



# Community First

National Bank • 501 Dakota Ave • Box 878 • Wahpeton, North Dakota 58074-0878

(701) 642-5567

October 22, 1996

Secretary  
Surface Transportation Board  
Room 2311  
12th Street and Constitution Avenue NW  
Washington, DC 20423

RE: Documents for Recordation

Dear Secretary:

I have enclosed an original, and one counterpart, of the document described below to be recorded pursuant to § 11301 of Title 49 of the U.S. Code.

This document is a Security Agreement, a primary document, and is dated October 22, 1996. I request that the document be cross-indexed.

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

Debtor: Red River Valley & Western Railroad Company  
116 South 4th Street  
PO Box 608  
Wahpeton, ND 58075

Secured  
Party: Community First National Bank, N.A.  
501 Dakota Avenue  
PO Box 878  
Wahpeton, ND 58074-0878

The equipment covered by the document consists of thirty-two (32) railroad cars, all of which are Covered Hopper Cars and which are more specifically described as follows:

<u>CAR</u> <u>NUMBER</u>	<u>AAR</u> <u>CAR CODE</u>	<u>AAR</u> <u>MECH. DESIGN.</u>
RRVW 1100	C6	LO
RRVW 1101	C6	LO
RRVW 1102	C6	LO
RRVW 1103	C6	LO

EOE

*Counterpart - Wahpeton, ND*

29328  
RECORDATION INC FILED 1125  
OCT 24 1996 11:50 AM

OCT 23 11 48 AM '96

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

**COMMUNITY FIRST NATIONAL BANK, N.A.**

Secretary

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October 22, 1996

RRVW 1104	C6	LO
RRVW 1105	C6	LO
RRVW 1106	C6	LO
RRVW 1107	C6	LO
RRVW 1108	C6	LO
RRVW 1110	C6	LO
RRVW 1111	C6	LO
RRVW 1112	C6	LO
RRVW 1113	C6	LO
RRVW 1114	C6	LO
RRVW 1115	C6	LO
RRVW 1116	C6	LO
RRVW 1117	C6	LO
RRVW 1118	C6	LO
RRVW 1119	C6	LO
RRVW 1120	C6	LO
RRVW 1121	C6	LO
RRVW 1122	C6	LO
RRVW 1123	C6	LO
RRVW 1124	C6	LO
RRVW 1125	C6	LO
RRVW 1126	C6	LO
RRVW 1127	C6	LO
RRVW 1128	C6	LO
RRVW 1129	C6	LO
RRVW 1130	C6	LO
RRVW 1131	C6	LO
RRVW 1132	C6	LO

A fee of \$22.00 is enclosed. Please return the original and any extra copies not needed for recordation to Community First National Bank of Wahpeton, Attn: Dean Reese, P.O. Box 878, Wahpeton, ND 58074-0878.

A short summary of the document to appear in the index follows:

The document is a Security Agreement dated October 22, 1996, between Red River Valley & Western Railroad Company, 116 South 4th Street, PO Box 608, Wahpeton, ND 58075, as Debtor, and Community First National Bank of Wahpeton, 501 Dakota Avenue, PO Box 878, Wahpeton, North Dakota 58074-0878, as Secured Party. The Security Agreement covers thirty-two (32) railroad cars, all of which are Covered Hopper Cars, and all of which have an A.A.R. Mechanical Designation of "LO" and an A.A.R. Car Code of "C6". The car numbers with respect to the Covered Hopper Cars are identified as RRVW 1100 through RRVW 1108 and RRVW 1110 through RRVW 1132.

**COMMUNITY FIRST NATIONAL BANK, N.A.**

Secretary

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October 22, 1996

Very truly yours,

A handwritten signature in black ink, appearing to read "Dean Reese". The signature is fluid and cursive, with a large initial "D" and "R".

Dean Reese  
Assistant Vice President

enc.

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20423-0001

10/23/96

Dean Reese  
Assistant Vice President  
Community First National Bank, NA  
501 Dakota Avenue  
Box 878  
Wahpeton, ND 58074-0878

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 10/23/96 at 11:50AM, and assigned recordation number(s). 20318, 20319 and 20319-A.

