor
Salt Lake City, Utah 84111

A description of the railroad equipment covered by the enclosed document is:

one (1) locomotive LRCX 3817 (formerly SOU 3817)

Counter Parts - G.L.

Vernon A. Williams
December 7, 1998
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Also enclosed is a check in the amount of \$26.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/bg
Enclosures

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**SECURITY AGREEMENT
(EQUIPMENT AND FIXTURES)**

The undersigned ("Debtor"), hereby grants to First Security Leasing Company ("Bank"), a security interest in the following described property, together with all increases therein, all added and substituted parts and equipment, tools, parts, accessories, supplies and improvements therefor, additions and accessions now or hereafter affixed or used in connection therewith, together with all proceeds of all such property, together with all other similar property which Debtor has or shall hereafter acquire an interest in to wit:

(1) LOCOMOTIVE, B36-7 UNIT 3817

LRCX

All of said property is hereinafter referred to as the "Collateral" and it is located in Park County, Montana.

The security interest granted herein shall secure the payment of rental, principal, interest and all charges in connection with all obligations hereunder and all other obligations of the Debtor to the Bank, however created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due (herein collectively call the "Liabilities"). Regardless of the adequacy of any security which the Bank may at any time hold hereunder, and regardless of the adequacy of any other security which Bank may obtain at any of its offices from Debtor in connection with any other transactions, any deposits or other moneys owing from Bank or any of its offices to Debtor shall (as collateral in the possession of Bank) constitute additional security for, and may be set off against, obligations secured hereby even though said obligations may not then be due. When more than one person is the Debtor, they shall be jointly and severally liable.

DEBTOR HEREBY REPRESENTS, COVENANTS AND AGREES WITH SECURED PARTY AS FOLLOWS:

1. USE OF COLLATERAL. Debtor represents and agrees that the primary use of the Collateral is and will be as checked here (one only).
 Business use.
 Farming operations.
2. PURCHASE MONEY. If checked here , the proceeds of the Promissory Note being executed simultaneously herewith are to be used to acquire the Collateral, which proceeds will be used for no other purpose, and Bank may disburse the proceeds directly to the seller of the Collateral.
3. FIXTURES. If checked here , the Collateral will become affixed to real property. Except as otherwise indicated, the parties intend that said Collateral shall always remain personal property. If the Collateral is to become affixed to real property, the description of the real property and the name of the record owner thereof will be designated on a separate schedule to be attached hereto; if said Collateral is affixed to real estate, Debtor will on demand of Bank furnish the latter with a disclaimer(s) or waiver(s) signed by all persons having an interest in the real estate, or any interest in the Collateral which is prior to Bank's security interest.
4. LOCATION OF COLLATERAL; SALE. The Collateral will not be removed from the state shown above, unless Bank otherwise consents in writing. Debtor will not sell, lease or otherwise dispose of the Collateral unless Bank consents thereto in writing.
5. DEBTOR'S ADDRESS. Debtor's residence address is stated below. If any Collateral is used by Debtor in business, Debtor warrants that its principal place of business address is stated below. Debtor will immediately give written notice to Bank of any change of either address.
6. TITLE. Debtor is of legal age, and Debtor has, or forthwith will acquire, title to the Collateral free and clear of any security interests or encumbrance of any nature. Debtor will not create nor permit the existence of any lien or security interest other than that created hereby on the Collateral without the written consent of Bank. Any certificate of title now or hereafter existing on any of the Collateral will be delivered to Bank and will recite the interest of Bank. Debtor will defend the Collateral against all claims and demands of all other persons at any time claiming the same or any interest therein.
7. FILING. Debtor warrants that no financing statement is now on file in any public office covering any of the Collateral or any proceeds thereof, and so long as any amount remains unpaid on any Liabilities of Debtor, or any credit from Bank to Debtor is in use by or available to Debtor, no financing statement will be executed or filed except as required hereby. Debtor agrees to execute and deliver one or more financing statements or supplements thereto or other instruments as Bank may from time to time require to comply with the Montana Uniform Commercial Code or other applicable law to perfect the security interest of Bank and to preserve, protect and enforce that security interest, and Debtor agrees to pay all costs of filing such statements or instruments. Be claiming proceeds or products of the Collateral in any financing statement executed in connection herewith, Bank shall not thereby be deemed to have given Debtor an implied power to sell or otherwise transfer the collateral or any interest therein.
8. CARE OF PROPERTY. Debtor agrees: not to misuse, waste, injure, destroy, conceal, encumber or in any dispose of the Collateral or use it unlawfully or for hire or contrary to the provisions of any insurance coverage, or allow any tax lien against it to become delinquent; to keep the Collateral free from all liens for storage, labor and materials; to maintain the Collateral in good repair and to be responsible for any loss or damage to it; to register the Collateral in accordance with law if necessary.
9. INSURANCE. Debtor agrees at his own expense to insure the Collateral against loss, damage, theft (and such other risks as Bank may require) to the full insurable value thereof with insurance companies and under policies and in form satisfactory to Bank. All policies of insurance shall have endorsed thereon Bank's standard loss payable clause and/or such other endorsement as Bank may from time to time request and said policies shall provide for at least ten (10) days written notice of cancellation to Bank. Upon request, policies or certificates attesting the coverage, as set forth herein, shall be deposited with Bank. Bank shall have full power to collect any and all insurance upon the Collateral and to apply the same at its option to any obligation secured hereby, whether or not matured, or to the restoration or repair of the property. Bank shall have no liability whatsoever for any loss that may occur by reason of the omission or lack of coverage of any such insurance.
10. RIGHT TO PROTECT COLLATERAL. Bank may, but is not required to, at its option, pay any tax, assessment, insurance premium, expense, repair or other charges payable by Debtor, and any filing or recording fees, and any amount so paid, with interest thereon at the maximum rate permitted by law from date of payment until repaid shall be secured hereby and shall be repayable by Debtor on demand. The rights granted by this paragraph are not a waiver of any other rights of Bank arising from breach of any of the covenants hereof by Debtor.
11. DEFAULT. Time is of the essence in this Security Agreement, and Debtor shall be in default hereunder upon the occurrence of any of the following events ("Events of Default") to wit:
 - (a) Any failure to pay when due the full amount of any payment of rental, principal, interest, taxes, insurance premiums or other charges which are or may be secured hereby;
 - (b) Any failure to perform as required by any covenant or agreement herein;

