

**BUTLER & BINION**

A REGISTERED LIMITED LIABILITY PARTNERSHIP

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(512) 227-2200

ATTORNEYS AT LAW

June 16, 1992

RECORDATION NO. 15394-C FILED 1992

JUN 18 1992 2:52 PM

INTERSTATE COMMERCE COMMISSION

Secretary  
Interstate Commerce Commission  
12th Street and Constitution Avenue N.W.  
Washington, D. C. 20243

MOTION PICTURE  
JUN 18 2 03 PM '92

Dear Secretary:

Enclosed for recordation pursuant to Section 11303 of Title 49 of the U.S. Code are an original and one additional counterpart of a Collateral Assignment of Note and Liens, a secondary document dated as of May 8, 1992, executed by and between RailTex, Inc., a Texas corporation, ("RailTex") as Debtor and First Interstate Bank of Texas, N.A., as Agent (the "Agent") for the benefit of and as the representative of National Bank of Canada (whether through its Toronto Branch or its New York Branch) ("NBC"), First Interstate Bank of Texas, N.A. ("FITX") and certain other financial institutions that may from time to time become a party to that certain Loan Agreement dated as of May 8, 1992 by and among RailTex, the Agent, FITX and NBC (FITX, NBC and the other financial institutions that may from time to time become a party to the Loan Agreement being sometimes referred to herein collectively as the "Lenders"). The primary document to which this Collateral Assignment is connected is recorded under Recordation No. 15394.

We request that this assignment be cross indexed.

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

Assignor: RailTex, Inc.  
404 Broadway, Suite 200  
San Antonio, Texas 78209

Assignee: First Interstate Bank of Texas, N.A.,  
as Agent for and on behalf of the Lenders  
First Interstate Bank Plaza  
1000 Louisiana  
Houston, Texas 77002

*Handwritten signatures and initials on the left margin.*

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Included in the property covered by the aforesaid Collateral Assignment of Note and Liens are the locomotives intended for use related to interstate commerce, or interests therein, owned by South Carolina Central Railroad Company, Inc. at the date and execution of the above-referenced primary document or thereafter acquired by it or its successors as owners of the liens of railway covered by the primary document. A description of the locomotives is:

those six certain 1750 horsepower EMD Model GP-9 diesel-electric locomotives, bearing the road numbers B & O 6440, B & O 6550, B & O 5905, C & O 6187, C & O 6555 and C & O 6097, respectively.

Also, enclosed is a check in the amount of \$16.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Please return the stamped original and any copies of the enclosed document not needed by the Commission to Nancy A. Talavera, Butler & Binion, 1000 Louisiana, First Interstate Bank Plaza, Houston, Texas 77002, in the enclosed stamped, self-addressed envelope.

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

Collateral Assignment of Note and Liens, dated as of May 8, 1992, between RailTex, Inc. ("Assignor") whose address is 4040 Broadway, Suite 200, San Antonio, Texas 78209, and First Interstate Bank of Texas, N.A., as Agent ("Assignee") whose address is First Interstate Bank Plaza, 1000 Louisiana, Houston, Texas 77002, for the benefit of and as the representative of National Bank of Canada (whether through its Toronto Branch or its New York Branch) ("NBC"), First Interstate Bank of Texas, N.A. and certain other financial institutions that may from time to time become a party to that certain Loan Agreement dated as of May 8, 1992 by and among RailTex, the Agent, FITX and NBC, covering six 1750 horsepower EMD Model GP-9 diesel electric locomotives and connected to the Commercial Security Agreement with Recordation No. 15394.

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If you have any questions concerning any of the foregoing or the enclosed, please contact me at (713) 237-3109.

Very truly yours,  
*Nancy A. Talavera*  
Nancy A. Talavera

Enclosures

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INTERSTATE COMMERCE COMMISSION

COLLATERAL TRANSFER OF NOTES AND LIENS

THE STATE OF TEXAS §
COUNTY OF HARRIS §
KNOW ALL MEN BY THESE PRESENTS:

THAT RAILTEX, INC., a Texas corporation ("Debtor"), whose address is 4040 Broadway, Suite 200, San Antonio, Texas 78209, for a valuable and sufficient consideration paid, the receipt and sufficiency of which hereby is acknowledged, hereby transfers, assigns and conveys unto FIRST INTERSTATE BANK OF TEXAS, N.A., as Agent (together with its successors and assigns in such capacity, the "Secured Party"), whose address is First Interstate Bank Plaza, 1000 Louisiana, Houston, Texas 77002, for the benefit of and as the representative of the Lenders from time to time a party to that certain Loan Agreement (as it may be amended, modified, increased, renewed, extended or restated from time to time, the "Loan Agreement") dated as of May 8, 1992, by and among Debtor, Secured Party, National Bank of Canada (whether through its Toronto Branch or its New York Branch), First Interstate Bank of Texas, N.A. and any other Lenders that may from time to time become a party thereto, and hereby does grant to Secured Party, for the benefit of and as the representative of the Lenders, a security interest or an assignment, as the case may be, in and to all of the promissory notes (collectively, the "Collateral Notes") and documents related thereto, and the liens securing same that are listed and described on Schedule I attached hereto and made a part hereof for all purposes, together with any and all other documents and instruments executed in connection therewith or related thereto and any and all renewals, extensions, modifications, amendments and rearrangements of any of the foregoing, and together with all moneys, income, proceeds and benefits attributable or accruing to the Collateral Notes or Collateral Security (defined on Schedule I hereto) (the Collateral Notes, the Collateral Security and all moneys, income, proceeds and benefits attributable or accruing thereto herein sometimes called the "Collateral"), and all guaranties therefor. All capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to them in the Loan Agreement.

1. Secured Indebtedness. This Collateral Transfer of Notes and Liens (the "Agreement"), and the security interests granted hereby, are made to secure the payment of the following, including all principal, interest, expenses, attorneys' fees and costs of collection provided for therein (the "Indebtedness"):

(a) the Notes, and any and all extensions, renewals, modifications, increases, restatements and rearrangements thereof;

(b) the obligations of Debtor to Secured Party and the Lenders, or any of them, under this Agreement or the Loan Agreement and the obligations of Debtor or any of its respective Subsidiaries under any of the other Loan Documents or otherwise relating to any Loans or the GERC Loan; and

(c) any and all other indebtedness, liabilities and obligations whatsoever of Debtor or any of its Subsidiaries to Secured Party and the Lenders, or any of them, whether direct or indirect, absolute or contingent, primary or secondary, due or to become due and whether now existing or hereafter arising pursuant to or under this Agreement, the Loan Agreement or any of the Loan Documents, whether joint or several, or joint and several.

Debtor acknowledges that the security interest hereby granted shall secure all future advances pursuant to or under this Agreement, the Loan Agreement or any of the Loan Documents. Upon full payment of the Indebtedness, this transfer shall be null and void and the Collateral Notes, at the expense of Debtor, shall be retransferred, without warranty or recourse, to Debtor by Secured Party.

2. Representations, Warranties and Covenants of Debtor. Debtor hereby represents, warrants and covenants as follows:

(a) Debtor is the owner of the Collateral Notes;

(b) There have been no prepayments of principal or interest on the Collateral Notes;

(c) Each of the Collateral Notes is current and in good standing in all respects;

(d) No default exists under the Collateral Security or any other instrument securing payment of any of the Collateral Notes;

(e) None of the Collateral Notes is subject to any credits or offsets not shown by proper endorsement on the Collateral Notes;

(f) Debtor has the full and unqualified right and authority to assign and pledge the Collateral and grant Secured Party full authority and control over the Collateral in the manner and for the purposes herein set forth;

(g) Debtor shall cause each maker of the Collateral Notes to execute this Agreement in the place provided on the Addendum below, which Addendum is attached hereto and made a part hereof for all purposes, understanding that the Agent and the Lenders are relying on the covenants, representations and warranties of such makers in entering into the Loan Agreement;

(h) The Collateral is free and clear of any other lien, encumbrance, security interest, charge or claim of any kind or nature, except for liens in favor of Secured Party; and

(i) Any agents or representatives acting for or on behalf of Debtor in connection with this Agreement or any aspect thereof have been duly authorized with respect to the execution hereof and thereof, and have the capacity to act on behalf of Debtor.

3. Events of Default. For purposes of this Agreement, the terms "Default" and "Event of Default" shall mean (a) a "Default" and "Event of Default", respectively, as each of those terms is defined in the Loan Agreement and (b) the occurrence of any one or more of the following events:

(i) Default in the payment of any installment, principal, interest or otherwise, on any of the Collateral Notes when due or declared due; or

(ii) The Collateral declines substantially in value (other than reductions in value resulting from payment of the installments provided for in the Collateral Notes).

