

RITCHIE, WISE, REEVES & EUBANKS, P.C.

ATTORNEYS AT LAW
SUITE 450, ONE CENTRE SQUARE
620 MARKET STREET
KNOXVILLE, TENNESSEE 37902
615-524-5353
TELECOPIER: 615-974-9615

WILSON S. RITCHIE
STEPHEN R. WISE
WILLIAM A. REEVES
BARRY W. EUBANKS
CHADWICK B. TINDELL

MAILING ADDRESS
POST OFFICE BOX 987
KNOXVILLE, TENNESSEE 37901-0987

0100123039

February 3, 1994

Hon. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

RECORDATION NO. 18717 FILED 1425

FEB 24 1994 - 11 35 AM

INTERSTATE COMMERCE COMMISSION

RECEIVED
OFFICE OF THE
SECRETARY
FEB 24 11 29 AM '94
LICENSING BRANCH

Dear Secretary Strickland:

Enclosed are the original and one copy/counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U. S. Code.

This document is a Security Agreement, a primary document, dated February 1, 1994.

The name and addresses of the parties to the document are as follows:

Debtor:

H & S Railroad Company, Inc.
401 Henley Street, Suite 5
Knoxville, Tennessee 37902

Secured Party:

BankFirst
Post Office Box 10
Knoxville, Tennessee 37901-0010

A fee of Sixteen Dollars (\$16.00) is enclosed. Please return both the original and the copy, if not needed by the Commission for recordation, to the undersigned.

A description of the equipment to be used as collateral is as follows:

RAILROAD BOXCARS

1. 34 Plate C Rigid Underframe, Class A
LRS 4000 Series (A-332)

Page 2
Hon. Sidney L. Strickland, Jr.
Secretary
February 3, 1994

Located at SRN

LRS 4005	LRS 4048	LRS 4072
LRS 4008	LRS 4049	LRS 4076
LRS 4012	LRS 4050	LRS 4078
LRS 4015	LRS 4051	LRS 4087
LRS 4022	LRS 4063	LRS 4090
LRS 4029	LRS 4064	LRS 4091
LRS 4040	LRS 4066	LRS 4100
LRS 4043	LRS 4068	
LRS 4047	LRS 4071	

Other

LRS 4001	LRS 4010	LRS 4079
LRS 4016	LRS 4009	
LRS 4044	LRS 4019	
LRS 4093	LRS 4020	

2. 13 Plate B Cushioned Underframe

LRS 7201 - 7213 (A-432)

3. 5 Plate B Rigid Underframe (A-432)

LRS 7228
LRS 7237 *
LRS 7247
LRS 7253
LRS 7256 *

* Have converted side frames

A short summary of the document to appear in the index follows:
A Security Agreement between H & S Railroad Company, Inc., Debtor,
401 Henley Street, Suite 5, Knoxville, Tennessee 37902, and
BankFirst, Secured Party, Post Office Box 10, Knoxville, Tennessee
37901-0010, dated February 1, 1994, covering 52 Railroad Boxcars
described as follows:

RAILROAD BOXCARS

1. 34 Plate C Rigid Underframe, Class A
LRS 4000 Series (A-332)

Page 3
Hon. Sidney L. Strickland, Jr.
Secretary
February 3, 1994

Located at SRN

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LRS 7237 *
LRS 7247
LRS 7253
LRS 7256 *

* Have converted side frames

Sincerely yours,



Stephen R. Wise
Attorney for BankFirst

SRW:mg

Enclosure: Security Agreement

RITCHIE, WISE, REEVES & EUBANKS, P.C.

ATTORNEYS AT LAW
SUITE 450, ONE CENTRE SQUARE
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MAILING ADDRESS
POST OFFICE BOX 987
KNOXVILLE, TENNESSEE 37901-0987

February 8, 1994

Hon. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Secretary Strickland:

Enclosed please find our check in the amount of \$2.00 as additional filing fees, which your office requested earlier today in reference to the enclosed letter.

If you need anything further, please let us know.

