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RECORDATION No. 18955-A
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March 13, 1997

RECORDATION No. 20593

MAR 21 10 16 AM '97
RECEIVED
SURFACE TRANSPORTATION
BOARD

VIA FEDEX

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Re: NationsBank, N.A. (South) - Loans to The Durango & Silverton Narrow Gauge Railroad Company

Dear Secretary Williams:

I enclose one original and one counterpart original of the documents described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

1. A Release of Rolling Stock Security Agreement between NationsCredit Commercial Corporation and The Durango & Silverton Narrow Gauge Railroad Company. The names and addresses of the parties to the document are as follows:

Secured Party: NationsCredit Commercial Corporation
One Canterbury Green
Stamford, CT 06901

Debtor: The Durango & Silverton Narrow Gauge Railroad Company
479 Main Avenue
Durango, CO 81303

The description of the equipment to be released by the document is set forth in Exhibit A, attached hereto.

new 2. Rolling Stock Security Agreement dated as of March 13, 1997, between NationsBank, N.A. (South) and The Durango & Silverton Narrow Gauge Railroad Company. The names and addresses of the parties to the document are as follows:

Secured Party: NationsBank, N.A. (South)
One Financial Plaza, 10th Floor
Fort Lauderdale, FL 33394

Debtor: The Durango & Silverton Narrow Gauge Railroad Company
479 Main Avenue
Durango, CO 81303

The Honorable Vernon A. Williams
March 13, 1997
Page 2

The description of the equipment covered by the document is set forth in Schedule 1, attached hereto.

A fee of \$48.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Mark S. Somerstein, Ruden, McClosky, Smith, Schuster & Russell, P.A., 200 East Broward Boulevard, 15th Floor, Fort Lauderdale, Florida 33301 in the enclosed self-addressed, stamped envelope.

A short summary of the document to appear in the index follows: A Rolling Stock Security Agreement dated as of March 13, 1997, between NationsBank, N.A. (South) ("NationsBank") and The Durango & Silverton Narrow Gauge Railroad Company ("Durango & Silverton"), in which Durango & Silverton grants NationsBank a first lien and security interest in all equipment and other personal property of Durango & Silverton, including, but not limited to, the locomotives, boxcars and the other rolling stock described in Schedule I attached hereto.

Very truly yours,

RUDEN, McCLOSKY, SMITH,
SCHUSTER & RUSSELL, P.A.



Marie C. Santoro, C.L.A.
Certified Legal Assistant

MCS:ebc
Enclosure

EXHIBIT "A"

Type 44 passenger cars and 10 locomotives bearing Durango & Silverton numbers as follows:

Passenger Cars

64	319	336	406	415
126	323	337	407	416
212	327	350	408	566
213	330	400	409	630
257	331	401	410	631
270	332	402	411	632
291	333	403	412	B-2
311	334	404	413	B-7
312	335	405	414	

Locomotives

420	481
473	482
476	493
478	498
480	499

Blanket remainder of Equipment

SCHEDULE 1

Type 44 passenger cars and 10 locomotives bearing Durango & Silverton numbers as follows:

Passenger Cars

64	319	336	406	415
126	323	337	407	416
212	327	350	408	566
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311	334	404	413	B-7
312	335	405	414	

Locomotives

420	481
473	482
476	493
478	498
480	499

Blanket remainder of Equipment

RECORDATION No. 20593

(Filed pursuant to the

MAR 24 1997

10:16 Am

ROLLING STOCK SECURITY AGREEMENT

BETWEEN

**THE DURANGO & SILVERTON
NARROW GAUGE RAILROAD COMPANY**

AS DEBTOR

AND

NATIONSBANK, N.A. (SOUTH)

AS LENDER

DATED AS OF

MARCH 13, 1997

**Titled and recorded with the Surface Transportation Board pursuant to
49 U.S.C. 11301 on 3-24-97, 1997, at 10:16 Am., Recordation No.
10:16 Am**

ROLLING STOCK SECURITY AGREEMENT

This ROLLING STOCK SECURITY AGREEMENT (this "Agreement") dated as of the _____ day of _____, 1997, between THE DURANGO & SILVERTON NARROW GAUGE RAILROAD COMPANY, a Colorado corporation, having its principal office at 3700 North 29th Avenue, Suite 202, Hollywood, Florida 33020 ("Debtor"), and NATIONSBANK, N.A. (SOUTH) ("Lender").