Sincerely yours,

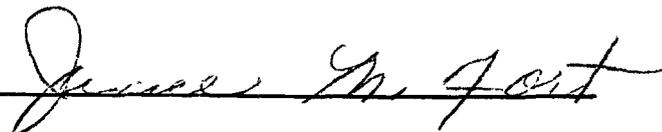


Vernon A. Williams  
Secretary

Enclosure(s)

\$66.00 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 typed 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



20318

OCT 23 1996 11 AM

**SECURITY AGREEMENT**

Date: October 22, 1996

<p>Debtor: Red River Valley &amp; Western Railroad Company</p> <p>Address: 116 South 4th Street PO Box 608 Wahpeton, ND 58075</p>	<p>Secured Party: Community First National Bank, N.A.</p> <p>Address: 501 Dakota Avenue PO Box 878 Wahpeton, ND 58075</p>
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1. Security Interest. To secure the payment and performance of each and every debt, liability or obligation which Debtor may now or hereafter owe to the Secured Party, whether such debt, liability or obligation now exists or is hereafter created or incurred and whether it is or may be direct or indirect, absolute or contingent, due or to become due, primary or secondary, liquidated or unliquidated, recourse or non-recourse or joint, several or joint and several including, without limitation, that certain promissory note of even date herewith executed by the Debtor and payable to the order of the Secured Party in the original principal amount of \$817,000, together with all renewals, extensions, and modifications thereof (such debts, liabilities and obligations being herein collectively referred to as the "Obligations"), the Debtor grants the Secured Party a security interest (the "Security Interest") in the following property (the "Collateral"):

the equipment described on Exhibit "A" attached hereto, together with all replacements, accessions, and substitutions of all or any part thereof,

and all products and proceeds of the foregoing property, including without limitation all accounts, instruments, chattel paper, leases, other rights to payment, money, insurance proceeds and general intangibles relating to the foregoing property, and all refunds of insurance premiums due or to become due under all insurance policies covering the foregoing property.

2. Representations, Warranties and Agreements. The Debtor represents, warrants and agrees as follows:

a. The Debtor is a Minnesota corporation, and the address of the Debtor's chief executive office is shown at the beginning of this Agreement. The Debtor shall give the Secured Party prior written notice of any change in such address or the Debtor's name. The Debtor has authority to execute and perform this Agreement.

b. The Debtor is the owner of the Collateral, or will be the owner of the Collateral hereafter acquired, free of all security interests, liens and encumbrances other

than the Security Interest and any other security interest of the Secured Party. The Debtor shall not permit any security interest, lien or encumbrance, other than the Security Interest and any other security interest of the Secured Party, to attach to any Collateral without the prior written consent of the Secured Party. The Debtor shall defend the Collateral against the claims and demands of all persons other than the Secured Party, and shall promptly pay all taxes, assessments and other government charges upon or against the Debtor, any Collateral and the Security Interest. No financing statement or other public filing covering any Collateral is on file in any public office. If any Collateral is or will become a fixture, the Debtor, at the request of the Secured Party, shall furnish the Secured Party with a statement or statements executed by all persons who have or claim an interest in the real estate, in form acceptable to the Secured Party, which statement or statements shall provide that such persons consent to the Security Interest.

c. The Debtor shall not sell or otherwise dispose of any Collateral or any interest therein without the prior written consent of the Secured Party, except that, until the occurrence and continuance of any Event of Default or the revocation by the Secured Party of the Debtor's right to do so after the occurrence and during the continuance of an Event of Default, the Debtor may lease any Collateral constituting inventory in the ordinary course of business at prices constituting the fair market value thereof. For purposes of this Agreement, a transfer in partial or total satisfaction of a debt, obligation or liability shall not constitute a sale or lease in the ordinary course of business.

d. To the best knowledge of the Debtor, each account, instrument, chattel paper, other right to payment and general intangible constituting Collateral is, or will be when acquired, the valid, genuine and legally enforceable obligation of the account debtor or other obligor named therein or in the Debtor's records pertaining thereto as being obligated to pay such obligation, subject to no defense, setoff or counterclaim. After the occurrence and during the continuance of any Event of Default, the Debtor shall not, without the prior written consent of the Secured Party, agree to any material modification or amendment of any such obligation or agree to any subordination or cancellation of any such obligation.