Sincerely yours,



Martha Gale
For the Firm

Enclosure: Check

LICENSING BRANCH

FEB 17 4 09 PM '94

RECEIVED
OFFICE OF THE
SECRETARY

Interstate Commerce Commission
Washington, D.C. 20423

2/25/94

OFFICE OF THE SECRETARY

Stephen R. Wise
Ritwhie Wise Reeves & Eubanks
Suite 450 One Centre Square
620 Market Street
Knox ~~Dale~~, Tennessee 37902
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 2/24/94 at 11:35am, and assigned
recordation number(s). 18717

Sincerely yours,

Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

FEB 24 1994 - 11 35 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS AGREEMENT, made and entered into this 1st day of February, 1994, by and between H & S RAILROAD COMPANY, INC., a corporation organized and existing under the laws of the State of Alabama ("H & S"), and BANKFIRST, a banking corporation organized and existing under the laws of the State of Tennessee with offices and place of business in Knoxville, Knox County, Tennessee ("Bank").

W I T N E S S E T H

In consideration of the sum of One (\$1.00) Dollar and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Creation of Security Interest. H & S hereby grants unto Bank a security interest in and to those certain railroad boxcars, wherever located, as is described in Schedule A attached hereto and incorporated herein (the "Collateral").

2. Purpose of Security Interest. This security interest is granted for the purpose of securing payment of the following obligations of H & S to Bank (the "Obligations"):

(a) A Promissory Note in the original principal amount of One Million Two Hundred Thousand Dollars (\$1,200,000.00), dated February 1, 1994, executed by H. Peter Claussen and Linda C. Claussen and guaranteed by H & S, and made payable to the order of Bank; and

(b) Any and all other indebtedness for which H & S is now or may hereafter become liable to Bank in any manner, whether under this Agreement or otherwise, absolute or contingent, direct or indirect, and whether matured or unmatured, liquidated or unliquidated, and all loan agreements, documents and instruments evidencing any of the foregoing; and

(c) Any and all extensions, modifications and/or renewals of or substitutions for any of the foregoing indebtednesses, obligations and/or liabilities or any part thereof; and

(d) All interest, charges, expenses, attorney's or other fees and any other sums payable to or incurred by Bank in connection with the execution, administration or enforcement of Bank's rights and remedies hereunder.

3. H & S hereby agrees and promises to punctually pay the Obligations when due, and if any Obligation is not evidenced by writing specifying a due date, to pay the same upon demand, all Obligations being payable to Bank at its address as hereinafter shown.

4. Covenants of H & S. H & S represents, warrants, and covenants that:

(a) Corporate Power. H & S is duly organized and existing under the laws of the State of Alabama and is qualified and in good standing in all states in which it does business. The execution, delivery and performance of this Agreement are within H & S's corporate powers, have been duly authorized and are not in contravention of law or the terms of H & S's charter, bylaws or other incorporation papers, or any indenture, agreement, judgment, or undertaking to which H & S is a party or by which it is bound.

(b) Title. H & S is sole owner of the Collateral and there exist no liens, encumbrances or adverse claims thereto except for the security interest created hereby.

(c) Location of H & S and Collateral. Excepting only leases of boxcars to individuals or entities, the Collateral shall remain in H & S's possession and control at all times, and at H & S's risk of loss. Within thirty (30) days of the execution of any such lease, H & S will advise Bank of the same, providing a true and exact photocopy of any lease agreement or other contractual arrangement with the lessee. H & S's primary business office (or residence as the case may be) and H & S's books and records concerning the Collateral are located at the address or location set forth in Paragraph 9 hereof.

(d) No Assignment. H & S will not sell, assign, pledge, mortgage, hypothecate, encumber, grant a security interest in, convey or otherwise dispose of, nor will H & S suffer or permit any of the same to occur with respect to the Collateral, or any part thereof, without the prior written consent of Bank, excepting only a security interest in favor of NationsBank of Tennessee, N.A., which shall be and remain at all times subordinate to the lien in favor of Bank.

(e) Credit Information. All financial, credit and accounting information supplied and statements made by H & S in connection with the Obligations have been prepared from H & S's books and records, and are based on generally accepted accounting principles, consistently applied, and are believed to be true, correct, complete, valid, and genuine. There has been no material adverse change in any such information since the time it was supplied, except as disclosed in writing to the Bank.

Within thirty (30) days after request by Bank, and at its own expense, H & S shall supply to Bank its latest financial statement and any other such financial information as Bank may reasonably request, including audits by independent certified public accountants, beginning with fiscal year, 1994.