As security for Debtor's obligations pursuant to the Note and the other Loan Documents, and in order to induce Lender to extend or continue to extend credit to Debtor, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Debtor agrees with Lender as follows:

I. DEFINITIONS

A. **Specific Terms.** In addition to terms defined elsewhere in this Agreement or in any exhibit or amendment hereto or document incorporated herein, when used herein, the following terms shall have the following meanings:

The "Collateral" shall mean the Rolling Stock, together with all parts thereof or therefor (including spare parts), attachments, accessories, accessions, equipment, appurtenances and additions that are appertaining, attached, affixed or related thereto and all substitutions, renewals or replacements thereof and all additions, improvements, accessions and accumulations thereto, all books and records (including computer records) in any way related thereto, and all proceeds thereof.

The "Collateral Location" shall mean the location, premises, rights-of-way, easements, land and property of Debtor, including all track, buildings, sheds and storage areas ordinarily used by said railroad.

The "Loan Agreement" shall mean the "Loan Agreement" dated even date herewith between Debtor and Lender.

The "Loan Documents" shall have the meaning set forth in the Loan Agreement.

The "Obligations" shall mean (i) any and all indebtedness (principal, interest, premium, fees, late fees and other amounts), liabilities and obligations of Debtor to Lender, including, without limitation, all of Debtor's Obligations pursuant to the Loan Agreement, (ii) any and all indebtedness, liabilities and obligations of Debtor under this Agreement; and (iii) any and all costs of collection, attorneys' fees and expenses incurred by Lender upon the occurrence of an Event of Default under this Agreement, in collecting or enforcing payment of any such indebtedness,

liabilities or obligations or in preserving, protecting or realizing on the Collateral hereunder or in representing Lender in connection with bankruptcy or insolvency proceedings.

The "Rolling Stock" shall mean the railcars, engines and other rolling stock or equipment described on Exhibit A attached hereto and all other Rolling Stock of Debtor, whether now owned or hereafter acquired and wherever located.

B. Other Terms. Except as otherwise defined herein, all capitalized terms used in this Agreement, which are defined in the Uniform Commercial Code as in effect in the State of Florida ("UCC") shall have the meanings set forth in the UCC.

II. GRANTING CLAUSE

To secure payment and performance of the Obligations, Debtor hereby pledges, assigns, transfers and sets over to Lender, and grants to Lender a lien and security interest in and upon all of the Collateral.

III. REPRESENTATIONS AND WARRANTIES

Debtor hereby represents and warrants to Lender that:

A. Debtor is in compliance with all laws of the jurisdictions in which its operations involving the Collateral may extend; Debtor is not subject to the interchange rules of the Association of American Railroads, the rules of the United States Department of Transportation, the Surface Transportation Board or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Collateral; in the event that such laws and rules affect title, operation, maintenance or use of the Collateral, or such laws or rules require any alteration, replacement or addition of or to any equipment, Debtor will conform therewith at its own expense.

B. Debtor is the sole and absolute owner of the Collateral free and clear of any and all liens, claims and encumbrances of every kind and nature except for the lien and encumbrance hereby granted and created and liens permitted by this Agreement and except for a financing statement and a Rolling Stock Security Agreement in favor of Charles E. Bradshaw, Jr., which lien Debtor warrants is junior and inferior to the security interest of Lender.

C. Upon appropriate filings with the United States Surface Transportation Board and the Colorado Secretary of State, the security interest contemplated hereby will at all times constitute a valid, perfected and enforceable not less than first priority security interest in favor of Lender, subject to no other security interest, mortgage, lien or encumbrance except as disclosed in Section III.B above.