4. Remedies of Secured Party. Upon the occurrence of a Default or an Event of Default, and at any time thereafter, Secured Party, at its option, shall be entitled to exercise any one or more of the remedies set forth in the Loan Agreement, any of the other Loan Documents, any afforded at law or in equity and any of the following remedies (all of which are cumulative):

(a) Secured Party shall have the right to sell all or any part of the Collateral at public sale to the highest bidder for cash, after having given reasonable notice of the time and place of such public sale to Debtor and to such other person or persons legally entitled thereto under the Texas Business and Commerce Code (the "Code"), and Secured Party shall transfer to the purchaser at such sale the Collateral, and the recitals in such transfer shall be prima facie evidence of the truth of the matters therein stated and all prerequisites to such sale required hereunder and under the

laws of this state shall be presumed to have been performed. The proceeds of the sale shall be applied as provided in the Loan Agreement; provided, however, if there is any deficiency, Debtor shall remain liable therefor. Secured Party shall have the right to purchase at such public sale if it is the highest bidder.

(b) Any requirement of reasonable notice to Debtor of the time and place of any public sale of any Collateral, or of the time after which any private sale either by Secured Party, or at its option, through a broker, or any other intended disposition thereof is to be made, shall be met if such notice is mailed, postage prepaid, to Debtor's address set forth in the Loan Agreement, at least five days before the date of any public sale or at least five days before the time after which any private sale or other disposition is to be made.

(c) Secured Party and each of the Lenders, in addition to the rights and remedies provided for in the preceding paragraphs, shall have their full right of setoff and all other rights and remedies of a secured party under the Code (including the right to sell the Collateral at one or more private sales), and Secured Party and each of the Lenders, shall be entitled to avail themselves of all such other rights and remedies as now or hereafter may exist at law or in equity for the collection of the Indebtedness and the foreclosure of the security interests and liens created hereby and the resort to any remedy provided hereunder or provided by the Code, or by any other law of this state, shall not prevent the concurrent employment of any other appropriate remedy or remedies.

(d) Secured Party may remedy any default, without waiving the same, or may waive any default without waiving any prior or subsequent default.

(e) The security interests and liens herein created shall not be affected by, or affect any other security taken for, payment and performance of the Indebtedness, or any part thereof, and the holder of the Indebtedness may take such other security without affecting the priority of this security interest and lien or the validity thereof with reference to any third party, and the holder of the Indebtedness shall not be limited by any election of remedies if such holder chooses to foreclose this security interest and lien by suit. The right to sell under the terms hereof also shall exist cumulative with any such suit, and one method shall not bar the other, but both may be exercised at the same or different times, nor shall one be a defense to the other.

(f) Secured Party shall have the power to endorse and hereby is appointed Debtor's agent and attorney-in-fact for the purpose of doing any and every act which Debtor is obligated to do by this Agreement and to exercise all rights of Debtor relating to the Collateral, including endorsing in the name of Debtor the Collateral Notes or any instrument securing payment thereof or relating thereto, or exercising, signing, transferring or delivering in the name of Debtor any instruments or documents which may be received in payment or on account of the Indebtedness or necessary to evidence, perfect or realize upon the security interest and lien or obligations created by this Agreement and to do all other acts necessary to preserve and protect the Collateral or to protect Secured Party's security interest in the Collateral.

(g) The parties acknowledge that the Collateral Notes, by their terms, are payable in full upon the demand of the holder thereof. Debtor hereby assigns its right to demand payment of the Collateral Notes to Secured Party and agrees that, until payment in full of the Indebtedness, Secured Party shall have the sole and exclusive right, as collateral assignee of the Collateral Notes, to demand, collect or enforce payment of the Collateral Notes. Secured Party agrees that it will not demand, collect or enforce payment of the Collateral Notes, or any of them, unless and until the occurrence of a Default or Event of Default. In the event Secured Party does demand payment of the Collateral Notes, or any of them, then the proceeds thereof shall be applied against the Indebtedness as provided in the Loan Agreement. Further, all payments made on the Collateral Notes, whether prepayments, final payments, regularly scheduled installments or otherwise, shall be made directly by the maker thereof to Secured Party. All such payments made to Secured Party shall be held by Secured Party without liability for interest thereon and applied toward the payment of the Indebtedness as and when the same becomes payable or as a prepayment thereon, or in Secured Party's sole discretion, released to Debtor; provided, however, that no such release of payments shall require or necessitate any further release, nor shall any such release be considered a waiver of the right to collect and hold any future payments for application toward the Indebtedness; and Secured Party shall have the full control (including, without limitation, the right to foreclose upon and sell the Collateral Security) of the Collateral Notes until the Indebtedness is fully paid, and shall have the further right to release the lien or liens securing payment and performance of the Collateral Notes upon the full and final payment to Secured Party of the Collateral Notes, but Secured Party is under no obligation to demand, make or enforce the collection of the Collateral Notes and the failure of Secured Party for any cause to demand, make or