(f) Business Records. H & S shall at all times keep accurate and complete business records. Bank may at any time examine and audit H & S's records and H & S shall assist therein if requested.

(g) Use of Collateral. The Collateral is and will be used in H & S's business and not for personal, family or household use. H & S shall neither use the Collateral, or permit the use thereof, for any unlawful purpose. H & S shall use, operate and control the Collateral in accordance with all laws, statutes, ordinances and regulations relating to the use, operation and control of the secured property.

(h) Maintenance of Collateral. The Collateral is in good and operable condition and H & S shall keep and maintain the Collateral in as good condition and repair as it now is, ordinary wear and tear excepted. The Collateral is now and shall remain personal property, and H & S will not permit any of the Collateral to become a part of or affixed to real property without prior written notice to Bank, and without making prior arrangements, and delivering to Bank all instruments and documents necessary to preserve and protect Bank's primary security interest granted herein against all persons.

(i) Taxes and Insurance. H & S shall pay when due all taxes and assessments, and shall discharge any liens upon the Collateral or its use and shall maintain such insurance thereon as the Bank may require. Copies of all policies shall be furnished to Bank and shall contain such terms, be for such periods and be written by such companies as may be satisfactory to Bank and shall name the Bank as a Loss Payee as its interest may appear. All policies shall provide for a minimum of ten (10) days' written cancellation notice to Bank. H & S shall deliver to Bank the original or certified duplicate policies, or certificates or other evidence satisfactory to Bank of compliance with the foregoing insurance provisions, and H & S will promptly notify Bank of any loss or damage to any of the Collateral or its use. All proceeds from and under any policy of insurance in respect to the Collateral, may be received by the Bank and, at the option of the Bank, and without regard to a breach or default as a condition precedent, and whether due or not, may be applied to the Obligations, or such proceeds may be held in trust for the payment of cost of repair or replacement of all or any portion of the Collateral. Any surplus of such proceeds remaining shall be paid to H & S or whomever shall be lawfully entitled thereto. In the event proceeds are insufficient to pay the Obligations in full, or the cost of repair or replacement of all or any part of the Collateral, H & S shall pay from H & S's own funds a sufficient sum to repay the Obligations in full or cover the costs of repair or replacement.

If H & S fails to pay any tax or assessment, discharge any lien or maintain insurance as required, Bank may, at its option, pay, discharge or obtain the same, although not required to do so. Such payment shall become part of the Obligations secured by this Agreement, and H & S shall reimburse Bank on demand for any payment, together with interest thereon at the maximum contract rate permitted by law from date of payment. H & S shall not be required to prepay any tax assessment which it is legitimately contesting until a final adjudication of H & S's liability has been entered.

(j) Bank Accounts. Bank, at its option, at anytime and without notice to H & S, may apply to payment of any Obligations, the balance of any deposit, checking, savings, collateral, reserve or other account of H & S with Bank. As additional security for payment of the Obligations, Bank is hereby granted a security interest in any other funds or property of H & S, now or hereafter in the possession of Bank and with respect thereto, Bank shall have all rights and remedies herein specified.

(k) Sale of Collateral. H & S shall not sell, transfer or otherwise dispose of any of the Collateral, other than in the ordinary course of its business. If H & S should desire to sell any of the Collateral, a release price therefore will be determined at the reasonable discretion of Bank, and upon the sale of that Collateral, the release price will be paid over to Bank and applied by Bank to payments due on the Note, in inverse order of the due dates, and Bank shall thereupon release its lien or security interest upon the Collateral sold.

(l) Additional Acts. H & S, upon the request of Bank, shall make, execute and deliver all such further acts, instruments and documents as Bank may deem necessary to protect, perfect or continue Bank's secured interest in the Collateral at the expense of H & S.

(m) Release and Waiver. H & S hereby releases Bank from any and all claims for loss or damage caused by any act or omission (except willful misconduct) on the part of the Bank, its officers, agents, servants, employees and/or contractors, to preserve rights against prior parties or to enforce any contract right.

5. Default. The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") hereunder;

(a) H & S fails to make punctual payment due and owing pursuant to the Obligations or any indebtedness secured by this Agreement.