D. No portion of the Collateral is in the possession of any party (other than Debtor) asserting any claim thereto or security interest therein. Exhibit A hereto contains a full and complete list and accurate description of all Rolling Stock now owned by Debtor.

IV. COVENANTS AND AGREEMENTS

Debtor hereby covenants and agrees with Lender that:

A. **Operation.** Debtor shall at all times during the term hereof maintain exclusive possession, control and use of the Collateral and shall completely assume all responsibility with respect thereto. Debtor shall cause the Rolling Stock to be operated only by safe, careful and licensed engineers who are employed by Debtor or who are leased by Debtor pursuant to any lease or employment arrangement which has been approved by Lender. Debtor shall require each such engineer to operate such train with reasonable care and to use every reasonable precaution to prevent any loss or damage thereto from fire, theft, collision, or otherwise, and to prevent injury to persons or damage to property. Debtor shall further comply with all applicable federal and state inspection, licensing and registration requirements, and all other federal, state and local laws, regulations and other governmental requirements applicable to any portion of the Collateral or the use or operation thereof. Debtor shall not use the Collateral in any manner which is in violation of any provision of any insurance policy. Debtor shall not, without the prior written consent of Lender, attach or affix any portion of the Collateral in any manner to or have any portion of the Collateral become a part of any real estate or to any personal property.

B. **Location/Inspection.** Debtor shall cause all of the Collateral to at all times be located at the Collateral Location, and shall provide to Lender, from time to time, upon request of Lender, a list of the items of Collateral specifying the physical location and condition of each material item. Lender may examine and inspect the Collateral or any part thereof, wherever located, at any reasonable time or times.

C. **Identification of Collateral.** Debtor shall, at all times, cause the Collateral to be kept numbered with identification numbers as shall be set forth in this Agreement, or any amendment or supplement hereto. Debtor will not change the identification, number of any unit of Collateral unless and until (1) a statement of a new number or numbers to be substituted therefore shall have been filed with Lender and filed, recorded and deposited, by Debtor and all public offices where this Agreement shall have been filed, recorded and deposited and (2) Debtor shall have furnished to Lender an opinion of counsel in form and substance reasonably satisfactory to Lender to the effect that such statement has been so filed, recorded and deposited, that such filing, recordation and deposit will protect Lender's interest in such Collateral and that no other filing, recording, deposit or giving of notice with or to any other Federal, State or local government or agency thereof is necessary to protect the interest of Lender in such Collateral.

D. **Liens.** Debtor shall not create or permit to exist any lien, encumbrance or security interest upon or with respect to any portion of the Collateral now owned or hereafter acquired, in

favor of anyone other than Lender except as disclosed in Section III.B herein, and Debtor will defend the Collateral against all claims and demands of all persons at any time otherwise claiming the same or any interest therein. Debtor shall further perform any and all acts reasonably requested by Lender to establish, perfect, maintain and continue Lender's security interests and liens upon the Collateral, including, but not limited to: (i) executing financing statements, documents or certificates of title and any and all other instruments and documents (including, without limitation, any instruments to be filed with the Surface Transportation Board) when and as reasonably requested by Lender; and (ii) causing the owners and/or mortgagees of the real property on which any Collateral may be located to execute and deliver to Lender waivers or subordinations satisfactory to Lender with respect to any rights in such Collateral.

E. Alterations and Maintenance. Except upon the prior written consent of Lender, Debtor shall not make or permit any material alterations to any portion of the Collateral which might reduce or impair its market value or utility. Debtor shall at all times keep the Collateral in at least as good condition, order and repair as on the date hereof, ordinary wear and tear excepted and excepting any loss, damage or destruction which is fully covered by proceeds of insurance (subject to any applicable deductible). Debtor shall pay or cause to be paid all obligations arising from the repair and maintenance of such Collateral, as well as all obligations with respect to the premises where any portion of the Collateral is or may be located, except for any such obligations being contested by Debtor in good faith by appropriate proceedings being diligently conducted and for which adequate reserves in form and amount acceptable to Lender have been provided. Without limiting the foregoing, Debtor shall, at its sole cost and expense, make all repairs and replacements to each item of the Collateral as may be necessary to: (i) keep and maintain such item in all respects in first-class mechanical condition and repair; and (ii) comply with all applicable federal, state and local laws and other governmental requirements.