enforce the collection thereof, or the release of any payment collected by Secured Party on the Collateral Notes, shall not prejudice in any way the right of Secured Party thereafter to demand, make or enforce collection thereof, retain the payments as aforesaid or in any way affect, or impair, the Indebtedness. If Debtor gives Secured Party written notice that it wishes to accelerate the maturity of the Collateral Notes and foreclose on the Collateral Security, and if Secured Party, within 30 days thereafter, does not notify Debtor that it wishes to undertake acceleration of the Collateral Notes and foreclosure of the Collateral Security, then in such event (or in the event Secured Party, at its sole option and in writing, shall authorize Debtor to take the following action), Debtor may accelerate the maturity of and enforce the collection of the Collateral Notes and foreclose any liens securing the same. As long as the Indebtedness remains unpaid, all sums received by any party from the enforcement of such liens or otherwise on account of any Collateral Notes shall be paid directly to Secured Party to be applied against the Indebtedness as provided in the Loan Agreement. In the event Debtor becomes owner of the property and assets pledged as security for payment and performance of the Collateral Notes, then Secured Party shall automatically have a lien or security interest covering such property and assets, and Debtor shall immediately execute appropriate instruments evidencing the same. Secured Party shall have no liability or responsibility of any nature or kind for any decline in market value of the applicable Collateral, from any impairment to the recovery of amounts owed under any Collateral Notes, or otherwise resulting from any failure to respond to Debtor within such thirty (30) day period.

5. Indemnity. Debtor hereby indemnifies the Secured Party and the Lenders, their respective officers, directors, employees, representatives, and agents from and hold each of them harmless against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses, and disbursements, including, but not limited to, attorney's fees and costs incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation, or other proceeding (whether or not the Secured Party or any Lender is a party thereto) related to the Collateral Notes and Collateral Security or this assignment of the Collateral Notes and Collateral Security and expressly including any such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements incurred by reason of the indemnified Person's own negligence. The indemnity and covenant provided in this Section 5 shall be in addition to any other obligations or liabilities that the Debtor or

any of its Subsidiaries may have to the Secured Party and the Lenders, or any of them, under this Assignment and the other Loan Documents, at common law, and otherwise and shall survive this Assignment.

6. Miscellaneous.

(a) Debtor agrees to pay in full all reasonable expenses, including reasonable attorneys' fees, of Secured Party which have been or may be incurred by Secured Party in connection with the preparation of this Agreement, the Indebtedness, the collection of the Indebtedness and any document executed in connection with the Indebtedness, the enforcement of any of Debtor's obligations hereunder and under any document executed in connection with any grant or pledge of security for the payment of any note or indebtedness contemplated hereunder, and the recording and filing and rerecording and refileing of any such document.

(b) In the event Debtor shall receive any moneys, income, payments or benefits attributable or accruing to the Collateral Notes, Debtor will hold the same in trust for Secured Party and will not commingle the same with any other property or moneys of Debtor and will promptly deliver the same to Secured Party in the form received.

(c) The pronouns used in this Agreement 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 Agreement, include, shall bind and shall inure to the benefit of the respective successors and assigns of such parties.

(d) Debtor will not enter into any other security agreement covering the Collateral and will not permit any other financing statement covering the same to be on file so long as any of the Indebtedness remains unpaid, except any such security agreement or financing statement in favor of Secured Party. Debtor will not sell or offer to sell or transfer the Collateral as long as the Indebtedness remains unpaid.

(e) The law governing this secured transaction shall be the Code and other applicable laws of the State of Texas. All terms used herein which are defined in the Code shall have the same meanings herein as therein.

