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202 347-7170

July 3, 1991

RECORDATION NO 17415 FILED 1425

JUL 3 1991 -2 45 PM

INTERSTATE COMMERCE COMMISSION

The Honorable Sidney L. Strickland
Secretary
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Secretary Strickland:

Enclosed please find one original, one counterpart, and two copies of a Security Agreement, to be recorded pursuant to 49 U.S.C. §11303. This document is a primary document for the ET Ry, L.P. The ET Ry, L.P. is the successor to the East Tennessee Railway Corporation. We request that this Agreement be cross-indexed.

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

Secured Party:

First Alabama Bank of Dothan
P.O. Box 6507
Dothan, Alabama 36302

Debtor:

ET Ry, L.P.
132 Legion Street
Johnson City, Tennessee 37605

Galveston Railroad, L.P.
37th and Old Port Industrial Blvd.
Galveston, Texas 77553

Bonnie L. Booden

LRW Ry, L.P.
Highway 10 and Railroad Avenue
Perry, Arkansas 72125

KWT Railway, Inc.
908 Depot Street
Paris, Tennessee 38242

ATW Ry, L.P.
317 Chatham Street
Sanford, North Carolina 27330

The description of the equipment covered by this Agreement is listed in Attachment A to this letter.

A fee of $15.00 is enclosed. Please return the original documents to Slover & Loftus, 1224 Seventeenth Street, N.W., Washington, D.C. 20036.

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

> A Security Agreement to secure the debt of the ET Ry, L.P. to the First Alabama Bank of Dothan, Alabama, with locomotives as collateral.

Sincerely,

Donald G. Avery
An Attorney for the Railroads

DGA:mfw
Enclosure

KWT RAILWAY, INC.

Locomotive KWT 300	EMD GP-9 1700 HP, Serial #62K61
Locomotive KWT 301	EMD GP-9 1750 HP, formerly MILW 318, Serial #57-M-115
Locomotive KWT 302	EMD GP-9 1750 HP, formerly BN 1928, Serial #55-M-11
Locomotive KWT 303	EMD GP-18 1800 HP, formerly BN 1994, Serial #60-F-77

All of the foregoing are garaged at 908 Depot Street, Paris, Tennessee 38242.

ET RY, L.P.

Locomotive ETRY 211	ALCO R/S32 2000 HP, formerly SP 4002, Serial #84027
Locomotive ETRY 212	ALCO R/S32 2000 HP, formerly NYC 8020, Serial #84035

All of the foregoing are garaged at 132 Legion Street, Johnson City, Tennessee 37605.

GALVESTON RAILROAD, L.P.

Locomotive GW 301	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 756080-1
Locomotive GW 302	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 756080-2
Locomotive GW 303	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 776052
Locomotive GW 304	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 795304-1
Locomotive GW 305	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 795304-2

All of the foregoing are garaged at 37th and Old Port Industrial Blvd., Galveston, Texas 77553.

ATW RY, L.P.

Locomotive ATW 100	1950 EMD B-B 70 Ton Diesel, Model #92673
Locomotive ATW 101	1948 EMD B-B 70 Ton Diesel, Model #29467

RAIL CARS

Series		No. of Cars
ATW 11000 thru 11013		14
ATW 25002	ATW 25141	
25004	25142	
25005	25143	
25008	25144	
25010	25145	
25012	25146	
25015	25147	
25016	25148	
25017	25149	
25018	25155	
25019	25156	
25024	25157	
25025	25158	
25026	25159	
25085	25185	
25086	25186	
25087	25187	
25088	25188	
25089	25189	
25111	25190	
25113	25191	
25114	25193	
25130	25194	
25131	25195	
25132	25196	
25133	25197	
25134	25198	
25140	25199	56

All of the foregoing are garaged at 317 Chatham Street, Sanford, North Carolina 27330.

LRW Ry, L.P.

Locomotive LRWN 101	ALCO C420 2000 HP formerly LIRR 207
Locomotive LRWN 102	ALCO C420 2000 HP formerly LN 1307
Locomotive LRWN 103	EMD GP-9 formerly BN 1786

All of the foregoing are garaged at Highway 10 and Railroad Avenue, Perry, Arkansas 72125.

This conformed copy is an exact duplicate of the original.