F. Taxes. Debtor shall pay promptly and in every case prior to becoming delinquent all taxes and assessments on or relating to the Collateral, or for its use or operation, or upon this Agreement or any of the Obligations, or with respect to the perfection of any security interest or other lien hereunder (except as otherwise required by law); provided, however, that Debtor shall not be required to pay any such tax or assessment the payment of which is being contested in good faith and by appropriate proceedings being diligently conducted and for which adequate reserves in form and amount acceptable to Lender have been provided, except that Debtor shall cause: (i) to be paid all taxes and assessments upon the commencement of proceedings to foreclose upon any lien on the Collateral unless such foreclosure is stayed by the filing of an appropriate bond; and (ii) any arrest, seizure, levy, custody of or other detainer of any portion of the Collateral to be released within ten (10) days by filing an appropriate bond or undertaking or by securing such discharge or release by stipulation or otherwise, and Debtor shall execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof.

G. Insurance. Debtor shall, at all times, keep all of the Collateral insured against loss, damage, theft and other risks, by maintaining policies in such amounts and with companies and under such policies and in such form, all as shall be acceptable to Lender. Debtor shall maintain

single limit public liability and property damage insurance of not less than \$10,000,000.00 per occurrence, or such greater or lesser amount as Lender may from time to time request on notice to Debtor. Debtor shall cause such insurance policies to be written with loss payable clauses providing in effect that the proceeds of any property insurance policy paid on account of any loss shall be paid to Lender, which proceeds shall be disbursed by Lender to Debtor for repair, restoration or replacement of the damaged or lost property or applied by Lender as provided in Section IV.H below. Debtor shall maintain such other insurance as may be required by law. Debtor shall furnish Lender with a copy or certificate of each such policy or policies and, at least thirty (30) days prior to any expiration, modification or cancellation, each renewal or replacement thereof.

H. Event of Loss. Proceeds of insurance received by Debtor on account of any partial loss shall be used by Debtor for the purpose of making repairs to such Collateral, provided, however, that Debtor shall provide certification to Lender of the repairs made on completion of such repairs. So long as no Default or Event of Default under the Loan Agreement has occurred and is continuing, all insurance proceeds received by Lender on account of any loss of or damage to any portion of the Collateral may, at the option of Debtor, either: (i) be used and applied for the sole purpose of paying the cost of repair, restoration or replacement of the Collateral damaged or destroyed, and Debtor shall provide Lender with an appropriate certification by a qualified engineer that any such repair, restoration or replacement which exceeds \$50,000.00 in cost has been completed; or (ii) be applied to the payment of the Obligations in such order and manner as Lender may elect. If any Default or Event of Default under Article V of this Agreement has occurred and is continuing, unless Lender otherwise consents in writing all insurance proceeds received or held by Lender on account of any loss of or damage to any portion of the Collateral, after deducting therefrom the reasonable charges and expenses paid or incurred in connection with the collection and disbursement of said proceeds, shall be applied to the payment of the Obligations in such order and manner as Lender may elect unless otherwise consented to in writing by Lender. Notwithstanding the foregoing provisions of this Agreement to the contrary, in the event the proceeds of insurance amount to \$50,000.00 or more, then Lender shall have the option to apply all of the insurance proceeds to the Obligations in such order as Lender shall select.

I. Notice of Certain Events. Debtor shall give Lender immediate notice of any attachment, lien, judicial process, encumbrance or claim affecting, or any other event which may adversely impact, any Collateral and any casualty to or accident involving any portion of the Collateral, whether or not constituting an insurable loss provided for in Section IV.G or IV.H above.

J. Hazardous Cargo. Borrower shall not use the Collateral, or permit it to be used, for the transportation or storage of any substance which is categorized as or required to be labeled as, "Poison" or "Poisonous", "Explosive" or "Radioactive" (or any categories or labels substituted for such categories or labels as in effect on the day hereof) or under 49 C.F.R.171 or other applicable federal, state or local rules or regulations in effect from time to time regulating the transportation of hazardous materials.