(b) Failure to observe and perform any obligation, covenant or undertaking of H & S herein contained, or set forth in any document or instrument by and among the parties, whether now existing or hereafter arising.

(c) Any covenant, statement, representation, or warranty contained herein or made by or on behalf of H & S to Bank in connection herewith shall prove at any time to be untrue, incorrect or inaccurate in any material respect.

(d) Entry of a judgment, issuance of an injunction, order of attachment, or any other process against H & S or any obligor, on the Collateral which in Bank's sole opinion impairs H & S's ability to repay or perform the Obligations.

(e) The uninsured or uncompensated loss, theft, substantial damage to or destruction of any material portion of the Collateral.

(f) Sale, assignment or use or encumbrance of or to any material portion of the Collateral (except as authorized in this Agreement) or the filing of suit for the purpose of or the making of any levy, seizure or attachment thereof or thereon, excepting only mechanics and material liens not released within thirty (30) days.

(g) Termination or revocation of any guaranty or surety executed in connection with the Obligations.

(h) At any time, in the reasonable opinion of Bank, the financial condition of H & S becomes impaired or the Collateral becomes insufficient or unsafe.

(i) H & S's dissolution or other termination of existence, merger or consolidation with another without the Bank's prior written approval, insolvency, forfeiture of right to do business, appointment of a receiver for any part of the property, the calling of any meeting of, or the assignment for the benefit of, creditors by H & S, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against H & S or any guarantor or surety for H & S not dismissed with ninety (90) days of commencement.

(j) Failure of H & S to maintain its corporate existence in good standing.

6. Remedies Upon Event of Default. Should any Event of Default occur, Bank shall have the following rights and remedies:

(a) Declare all or part of the indebtedness pursuant to the Obligations immediately due and owing, payable at once and without notice.

(b) All the rights and remedies of a secured party under the Uniform Commercial Code of Tennessee, including without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and the right to take possession of the Collateral, and for that purpose, Bank may enter upon any premises upon or within which the Collateral or any part thereof may be situated and removed the same to a place deemed appropriate by the Bank. Bank may require H & S to assemble the Collateral and to make it available at a place or places to be designated by Bank.

(c) Take possession of all books and records of H & S pertaining to the Collateral. Bank shall have the authority to enter upon any real property or improvements thereon in order to obtain such books and records, or any Collateral located thereon, and remove the same without liability.

(d) Bank shall give H & S notice of the time and place of public sale of the Collateral or of the time after which any private sale or other intended disposition is to be made, by sending notice, as provided below, at least five (5) days before the sale or other disposition, which provisions for notice H & S hereby expressly agrees are reasonable.

(e) Apply and set-off (i) any deposits of H & S held by Bank (ii) all claims of H & S against Bank now or hereafter existing and (iii) any other property, rights or interests of H & S which comes into the possession or custody or control of Bank. Bank will notify H & S promptly after any such set-off or application, provided, however, the failure to give such notice shall not affect the validity of such set-off or application.

(f) In connection with the foreclosure, liquidation or sale of the Collateral, Bank shall have the right to apply the proceeds thereof in the following order:

(1) To the payment of any cost or expense incurred by Bank incident to the default or breach of H & S including the reasonable costs of possession, preservation, advertising, care or liquidation of the Collateral, including a reasonable attorney's fee, costs of repair and court costs.

(2) Payment of any outstanding and unpaid indebtedness owing pursuant to the Obligations.

(3) The surplus of any such proceeds to H & S or whomever shall be lawfully entitled.

H & S shall remain liable to Bank for payment of any deficiency, with interest at the maximum contract rate permitted by law.

(g) Whenever an attorney is used to collect any Obligation or to enforce any right of Bank against H & S under this Agreement, whether by suit or other means, H & S agrees to pay a reasonable attorney's fee. H & S also agrees to pay Bank's attorneys a reasonable fee for enforcing against third parties any other rights of Bank pertaining hereto, including Bank's undertaking collection of any Collateral and for defending against any claims pertaining to the Collateral.

Prior to the exercise of any remedy delineated herein due to a non-monetary Event of Default, Bank shall allow H & S thirty (30) days after written notice of the non-monetary default within which to cure the default, to the satisfaction of Bank.