(f) The usury savings clause provided in Section 12.6 of the Loan Agreement is incorporated by reference into this Agreement and is made a part hereof for all purposes; it being agreed that





#### ADDENDUM

Each of the undersigned makers of the Collateral Notes executes this Agreement as provided below for the purpose of making the following acknowledgments, representations, indemnities, warranties and covenants:

1. The undersigned acknowledge that Debtor has transferred, assigned, conveyed and granted a security interest in each of the Collateral Notes and all liens, security interests, rights, titles, equities and interests securing same as created by the Collateral Documents (defined on Schedule I hereto) or otherwise, and all money, income, proceeds and benefits attributable and accruing thereto, to Secured Party, for the benefit of and as the representative of the Lenders from time to time a party to the Loan Agreement, as security for the payment of the Indebtedness. Each of the undersigned makers agree to make all payments under its applicable Collateral Note, whether prepayment, final payment, regularly scheduled installments or otherwise, to Secured Party as provided in Paragraph 4(g) of this Agreement. Further, the undersigned acknowledge and consent to the transfer to Secured Party of Debtor's right to demand, collect or enforce payment of each of the Collateral Notes.
2. Each of the undersigned represent and warrant to the Secured Party and the Lenders that (i) its applicable Collateral Note constitutes the duly executed evidence of the indebtedness of such undersigned maker to Debtor and constitutes the legal, valid and binding obligation of same, subject to no prior existing offsets, claims or defenses of any nature or kind whatsoever, (ii) the current outstanding principal balance of its applicable Collateral Note is set forth opposite or above its signature below, and (iii) it has not received any other notice of assignment by Debtor or any other party of any rights, title or interest in respect of its applicable Collateral Note.
3. Each of the undersigned hereby indemnify the Secured Party and the Lenders, their respective officers, directors, employees, representatives, and agents from and hold each of them harmless against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses, and disbursements, including, but not limited to, attorney's fees and costs incurred by any of them, as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation, or other proceeding

(whether or not the Secured Party or any Lender is a party thereto) related to its respective Collateral Note and the Collateral Security therefor or this Assignment of the Collateral Notes and Collateral Security, and expressly including any such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements incurred by reason of the indemnified Person's own negligence. The indemnity and covenant provided in this Paragraph 3 shall be in addition to any other obligations or liabilities that the undersigned may have to the Secured Party and the Lenders under this Assignment and the other Loan Documents, at common law, and otherwise and shall survive this Assignment.

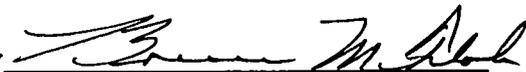
4. **THIS WRITTEN AGREEMENT AND THE INSTRUMENTS AND DOCUMENTS EXECUTED IN CONNECTION HERewith AND THEREWITH, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**

**THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

Executed on the dates set forth in the respective acknowledgements below, to be effective as of the 8th day of May, 1992.

**Austin & Northwestern  
Railroad Company, Inc.**

The outstanding principal balance of  
Note A as of June 15, 1992 is  
\$207,177.01

By   
Bruce M. Flohr, President

**South Carolina Central  
Railroad Company, Inc.**

The outstanding principal balance of  
Note B as of June 15, 1992 is  
\$2,242,477.60 and the outstanding  
principal balance of Note C as of  
June 15, 1992 is \$2,933,900.49.

By   
David P. Valentine, President

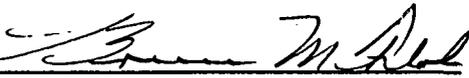
**Mid-Michigan Railroad, Inc.**

The outstanding principal balance of  
Note D as of June 15, 1992 is  
\$2,194,415.83

By   
Name: **DAVID P. VALENTINE**  
Title: **PRESIDENT**

**Michigan Shore Railroad, Inc.**

The outstanding principal balance of  
Note E as of June 15, 1992 is  
\$747,281.38

By   
Bruce M. Flohr, President

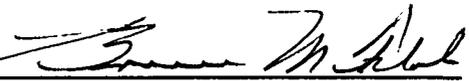
**New Orleans Lower Coast  
Railroad, Inc.**

The outstanding principal balance of  
Note F as of June 15, 1992 is  
\$2,134,485.41

By   
Bruce M. Flohr, President

**Dallas, Garland & North-  
eastern Railroad, Inc.**

The outstanding principal balance of  
Note G as of June 15, 1992 is  
\$972,704.00