K. **General Indemnity.** Debtor hereby agrees to indemnify, pay and hold Lender and the officers, directors, employees, agents and affiliates of Lender and any such holder (collectively, the "Indemnitees") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable attorneys' fees, costs, expenses and disbursements for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitees shall be designated a party thereto), that may be imposed on, incurred by or asserted against the Indemnitees, in any manner relating to or arising out of this Agreement, the Note, the Loan Documents or any other agreement, document or instrument executed and delivered by Debtor in connection herewith or therewith, (collectively, the "indemnified liabilities"); provided that Debtor shall have no obligation to an Indemnitee hereunder with respect to indemnified liabilities arising from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction in a final, non-appealable order. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, Debtor shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all indemnified liabilities incurred by the Indemnitees or any of them. The provisions of the undertakings and indemnification set out in this Section IV.K shall survive satisfaction and payment of, the Obligations and the termination of this Agreement.

L. **Lender's Performance.** Debtor will allow Lender, at its option, from time to time, to perform any agreement of Debtor hereunder which Debtor shall fail to perform and take any other action which Lender deems necessary for the maintenance or preservation of any portion of the Collateral or its interest therein (including, without limitation, the discharge of taxes, except as such taxes are being contested in good faith as permitted by Section IV.F above, or liens, encumbrances or claims of any kind upon or against any of the Collateral or the procurement of insurance or the payment of warehousing charges, landlord's bills or other charges), and Debtor agrees to forthwith reimburse Lender for all costs and expenses incurred by Lender in connection with the foregoing, together with interest thereon at a rate per annum equal to the lesser of 18% per annum or the highest rate allowed by law from the date incurred until reimbursed by Debtor. Lender may for the foregoing purposes act in its own name or that of Debtor and may also so act for the purposes of adjusting, settling or, upon the occurrence and continuation of an Event of Default, canceling any policy of insurance on the Collateral or endorsing any draft received in connection therewith in payment of a loss or otherwise, for all of which purposes Debtor hereby grants to Lender its power of attorney, which is coupled with an interest and irrevocable during the term of this Agreement. In the event Lender, in its sole discretion, undertakes any action under this Section IV.L at any time or from time to time, Lender shall be under no obligation to undertake any such action on any subsequent occasion, and Lender shall not be required to provide Debtor or any other Person with any notice in order for Lender to take any action hereunder or notice of Lender's intent not to take any action hereunder at any time or from time to time.

V. DEFAULTS AND REMEDIES

Upon the occurrence of any one of the following defaults, which are herein referred to as Events of Default:

A. Debtor shall fail to make any payment of any of the Obligations within any applicable grace period, whether by reason of demand, maturity, acceleration or otherwise; or

B. Any representation, warranty, certification or statement of Debtor made in this Agreement, in the Loan Documents or in any certificate, financial statement, other agreement, instrument or statement furnished or made or delivered pursuant hereto or thereto or in connection herewith or therewith, is false or misleading in any material respect as of the date when made, effected, affirmed or reaffirmed; or

C. Borrower shall fail to perform or observe any term, covenant or provision contained in this Agreement or in any of the Loan Documents; or

D. Any "Event of Default" or "Default" (as defined therein) shall occur under or within the meaning of any of the other Loan Documents.

then and in each such event:

i. Lender may declare all the principal of, all of the interest on and all other amounts included in or payable pursuant to the Obligations of Debtor to Lender to be forthwith due and payable, whereupon all such indebtedness, liabilities and other obligations shall become forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Debtor;

ii. Whether or not such indebtedness, liabilities or other obligations are declared to be forthwith due and payable, Lender shall have the right to take immediate possession of all or any part of the Collateral covered hereby, and, for that purpose Lender may reasonably require Debtor to assemble the Collateral at a time and location specified by Lender, may pursue the Collateral wherever it may be found, and may enter upon any of the premises of Debtor with or without force or process of law, wherever the Collateral may be or is expected or supposed to be, and search for the same, and, if found, take possession of and remove and sell, transfer, assign and dispose of said Collateral, or any part thereof; and

iii. Lender may exercise any one or more of the rights and remedies accruing to a secured party under the UCC, as defined herein, or the Uniform Commercial Code of any other relevant state or states and any other applicable law upon default by a debtor.