- (c) The falsity of any representation by Debtor herein or in any credit application or financial statement given by Debtor to Secured Party as a basis for any extension of credit secured hereby;
- (d) If the property should be seized or levied upon under any legal governmental process against Debtor or against the property;
- (e) If Debtor becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or in any other proceeding under the federal bankruptcy laws; or makes an assignment for the benefit of creditors; or if Debtor is named in or the Collateral is subjected to suit for the appointment of a receiver;
- (f) Loss, substantial damage to, or destruction of any portion of the Collateral;
- (g) Entry of any judgment against Debtor;
- (h) Death of Debtor who is a natural person or of any partner of Debtor which is a partnership;
- (i) Dissolution, merger or consolidation or transfer of a substantial part of the Collateral of Debtor which is a corporation or a partnership;
- (j) The issuing of an attachment or garnishment, or the filing of a lien against any property of Debtor;
- (k) The assignment by Debtor of any equity in any of the Collateral covered hereby without the written consent of Bank;
- (l) The Collateral is lost, stolen or materially damaged; and
- (m) Bank shall deem itself insecure for any reason whatsoever.

12. REMEDIES. Upon the occurrence of any Event of Default hereunder and at any time thereafter, Bank may declare immediately due and payable all amounts secured hereby and shall have the remedies of a secured party under the Uniform Commercial Code or other applicable law, and without limiting the generality of the foregoing, Bank shall be entitled as follows:

- (a) Bank is authorized to enter any premises where the Collateral is situated and take possession of said Collateral without notice or demand and without legal proceedings; and
- (b) Debtor agrees to put Bank in possession of the Collateral on demand; and
- (c) At the request of Bank, Debtor will assemble the Collateral and make it available to Bank at a place designated by Bank which is reasonably convenient to both parties; and
- (d) Bank may sell, lease or otherwise dispose of the Collateral in accordance with law. Debtor agrees that a period of five (5) days from the time notice is sent, by first class mail or otherwise, shall be a reasonable period of notification of a sale or other disposition of the Collateral. Debtor agrees that any notice or other communication by Bank to Debtor shall be sent to the mailing address of the Debtor stated herein. Debtor agrees to pay on demand the amount of all expenses reasonably incurred by Bank in protecting or realizing on the Collateral. In the event that this Security Agreement or any obligations secured by it is referred to an attorney for protecting or defending the priority of Bank's interest or for collection or realization procedures, Debtor agrees to pay a reasonable attorney's fee, including fees incurred in both trial and appellate courts, or fees incurred without suit, and expenses of the search and all costs and costs of public officials. The sums agreed to be paid in this subparagraph shall be secured hereby; and
- (e) If Bank disposes of the Collateral, Debtor agrees to pay any deficiency remaining after application of the net proceeds to any indebtedness secured hereby; and
- (f) Bank shall have the right immediately and without further action by it, to set off against the Liabilities of Debtor all money owed by Bank in any capacity to Debtor, whether or not due, and Bank shall be deemed to have exercised such right of setoff and to have made a charge against any such money immediately upon occurrence of such default even though such charge is made or entered on the books of Bank subsequent thereto.

13. GENERAL This Agreement constitutes the entire agreement between the parties and may not be altered or amended except by a writing signed by the Debtor, accepted by Bank and attached hereto. Any provisions found to be invalid shall not invalidate the remainder hereof. Waiver of any default shall not constitute a waiver of any subsequent default. This instrument is to be governed by the laws of the State in which the principal office of Bank is located. Bank shall the right to inspect the Collateral at any reasonable time and place. Bank shall have the right to date this instrument and fill in any blanks to correct patent errors. All words used herein shall be construed to be of such gender and number as the circumstances require and all references to Debtor shall include all other persons primarily or secondarily liable hereunder. This instrument shall be binding upon the heirs, personal representatives, successors and assigns of the Debtor and shall inure to the benefit of the Bank, its successors and assigns.

DATED this 30 day of Nov., 1998

DEBTOR: LRC CREDIT CORP.

By *[Signature]*

704 E. Gallatin Livingston, Montana
(Residence Address)

Park Montana
(County) (State)

[Signature]
NOTARY PUBLIC for the State of Montana
Residing at Livingston, Montana
My Commission Expires April 20, 1999