7. Non-Waiver. No act, delay, omission or course of dealing between H & S and Bank will be a waiver of any of Bank's rights or remedies hereunder, and no waiver, change, modification or discharge, in whole or in part, of this Agreement or of any Obligation shall be effective unless in writing, signed by the parties. A waiver of Bank of any rights or remedies under the terms of this Agreement or with respect to any Obligation on any occasion will not be a bar to the exercise of any right or remedy on any subsequent occasion. All rights and remedies of Bank hereunder are cumulative and may be exercised singularly or concurrently, and the exercise of any one or more of them will not be a waiver of any other. The rights specified in this Agreement are in addition to those set forth in any other agreement or instrument executed in connection herewith or in connection with which this Agreement is executed, and are further in addition to such other rights and remedies as may be available to Bank at law or in equity.

H & S hereby waives presentment, notice of dishonor and protest of the Note described in Paragraph 2(a) hereof, and any and all other notices and demands whatsoever (except as expressly provided herein).

8. Notice. Notice required to be given hereunder or pursuant to law, unless waived, shall be given in writing and delivered to the addressee thereof through the United States Postal Service, postage prepaid, certified or ordinary, addressed as follows:

If to Bank:

BankFirst
Post Office Box 10
Knoxville, Tennessee 37901-0010

If to H & S:

H & S Railroad Company, Inc.
401 Henley Street, Suite 5
Knoxville, Tennessee 37902

9. Power of Attorney. Effective immediately upon any Event of Default, H & S hereby irrevocably designates and appoints any officer of Bank designated from time to time by Bank as H & S's attorney-in-fact, with full power of substitution to sign any certificate of ownership, registration card, applications, affidavits, financing statements, or amendments, or documents necessary to transfer title to any of the Collateral or receive and receipt for all licenses, registration cards, certificates of ownership, and lease payments, to receive, change the address for delivery, open and dispose of mail addressed to H & S, and to execute, assign, and endorse negotiable and other instruments for the payment of money, documents of title or other evidences of payment, to endorse any draft drawn by insurers of the Collateral, and to do all things necessary or incident to the powers granted to Bank under this Agreement or to carry out and enforce this Security Agreement, in H & S's place and stead; provided, however, that the power herein conferred shall not be construed as a power or right granted to Bank to accept process or otherwise confess judgment on behalf of the H & S.

10. Law Governing. This Agreement shall be construed in accordance with the laws of the State of Tennessee. H & S has purposefully availed itself of the benefits of the laws of the State of Tennessee, and hereby waives any objection to in personam jurisdiction, waives any objection to venue, and waives any plea of forum non conveniens.

11. Construction and Effect of Agreement. Pronouns used herein shall include the masculine, the feminine and the neuter genders, and the singular shall include the plural and the plural, the singular, as required by the context.

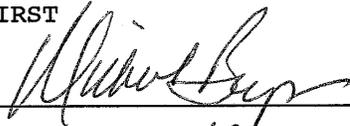
12. Severable Provisions. The provisions hereof shall be severable, and if any provision hereof shall be found to be illegal, void or unenforceable, then and in that event, this Agreement shall be construed as if said provision was not herein contained, so as to give effect, as nearly as possible, to the original intent of the parties hereto.

13. Benefit. All rights and remedies of Bank shall inure to the benefit of its successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement, or have caused the same to be duly executed by their duly authorized officers, this the date first above written.

H & S RAILROAD COMPANY, INC.

By: 
H. Peter Claussen, President

BANKFIRST
By: 
Its: SVHP

STATE OF TENNESSEE

COUNTY OF KNOX

On this 15th day of February, 1994, before me personally appeared H. Peter Claussen, to me personally known, who being by me duly sworn, says that he is the President of H & S Railroad Company, Inc., 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.


NOTARY PUBLIC

My Commission Expires:

4-30-96

STATE OF TENNESSEE

COUNTY OF KNOX

On this 15th day of February, 1994, before me personally appeared Michael L. Bryson, to me personally known, who being by me duly sworn, says that he is the Senior Vice President of BankFirst, 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.


NOTARY PUBLIC

My Commission Expires:

4-30-96

SCHEDULE A

RAILROAD BOXCARS

1. 34 Plate C Rigid Underframe, Class A
LRS 4000 Series (A-332)

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