E. **Foreclosure.** Foreclosure on the Collateral covered hereby may be had at public or private sale or sales, disposing of such portion or portions of the Collateral at each such sale, for cash

or on credit, on such terms, at such place or places, and with or without the Collateral being present at such sale, all as Lender in its sole and absolute discretion shall determine from time to time. In the case of public sale, notice thereof shall be deemed and held to be adequate and reasonable if such notice shall appear three (3) times in a newspaper of general circulation in the city or county wherein the sale is to be held, the first such publication being at least ten (10) days before such sale and the last such publication being not more than three (3) days before such sale. In the case of a private sale, notice thereof shall be deemed and held to be adequate and reasonable if such notice shall be mailed to Debtor at its last known address at least ten (10) days before such sale. The enumeration of these methods of notice shall not be deemed or construed to render unreasonable any other method of notice which would otherwise be reasonable under the circumstances.

F. Application of Proceeds and Deficiency. Lender may apply the net proceeds of any sale, lease or other disposition of the Collateral, after deducting all costs and expenses of every kind incurred therein or incidental to the retaking, holding, preparing for sale, selling, leasing or the like of the Collateral on Debtor's premises, or elsewhere, or in any way related to Lender's rights thereunder (including, without limitation, attorneys' fees and expenses, court costs, bonds and other legal expenses, insurance, security guard and alarm expenses incurred in connection with the holding of the Collateral, advertisements of sale of the Collateral, and rental and utilities expense on the premises or elsewhere in connection with storage and sale of the Collateral) to the payment, in whole or in part, of the Obligations of Debtor to Lender, whether due or not due, absolute or contingent, and only after payment of the foregoing amounts and payments by Lender of any other amounts required by any existing or future provision of law (including Section 9-504(1)(c) of the UCC or any comparable statutory provision of any jurisdiction in which any of the Collateral may at the time be located) need Lender account to Debtor for the surplus, if any. Debtor shall remain liable to Lender for the payment of any deficiency, with interest.

G. Lender's Care of Collateral. Lender shall be deemed to have exercised reasonable care in the custody and preservation of any portion of the Collateral in its possession if it takes such action for that purpose as Debtor requests in writing, but failure of Lender to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of Lender to preserve or protect any rights with respect to such portion of the Collateral against prior parties, or to do any act with respect to the preservation of such portion of the Collateral not so requested by Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

VI. MISCELLANEOUS

A. Amendments: Waivers Remedies Cumulative. No delay or failure on the part of Lender in the exercise of, and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof and no single or partial exercise by Lender of any right shall preclude other or further exercise thereof or the exercise of any other right hereunder, under the Note or any of the other Loan Documents or applicable law. A waiver by Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Lender would have

on any future occasion. Each and every right granted to Lender hereunder, under the Note and other Loan Documents or any other instrument, document or agreement, or at law or in equity, shall be deemed cumulative and may be exercised from time to time. Neither this Agreement, nor any provision hereof, may be waived, modified, supplemented, amended, rescinded, discharged or terminated except by a writing duly signed by Lender, and then only to the extent therein set forth. In the event of a conflict between the terms of this Agreement and the other Loan Documents, the terms which grant the greatest protection and collateral position to the Lender shall control.