By   
Bruce M. Flohr, President

**Indiana Southern Railroad,  
Inc.**

The outstanding principal balance of  
Note H as of June 15, 1992 is  
\$13,349,296.00

By   
Bruce M. Flohr, President



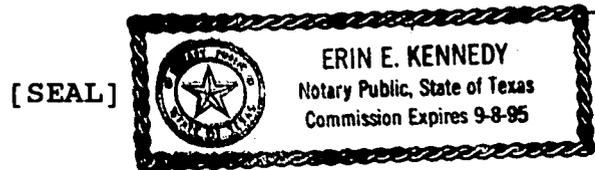
THE STATE OF TEXAS §  
§  
COUNTY OF HARRIS §

*David P. Valentine*

This instrument was acknowledged before me on the 16 day of June, 1992, by ~~Bruce M. Flohr~~, the President of **MID-MICHIGAN RAILROAD, INC.**, a Michigan corporation, on behalf of said corporation.

*Erin E Kennedy*

Notary Public in and for the State of Texas

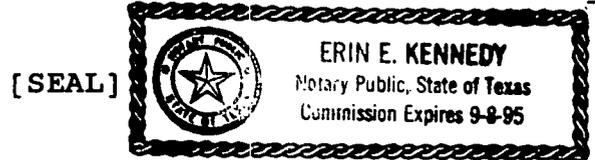


THE STATE OF TEXAS §  
§  
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 16 day of June, 1992, by Bruce M. Flohr, the President of **MICHIGAN SHORE RAILROAD, INC.**, a Michigan corporation, on behalf of said corporation.

*Erin E Kennedy*

Notary Public in and for the State of Texas

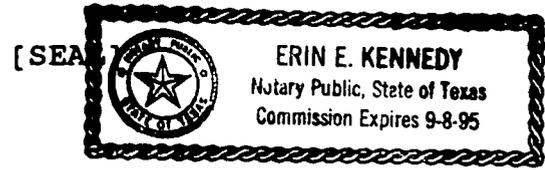


THE STATE OF TEXAS §  
§  
COUNTY OF HARRIS §

This instrument was acknowledged before me on the 16 day of June, 1992, by Bruce M. Flohr, the President of **NEW ORLEANS LOWER COAST RAILROAD, INC.**, a Louisiana corporation, on behalf of said corporation.

*Erin E Kennedy*

Notary Public in and for the State of Texas





## SCHEDULE I

### COLLATERAL NOTES

1. AUSTIN & NORTHWESTERN RAILROAD COMPANY, INC. That certain promissory note ("Note A") dated May 8, 1992, executed by Austin & Northwestern Railroad Company, Inc. ("Borrower A") and made payable to the order of Debtor in the original principal sum of \$207,177.01, Note A being unsecured, together with any and all renewals, extensions, modifications, amendments and rearrangements thereof.
  
2. SOUTH CAROLINA CENTRAL RAILROAD COMPANY, INC. (FITX). That certain promissory note ("Note B") dated May 8, 1992, executed by South Carolina Central Railroad Company ("Borrower B") and made payable to the order of Debtor in the original principal sum of \$2,242,477.60, Note B being given in renewal, extension and modification of, but not in novation or discharge of, that certain promissory note ("Prior Note B") dated December 13, 1990, executed by Borrower B and made payable to the order of FITX in the original principal amount of \$3,000,000, and to the extent of \$1,941,285.21, Prior Note B being in turn given in renewal and extension of, but not in novation or discharge of, that certain term note dated November 24, 1987, executed by Borrower B and made payable to the order of Allied Bank West (the predecessor in interest to FITX) in the original principal amount of \$4,170,320, Prior Note B being (1) secured, in part, by (a) First Amendment to Commercial Security Agreement dated December 13, 1990, executed by Borrower B for the benefit of FITX, amending that certain Commercial Security Agreement dated November 24, 1987, and executed by Borrower B, (b) Security Agreement - Pledge (Securities) dated November 24, 1987, executed by and between Allied Bank West and Debtor, (c) Assignment dated November 24, 1987 from Borrower B to Allied Bank West assigning rights to receive monies under certain Purchase Agreements, and (d) First Mortgage and Security Agreement dated November 24, 1987, executed by and between Borrower B and Allied Bank West (recorded in the State of South Carolina, Counties of Chesterfield [Volume 269, Page 836 of the Deed Records], Darlington [Volume 945, Page 130 of the Deed Records], Florence [Volume 276, Page 2167 of the Deed Records] and Lee [Volume 110, Page 363 of the Deed Records] and filed for record with the South Carolina Secretary of State on December 15, 1987), (2) issued pursuant to that certain First Amended and Restated Loan Agreement dated December 13, 1990, executed by and between Borrower B, Debtor and FITX, amending that certain Loan Agreement dated November 24, 1987, by and between Borrower B and Allied Bank West, and (3) guaranteed