17415

JUL 3 1991 -2 45 PM

INTERSTATE COMMERCE COMMISSION

FIRST ALABAMA BANK

COMMERCIAL LOANS ONLY

SECURITY AGREEMENT, GOODS AND EQUIPMENT

(ROLLING STOCK)

Date: July 2, 19 91

See Attached Schedule "A"

(NAME OF DEBTOR) (STREET ADDRESS) (CITY AND STATE)

hereinafter called "Debtor" whether one or more, hereby grants to First Alabama Bank of Dothan, _____ Alabama, hereinafter called "Bank," a security interest pursuant to the Alabama Uniform Commercial Code in and to the following described property: All of the railroad locomotives and railcars described on Schedule "B" attached hereto.

together with all similar property hereafter acquired, all proceeds, increases, parts, fittings, accessories, accessions, equipment, special tools, renewals and replacements of all or any part thereof and other goods of the same class, which property is hereinafter collectively referred to as "Goods," including any monies payable under, or returned or unearned premiums on, any physical damage insurance on the goods, or credit or disability insurance provided for hereunder/*Debtor is not authorized to sell or dispose of collateral without Secured Party's written consent and all of the same shall be kept at Debtor's address shown on this Agreement unless authorized in writing by Secured Party to the contrary. This security interest is granted to secure the performance and payment of Debtor's obligations hereunder, including the payment as and when due of Debtor's promissory note or notes executed pursuant to this Security Agreement, including future advances.

Debtor warrants that he is owner of the collateral, clear of all liens and security interests, except the securit interest granted at the time of the current advance/**and that the goods are bought, and/or used, primarily f business purposes and not for personal, family, or household purposes.

☐ If checked, the collateral is being acquired by the Debtor with the proceeds of the note which will be used for no other purpose. Debtor hereby authorizes Bank to disburse said proceeds to the seller of the collateral. The security interest is of a "purchase money" nature.

If collateral is to be wholly or partly affixed to real estate or other goods, a description of the real estate or other goods is as follows: _____

and the name of the record owner of such real estate or other goods is _____

Debtor agrees to maintain said collateral in good condition, ordinary wear and tear accepted, and to insure the same against loss or damage by fire, theft and all expected risks to which the same may be exposed or which Bank may designate, in a reliable insurance company satisfactory to Bank with a loss payable clause in favor of Bank. Debtor assigns to Bank all right to receive proceeds of insurance not exceeding the unpaid balance under the note, directs insurer to pay all proceeds directly to Bank, and authorizes Bank to endorse any draft for the proceeds. Should Debtor fail to procure or to continue said insurance, the entire amount owing shall, at the option of Bank, become due and payable, or Bank may, but is not required to, procure the insurance desired, and any premiums paid by Bank shall become part of the debt secured hereby and shall become immediately due and payable. The collateral will be kept at See Attached Schedule "A" (STREET NUMBER, CITY, STATE), and Bank may inspect the same at any time. Said collateral will not be sold, transferred or disposed of or be subjected to any unpaid charge, including taxes, or to any subsequent interest of a third party created or suffered by Debtor unless Bank consents in advance in writing to such charge, transfer, disposition or subsequent interest. Debtor will sign and execute, alone or with Bank, any financing statement or other document or procure any document and pay all connected costs and expenses necessary to protect the security interests under this Security Agreement against the rights or interests of third persons, and Debtor will reimburse Bank for any action taken by it or on its behalf to remedy any default hereunder, including expenses of retaking, holding, preparing for sale and selling the collateral; the payment of reasonable attorney's fees and any other expenses of collection, plus interest thereon at the same rate provided for in the note evidencing the transaction.

*Any misrepresentation or misstatement in connection herewith, any non-compliance with or non-performance of any of Debtor's obligations or agreements hereunder, bankruptcy or insolvency proceedings instituted by or against Debtor and any assignment for the benefit of creditors by Debtor shall constitute default under this agreement. In the event of default, Bank may exercise its rights of enforcement under the Uniform Commercial Code of Alabama as now or hereafter in effect, and in conjunction with, addition to or substitution for those rights at Bank's discretion may enter upon Debtor's premises to take possession of or require Debtor to make the collateral available at some

convenient place Bank designates, to enable Bank to take possession or dispose of the collateral. Bank may, at its sole option, waive or remedy any default without waiving the default remedied and without waiving any other prior or subsequent default. In the case of a default where Bank has taken possession of the collateral and where Bank is required to give notice as to when the collateral will be sold, Bank hereby agrees to give the debtor five days advance notice of said sale or disposition of collateral in writing. In the event of any default hereunder, debtor is liable to Bank for any deficiency and shall be entitled to any net surplus that may arise from the sale or other collecting from the collateral hereunder/In the event the secured party shall deem itself or the above chattel(s) insecure, then, and in any of said events, all indebtedness hereby secured shall become immediately due and payable.