B. Durable Power of Attorney. Debtor hereby makes, constitutes and appoints Lender the true and lawful agent and attorney-in-fact of Debtor with full power of substitution to do any and all things necessary and take such action in the name and on behalf of Debtor to carry out the intent of this Agreement, including, without limitation, the grant of the security interest granted under this Agreement, to perfect and protect the security interest granted to Lender in respect to the Collateral and Lender's rights created under this Agreement and to act on behalf of Debtor for the purposes set forth in Section IV.L, which power of attorney is irrevocable during the term of this Agreement. Debtor agrees that neither Lender nor any of its employees, agents, designees or attorneys-in-fact will be liable for any acts or omissions to act, or for any error of judgment or mistake of fact or law in respect to the exercise of the power of attorney granted under this Section or the exercise of any power of attorney provided for under this Agreement. This power of attorney shall not be affected by the subsequent dissolution of Debtor and shall in all respects constitute a durable power of attorney.

C. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including prepaid overnight courier, telex, facsimile transmission or similar writing) and shall be given to such party at its address or telecopy or telex number set forth below, or at such other address or telecopy or telex number as such party may hereafter specify for the purpose of notice to Lender and Debtor. Each such notice, request or other communication shall be effective (i) if given by telex or telecopy, when such telex or telecopy is transmitted to the telex or telecopy number specified in this Section and the appropriate answer back is received (in the case of telex) or telephonic confirmation of receipt thereof is obtained (in the case of telecopy), or (ii) if given by mail, prepaid overnight courier or any other means, when received at the address specified in this Section or when delivery at such address is refused.

If to Debtor: The Durango & Silverton Narrow Gauge Railroad Company
3700 North 29th Avenue, Suite 202
Hollywood, Florida 33020
Attention: Chief Financial Officer

With a copy to: Olle, Macaulay & Zorrilla, P.A.
1402 Miami Center
201 South Biscayne Blvd.
Miami, Florida 33131
Attention: Dennis J. Olle, Esq.

If to Lender: NationsBank, N.A. South
One Financial Plaza, 10th Floor
Fort Lauderdale, Florida 33394
Attention: Mr. Allen Brown

With a copy to: Ruden, McClosky, Smith, Schuster & Russell, P.A.
200 East Broward Boulevard, 15th Floor
Fort Lauderdale, Florida 33301
Attention: Mark K. Somerstein, Esq.

D. Applicable Law and Severability. It is the intention of the parties hereto that this Agreement is entered into pursuant to the provisions of the UCC. Any applicable provisions of the UCC, not specifically included herein, shall be deemed a part of this Agreement in the same manner as if set forth herein at length; and any provisions of this Agreement that might in any manner be in conflict with any provision of the UCC shall be deemed to be modified so as not to be inconsistent with the UCC, and to that extent the provisions hereof shall be severable and the invalidity of one shall not invalidate another. In all respects this Agreement and all transactions, assignments and transfers hereunder, and all the rights of the parties shall be governed as to the validity, construction, enforcement and in all other respects by the laws of the State of Florida as applied to agreements made, executed and performed within the State of Florida. To the extent any provision of this Agreement is not enforceable under applicable law, such provision shall be deemed null and void and shall have no effect on the remaining portions of this Agreement. The headings of the paragraphs hereof shall not be considered in the construction or interpretation of this Agreement.

E. Successors and Assigns. This Agreement shall be binding upon Debtor and its successors and permitted assigns, and shall inure to the benefit of Lender and his successors and assigns. Debtor may not assign or delegate any of its rights or obligations under this Agreement without the prior written consent of Lender.

F. Other Obligations. Nothing contained in this Agreement shall be deemed or held to impair or limit in any way the enforcement of the terms of any instrument evidencing any indebtedness, liability or other obligation of Debtor to Lender.

G. Duration of Security Interest. This Agreement shall continue in full force and effect, and the security interest granted hereby and the representations, warranties, covenants, agreements, and liabilities of Debtor hereunder and all the terms, conditions, and provisions hereof relating thereto shall continue to be fully operative until Debtor shall pay or cause to be paid or

EXHIBIT A

Forty-four (44) passenger cars and ten (10) locomotives bearing Durango & Silverton Road numbers as follows:

<u>Passenger Cars</u>					<u>Locomotives</u>	
64	319	336	406	415	420	481
126	323	337	407	416	473	482
212	327	350	408	566	476	493
213	330	400	409	630	478	498
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Blanket remainder of equipment.