by that certain Guaranty Agreement dated November 24, 1987 and executed by Debtor together with any and all renewals, extensions, modifications, amendments and rearrangements of any of the foregoing, and all of the foregoing liens and security interests securing payment thereof having been modified, renewed and extended pursuant to Modification Agreement of even date herewith executed by and between Borrower B and Debtor; Prior Note B having been transferred and assigned of even date herewith pursuant to Assignment of Note and Liens from FITX to Debtor. Note B is further and additionally secured by (i) those two (2) certain Subsidiary Commercial Security Agreements dated as of May 8, 1992, executed by Borrower B in favor of Debtor and (ii) that certain Mortgage dated as of May 8, 1992, executed by Borrower B in favor of Debtor.

3. SOUTH CAROLINA CENTRAL RAILROAD COMPANY, INC. (BANK OF BOSTON). That certain promissory note ("Note C") dated May 8, 1992, executed by South Carolina Central Railroad Company ("Borrower C") and made payable to the order of Debtor in the original principal amount of \$2,933,900.49, Note C being given in renewal, extension and modification of, but not in discharge or novation of, that certain promissory note ("Prior Note C") dated August 25, 1989, executed by Borrower C and made payable to the order of The First National Bank of Boston ("Bank of Boston") in the original principal amount of \$3,761,250, Prior Note C being (1) secured, in part, by (a) Security Agreement and Assignment dated August 25, 1989, executed by Borrower C for the benefit of Bank of Boston, (b) Pledge Agreement dated August 25, 1989, executed by and between Bank of Boston and Debtor, (c) Assignment dated August 25, 1989 from Borrower C to Bank of Boston, assigning rights to receive monies under certain Purchase Agreements, (d) Georgia Deed to Secure Debt, Security Agreement and Assignment of Rents dated August 25, 1989, from Borrower C to Bank of Boston (recorded in the State of Georgia, Counties of Calhoun [Volume 55, Page 99 of the Deed Records], Chattahoochee [Volume R-1, Page 600-635 of the Deed Records], Crisp [Volume 210, Page 680-716 of the Deed Records], Decatur [Volume V-15, Page 647-682 of the Deed Records], Dodge [Volume 209, Page 225-259 of the Deed Records], Early [Volume 168, Page 242-276 of the Deed Records], Miller [Volume 109, Page 220-256 of the Deed Records], Muscogee [Volume 3185, Page 264 of the Deed Records], Randolph [Volume CC4, Page 182-221 of the Deed Records], Stewart [Volume 86, Page 340-387 of the Deed Records], Sumter [Volume 253, Page 909-954 of the Deed Records], Webster [Volume 70, Page 77-114 of the Deed Records] and Wilcox [Volume 125, Page 353-388 of the Deed Records], (e) Georgia Leasehold Deed to Secure Debt, Security Agreement and Assignment of Rents dated August 25, 1989, from Borrower C to Bank of Boston (recorded in the State of

Georgia, Decatur County [Volume V-15, Page 687-718 of the Deed Records], and (f) Alabama Mortgage and Security Agreement dated August 25, 1989, from Borrower C to Bank of Boston (recorded in the State of Alabama, Russell County [Volume 724, Page 214-249 of the Deed Records]), (2) issued pursuant to that certain Loan Agreement dated August 25, 1989, executed by and between Borrower and Bank of Boston and (3) guaranteed by that certain Unlimited Guaranty Agreement dated August 25, 1989, and executed by Debtor, together with any and all renewals, extensions, modifications, amendments and rearrangements of any of the foregoing, and all of the foregoing liens and security interests securing payment thereof having been and modified, renewed and extended pursuant to Modification Agreement of even date herewith executed by and between Borrower C and Debtor; Prior Note C having been transferred and assigned of even date herewith pursuant to Assignment of Note and Liens from Bank of Boston to Debtor. Note C is further and additionally secured by that certain Subsidiary Commercial Security Agreement dated as of May 8, 1992, executed by Borrower C in favor of Debtor.