The property described in this security agreement likewise becomes security for the payment of any and all other liability or liabilities of the undersigned to Bank whether the same be now existing or hereafter contracted, now due, or hereafter to become due, whether contracted directly with the owner or holder, or whether Bank acquired by assignment or otherwise from another, and whether said liability be absolute or contingent, joint or single or both. ~~In the event of default or insolvency by Debtor, Bank is authorized to apply to the debt secured hereby any funds in Bank belonging to Debtor and to any surety or guarantor hereof~~.

Debtor covenants and agrees that all information supplied and statements made by him in any financial or credit statement or application for credit prior to this security agreement are true and correct; that no financing statement covering the collateral or its proceeds is on file in any public office; that except for the security interests granted in his security agreement/there is no adverse lien, security interest or encumbrance in or on the collateral covered hereby; that the addresses of Debtor's residence or place or places of business, if any, are those appearing below his signature. Debtor will immediately advise Bank in writing of any change in the Debtor's residence or business address, and in the case where the collateral is used for business purposes, to advise Bank of any new place of business. If more than one Debtor executes this Security Agreement, their obligations hereunder shall be joint and several.

The term "Debtor" as used in this instrument shall be construed as singular or plural to correspond with the number of persons executing this instrument as Debtor. The pronouns used in this instrument are in the masculine gender but shall be construed as feminine or neuter as occasion may require. "Secured Party" and "Debtor" as used in this instrument includes the heirs, executors or administrators, successors, representatives, receivers, trustees and assigns of those parties.

SEE ATTACHED EXECUTION ADDENDUM

(ADDRESS OF CHIEF PLACE OF BUSINESS)	(DEBTOR'S SIGNATURE)
(ADDRESSES OF OTHER PLACES OF BUSINESS)	(DEBTOR'S RESIDENCE)
(ADDRESS OF CHIEF PLACE OF BUSINESS)	(DEBTOR'S SIGNATURE)
(ADDRESSES OF OTHER PLACES OF BUSINESS)	(DEBTOR'S RESIDENCE)

* subject to terms of the Term Loan Agreement of even date herewith

** and the Note and UCC-1 in favor of Galveston Wharves

SCHEDULE "A"

TO

SECURITY AGREEMENT, GOODS AND EQUIPMENT
(ROLLING STOCK)

Dated July 2, 1991

Galveston Railroad, L.P.
37th and Old Port Industrial Blvd.
Galveston, Texas 77553

LRW Ry, L.P.
Highway 10 and Railroad Avenue
Perry, Arkansas 72125

ET Ry, L.P.
132 Legion Street
Johnson City, Tennessee 37605

KWT Railway, Inc.
908 Depot Street
Paris, Tennessee 38242

ATW Ry, L.P.
317 Chatham Street
Sanford, North Carolina 27330

SCHEDULE "B"

TO

SECURITY AGREEMENT, GOODS AND EQUIPMENT
(ROLLING STOCK)

Dated July 2, 1991

KWT RAILWAY, INC.

Locomotive KWT 300	EMD GP-9 1700 HP, Serial #62K61
Locomotive KWT 301	EMD GP-9 1750 HP, formerly MILW 318, Serial #57-M-115
Locomotive KWT 302	EMD GP-9 1750 HP, formerly BN 1928, Serial #55-M-11
Locomotive KWT 303	EMD GP-18 1800 HP, formerly BN 1994, Serial #60-F-77

All of the foregoing are garaged at 908 Depot Street, Paris, Tennessee 38242.

ET RY, L.P.

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Locomotive GW 303	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 776052
Locomotive GW 304	Model SW 1001 EMD 1000 HP Switcher locomotive Serial No. 795304-1
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Locomotive LRWN 101	ALCO C420 2000 HP formerly LIRR 207
Locomotive LRWN 102	ALCO C420 2000 HP formerly LN 1307
Locomotive LRWN 103	EMD GP-9 formerly BN 1786

All of the foregoing are garaged at Highway 10 and Railroad Avenue, Perry, Arkansas 72125.