e. The Debtor shall (i) keep all tangible Collateral in good condition and repair, normal depreciation and wear and tear excepted; (ii) from time to time replace any worn, broken or defective party thereof; (iii) promptly notify the Secured Party of any loss of or material damage to any Collateral or of any adverse change in the prospect of payment of any account, instrument, chattel paper, other right to payment or general intangible constituting Collateral; (iv) not permit any Collateral to be used or kept for any unlawful purpose or in violation of any federal, state or local law; (v) keep all tangible Collateral insured as required in that certain Term Loan Agreement of even date herewith between the Debtor and Secured Party, as may be amended from time to time, (the "Term Loan Agreement"); (vi) at the Debtor's chief executive office, keep accurate and complete records pertaining to the Collateral and the Debtor's financial condition,

business and property, as required in the Term Loan Agreement; (vii) at all reasonable times permit the Secured Party and its representatives to examine and inspect any Collateral, and to examine, inspect and copy of the Debtor's records pertaining to the Collateral and the Debtor's financial condition, business and property as required in the Term Loan Agreement; (viii) at the Secured Party's request, promptly execute, endorse and deliver such financing statements and other instruments, documents, chattel paper and writings and take such other actions deemed by the Secured Party to be necessary or desirable to establish, protect, perfect or enforce the Security Interest and the rights of the Secured Party under this Agreement and applicable law, and pay all costs of filing financing statements and other writings in all public offices where filing is deemed by the Secured Party to be reasonably necessary or desirable.

3. Collection Rights. At any time after an Event of Default, the Secured Party may, and at the request of the Secured Party the Debtor shall, promptly notify any account debtor or obligor of any account, instrument, chattel paper, other right to payment or general intangible constituting Collateral that the same has been assigned to the Secured Party and direct such account debtor or obligor to make all future payments to the Secured Party.

4. Limited Power of Attorney. If the Debtor at any time fails to perform or observe any agreement herein, the Secured Party, in the name and on behalf of the Debtor or, at its option, in its own name, may perform or observe such agreement and take any action which the Secured Party may deem necessary or desirable to cure or correct such failure. The Debtor irrevocably authorizes the Secured Party and grants the Secured Party a limited power of attorney in the name and on behalf of the Debtor or, at its option, in its own name, after the occurrence and during the continuance of an Event of Default, to collect, receive, receipt for, create, prepare, complete, execute, endorse, deliver and file any and all financing statements, insurance applications, remittances, instruments, documents, chattel paper and other writings, to grant any extension to, compromise, settle, waive, notify, amend, adjust, change and release any obligation of any account debtor, obligor, insurer or other person pertaining to any Collateral, and to take any other action deemed by the Secured Party to be necessary or desirable to establish, perfect, protect or enforce the Security Interest. All of the Secured Party's advances, charges, costs and expenses, including without limitation reasonable attorneys' fees, in connection with the Obligations and in the protection and exercise of any rights or remedies hereunder, together with interest thereon at the highest rate then applicable to any of the Obligations, shall be secured hereunder and shall be paid by the Debtor to the Secured Party on demand.

5. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default": (a) any event of default, as defined in the Term Loan Agreement; or (b) any default of the terms of this Agreement.

6. Remedies. Upon the occurrence of any Event of Default and at any time thereafter, the Secured Party may exercise any one or more of the following rights and remedies: (a) declare all Obligations to be immediately due and payable; (b) require the Debtor to assemble

all or any part of the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties; (c) in a commercially reasonable manner, exercise and enforce any and all rights and remedies available upon default under this Agreement, the Uniform Commercial Code, and other applicable agreements including, without limitation, the Term Loan Agreement and laws. If notice to the Debtor of any intended disposition of Collateral or other action is required, such notice shall be deemed reasonably and properly given if mailed by regular or certified mail, postage prepaid, to the Debtor at the address stated at the beginning of this Agreement or at the most recent address shown in the Secured Party's records, at least 10 days prior to the action described in such notice.

7. Miscellaneous. A carbon, photographic or other reproduction of this Agreement is sufficient as a financing statement. This Agreement cannot be waived, modified, amended, abridged, supplemented, terminated or discharged and the Security Interest cannot be released or terminated, except by a writing duly executed by the Secured Party and the Debtor. A waiver shall be effective only in the specific instance and for the specific purpose given. No delay or failure to act shall preclude the exercise or enforcement of any of the Secured Party's rights or remedies. All rights and remedies of the Secured Party shall be cumulative and may be exercised singularly, concurrently or successively at the Secured Party's option, and the exercise or enforcement of any one such right or remedy shall not be a condition to or bar the exercise or enforcement of any other. This Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party, and the Debtor waives notice of the Secured Party's acceptance hereof. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation, payment and performance of the Obligations. This Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota.