4. MID-MICHIGAN RAILROAD, INC. That certain promissory note ("Note D") dated May 8, 1992, executed by Mid-Michigan Railroad, Inc. ("Borrower D") and made payable to the order of Debtor in the original principal sum of \$2,194,415.83, Note E being secured by that certain Subsidiary Commercial Security Agreement dated as of May 8, 1992, executed by Borrower D in favor of Debtor, together with any and all renewals, extensions, modifications, amendments and rearrangements of any of the foregoing.

5. MICHIGAN SHORE RAILROAD, INC. That certain promissory note ("Note E") dated May 8, 1992, executed by Michigan Shore Railroad, Inc. ("Borrower E") and made payable to the order of Debtor in the original principal sum of \$747,281.38, Note E being secured by that certain Subsidiary Commercial Security Agreement dated as of May 8, 1992, executed by Borrower E in favor of Debtor, together with any and all renewals, extensions, modifications, amendments and rearrangements of any of the foregoing.

6. NEW ORLEANS LOWER COAST RAILROAD, INC. That certain promissory note ("Note F") dated May 8, 1992, executed by New Orleans Lower Coast Railroad, Inc. ("Borrower F") and made payable to the order of Debtor in the original principal sum of \$2,134,485.51, Note F being given in renewal, extension and modification of, but not in discharge or novation of, that certain promissory note ("Prior Note F") dated March 13, 1991, executed by Borrower F and made payable to the order of FITX in the original principal amount of \$2,400,000, Prior Note F being (1) secured, in

part, by (a) Commercial Security Agreement dated March 13, 1991, executed by Borrower F in favor of FITX, and (b) Security Agreement - Pledge (Securities) dated March 13, 1991, by and between Borrower F, Debtor and FITX, (2) issued pursuant to that certain Loan Agreement dated March 13, 1991, executed by and between Borrower F and FITX, and (3) guaranteed by that certain Guaranty Agreement dated March 13, 1991 and executed by Debtor, together with any and all renewals, extensions, modifications, amendments and rearrangements of any of the foregoing, and all of the foregoing liens and security interests securing payment thereof having been modified, renewed and extended pursuant to Modification Agreement of even date herewith executed by and between Borrower F and Debtor; Prior Note F having been transferred and assigned of even date herewith pursuant to Assignment of Note and Liens from FITX to Debtor. Note F is further and additionally secured by that certain Subsidiary Commercial Security Agreement of even date herewith from Borrower F in favor of Debtor.

7. DALLAS, GARLAND & NORTHEASTERN RAILROAD, INC. That certain promissory note ("Note G") dated May 8, 1992, executed by Dallas, Garland & Northeastern Railroad, Inc. ("Borrower G") and made payable to the order of Debtor in the original principal amount of \$972,704.00, Note G being unsecured, together with any and all renewals, extensions, modifications, amendments and rearrangements thereof.

8. INDIANA SOUTHERN RAILROAD, INC. That certain promissory note ("Note H") dated May 8, 1992, executed by Indiana Southern Railroad, Inc. ("Borrower H") and made payable to the order of Debtor in the original principal amount of \$13,349,296.00, Note H being given in renewal, extension and modification of, but not in discharge or novation of, that certain promissory note ("Prior Note H") dated April 8, 1992, executed by Debtor and made payable to the order of Debtor in the original principal sum of \$16,949,296, Note H being secured, in part, by that certain Commercial Security Agreement dated as of April 8, 1992, from Borrower H to Debtor and being further and additionally secured by certain Subsidiary Commercial Security Agreement dated as of May 8, 1992, executed by Borrower H in favor of Debtor, both of which security agreements are hereby incorporated by reference for all relevant purposes.

All of the liens, security interests and other collateral which secure (i) payment of the indebtedness evidenced by Note A, Note B, Note C, Note D, Note E, Note F, Note G, and Note H and (ii) the performance of all obligations of the respective Borrowers pursuant to the documents and instruments creating such liens and security interests and otherwise relating thereto (collectively,

the "Collateral Documents"), as described above, are referred to collectively in this Agreement as the "Collateral Security".

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