EXECUTION ADDENDUM

TO

SECURITY AGREEMENT, GOODS AND EQUIPMENT (ROLLING STOCK)

Dated July 2, 1991

The undersigned have executed and delivered this Security Agreement, Goods and Equipment (Rolling Stock) dated July 2, 1991, on and as of such date.

Galveston Railroad, L.P.

By: Rail Management and Consulting Corporation, General Partner

By: _____
K. Earl Durden
Its President

LRW Ry, L.P.

By: Rail Management and Consulting Corporation, General Partner

By: _____
K. Earl Durden
Its President

ET Ry, L.P.

By: Rail Management and Consulting Corporation, General Partner

By: _____
K. Earl Durden
Its President

KWT Railway, Inc.

By: _____
K. Earl Durden
Its President

ATW Ry, L.P.

By: Rail Management and Consulting
Corporation, General Partner

By: _____
K. Earl Durden
Its President

STATE OF ALABAMA]
]
HOUSTON COUNTY]

I, Kay Driskell, a Notary Public, in and for said County in said State, hereby certify that **K. Earl Durden**, whose name as President of **Rail Management and Consulting Corporation**, a Delaware corporation and sole general partner of said **Galveston Railroad, L.P.**, a limited partnership, is signed to the foregoing **Security Agreement, Goods and Equipment (Rolling Stock)**, and who is known to me, acknowledged before me on this day that, being informed of the contents of the **Security Agreement, Goods and Equipment (Rolling Stock)**, he, as such officer and with full authority, executed the same voluntarily for and as the act of said limited partnership.

Given under my hand this the 2 day of July, 1991.

_____
Notary Public

My Commission Expires: 4/19/95

STATE OF ALABAMA]
]
HOUSTON COUNTY]

I, Kay Driskell, a Notary Public, in and for said County in said State, hereby certify that **K. Earl Durden**, whose name as President of **Rail Management and Consulting Corporation**, a Delaware corporation and sole general partner of said **LRW Ry, L.P.**, a limited partnership, is signed to the foregoing **Security Agreement, Goods and Equipment (Rolling Stock)**, and who is known to me, acknowledged before me on this day that, being informed of the contents of the **Security Agreement, Goods and Equipment (Rolling Stock)**, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the 2 day of July, 1991.

_____
Notary Public

My Commission Expires: 4/19/95

STATE OF ALABAMA]
]
HOUSTON COUNTY]

I, Kay Driskell, a Notary Public, in and for said County in said State, hereby certify that **K. Earl Durden**, whose name as President of **Rail Management and Consulting Corporation**, a Delaware corporation and sole general partner of said **ET Ry, L.P.**, a limited partnership, is signed to the foregoing **Security Agreement, Goods and Equipment (Rolling Stock)**, and who is known to me, acknowledged before me on this day that, being informed of the contents of the **Security Agreement, Goods and Equipment (Rolling Stock)**, he, as such officer and with full authority, executed the same voluntarily for and as the act of said limited partnership.

Given under my hand this the 2 day of July, 1991.

Kay Drukes
Notary Public

My Commission Expires: 4/19/95

STATE OF ALABAMA]
]
HOUSTON COUNTY]

I, Kay Driskell, a Notary Public, in and for said County in said State, hereby certify that **K. Earl Durden**, whose name as President of said **KWT Railway, Inc.**, a corporation, is signed to the foregoing **Security Agreement, Goods and Equipment (Rolling Stock)**, and who is known to me, acknowledged before me on this day that, being informed of the contents of the **Security Agreement, Goods and Equipment (Rolling Stock)**, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the 2 day of July, 1991.

Kay Drukes
Notary Public

My Commission Expires: 4/19/95

STATE OF ALABAMA]
]
HOUSTON COUNTY]

I, Kay Driskell, a Notary Public, in and for said County in said State, hereby certify that **K. Earl Durden**, whose name as President of **Rail Management and Consulting Corporation**, a Delaware corporation and sole general partner of said **ATW Ry, L.P.**, a limited partnership, is signed to the foregoing **Security Agreement, Goods and Equipment (Rolling Stock)**, and who is known to me, acknowledged before me on this day that, being informed of the contents of the **Security Agreement, Goods and Equipment (Rolling Stock)**, he, as such officer and with full authority, executed the same voluntarily for and as the act of said limited partnership.

Given under my hand this the 2 day of July, 1991.

Kay Drukes
Notary Public

My Commission Expires: 4/19/95