8. Other Agreements. This Agreement is given in connection with the Term Loan Agreement, which shall govern and control to the extent of any inconsistent or conflicting provisions with the terms and conditions of this Agreement.

RED RIVER VALLEY & WESTERN  
RAILROAD COMPANY

By 

Its Chairman

[Signatures continued]

COMMUNITY FIRST NATIONAL BANK,  
N.A.

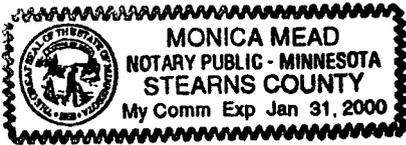
By Dean Reese

Its Assistant Vice President

Acknowledgment

STATE OF MN )  
 )ss.  
COUNTY OF Stearns )

On this 22 day of October, 1996, before me personally appeared Kevin Shoemaker to me personally known, who being by me duly sworn, says that (s)he is the Chairman of Red River Valley & Western Railroad Company, a Minnesota corporation, that the instrument was signed on behalf of the corporation by the authority of its Board of Directors, and that (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of the corporation.



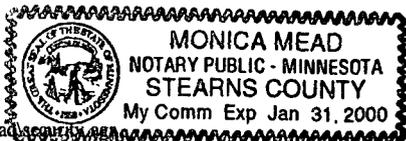
Monica Mead, Notary Public

State of Minnesota  
My commission expires: January 31, 2000

Acknowledgment

STATE OF Minnesota )  
 )ss.  
COUNTY OF Stearns )

On this 22 day of October, 1996, before me personally appeared Dean Reese, to me personally known, who being by me duly sworn, says that (s)he is the Asst. Vice President of Community First National Bank, a national banking association, that the instrument was signed on behalf of the association by the authority of its Board of Directors, and that (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of the association.



Monica Mead, Notary Public

State of Minnesota  
My commission expires: January 31, 2000

cjb\railroad

<u>RAILROAD CAR TYPE</u>	<u>CAR NUMBER</u>	<u>AAR CAR CODE</u>	<u>AAR MECH. DESIGN.</u>
Covered Hopper Car	RRVW 1100	C6	LO
Covered Hopper Car	RRVW 1101	C6	LO
Covered Hopper Car	RRVW 1102	C6	LO
Covered Hopper Car	RRVW 1103	C6	LO
Covered Hopper Car	RRVW 1104	C6	LO
Covered Hopper Car	RRVW 1105	C6	LO
Covered Hopper Car	RRVW 1106	C6	LO
Covered Hopper Car	RRVW 1107	C6	LO
Covered Hopper Car	RRVW 1108	C6	LO
Covered Hopper Car	RRVW 1110	C6	LO
Covered Hopper Car	RRVW 1111	C6	LO
Covered Hopper Car	RRVW 1112	C6	LO
Covered Hopper Car	RRVW 1113	C6	LO
Covered Hopper Car	RRVW 1114	C6	LO
Covered Hopper Car	RRVW 1115	C6	LO
Covered Hopper Car	RRVW 1116	C6	LO
Covered Hopper Car	RRVW 1117	C6	LO
Covered Hopper Car	RRVW 1118	C6	LO
Covered Hopper Car	RRVW 1119	C6	LO
Covered Hopper Car	RRVW 1120	C6	LO
Covered Hopper Car	RRVW 1121	C6	LO
Covered Hopper Car	RRVW 1122	C6	LO
Covered Hopper Car	RRVW 1123	C6	LO
Covered Hopper Car	RRVW 1124	C6	LO
Covered Hopper Car	RRVW 1125	C6	LO
Covered Hopper Car	RRVW 1126	C6	LO
Covered Hopper Car	RRVW 1127	C6	LO
Covered Hopper Car	RRVW 1128	C6	LO
Covered Hopper Car	RRVW 1129	C6	LO
Covered Hopper Car	RRVW 1130	C6	LO
Covered Hopper Car	RRVW 1131	C6	LO
Covered Hopper Car	RRVW 1132	C6	LO

EXHIBIT "A"