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SEP 13 2007
RECEIVED

September 11, 2007

RECORDATION NO. 21158 FILED

SEP 13 '07 4-05 PM

SURFACE TRANSPORTATION BOARD

Section of Administration
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Re: Tennessee Railcar Service, Inc.

Dear Ladies and Gentlemen:

Enclosed are four (4) originals of the document described below to be recorded pursuant to Section 11301 of Title 49 of the United States Code.

This document is a Security Agreement creating a security interest in all railcar inventory.

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

Lender:

BankEast
607 Market Street
Knoxville, TN 37902

Borrower:

Tennessee Railcar Service, Inc.
422 West Cumberland Avenue
Knoxville, TN 37902

A fee of $35.00 is enclosed. Please return any originals not needed by the Surface Transportation Board for recordation to:

The Ritchie Law Firm, P. C.
P. O. Box 987
Knoxville, TN 37901

If you need additional documents or information, please let us know. Thank you for your assistance.

Sincerely yours,

Wilson S. Ritchie

WSR:jt

Enclosures

RECORDATION NO 27158 FILED

SEP 13 07 4-05 PM

SURFACE TRANSPORTATION BOARD

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made as of the 10th day of September, 2007, by and between **TENNESSEE RAILCAR SERVICE, INC.**, 422 West Cumberland Avenue, Knoxville, Tennessee 37902 ("Debtor"), in favor of **BANKEAST**, a Tennessee banking corporation ("Creditor").

RECITALS

A. Debtor has requested Creditor to extend Debtor a loan in the principal amount of One Million Eight Hundred Thousand ($1,800,000.00) Dollars (the "Loan") as evidenced by a Promissory Note in said amount of One Million Eight Hundred Thousand ($1,800,000.00) Dollars dated as of September 10, 2007, and delivered to the Creditor (herein collectively the "Note").

B. In order to more fully secure Debtor's obligations under the Note, Creditor has requested Debtor to execute this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Debtor and Creditor do hereby agree as follows:

1. **Construction and Definition of Terms**. All terms used herein without definition which are defined by the Tennessee Uniform Commercial Code shall have the meanings assigned to them by the Tennessee Uniform Commercial Code, as in effect on the date hereof, unless and to the extent varied by this Agreement. All accounting terms used herein without definition shall have the meanings assigned to them as determined by generally accepted accounting principles. Whenever the phrase "satisfactory to Creditor" is used in this Agreement such phrase shall mean "satisfactory to Creditor in its sole discretion." The use of any gender or the neuter herein shall also refer to the other gender or the neuter and the use of the plural shall also refer to the singular, and vice versa. In addition to the terms defined elsewhere in this Agreement, unless the context otherwise requires, when used herein, the following terms shall have the following meanings:

(a) "Agreement" means this Security Agreement and all amendments, modifications and supplements hereto.

(b) "Banking Day" shall mean any day that banks in the State of Tennessee are not required or permitted to be closed.

(c) "Bankruptcy Code" means the United States Bankruptcy Code, as amended from time to time.

(d) "Business Premises" shall mean Debtor's address of 422 West Cumberland Avenue, Knoxville, Tennessee 37902.

(e) "Certified" shall mean that the information. statement, schedule, report or other document required to be "Certified" and shall contain a representation of a duly authorized officer of Debtor that such information, statement, schedule, report or other document is true and complete.

(f) "Closing" shall mean the date on which this Agreement is executed.

(g) "Collateral" shall mean all of the following property of Borrower, both now owned and hereafter acquired:

(i) All of the rail car inventory as set forth on Exhibit "1" attached hereto; and

(ii) All rail car inventory now owned or in the future acquired by the Borrower together with all additions, attachments and accessions to that inventory; and

(iii) All accounts receivable now existing and in the future arising; and

(iv) All proceeds of those accounts; and

(v) All of the Borrower's accounts. instruments, documents, chattel paper. investment property, letter of credit rights, deposit accounts and general intangibles; and

(vi) All records of the above collateral in whatever form; and

(vii) All proceeds, products, replacements, additions to, substitutions for, accessions of, and property necessary for the operation of any of the foregoing, including, without limitation, insurance payable as a result of loss or damage to any of the foregoing.

(h) "Event of Default" shall mean any of the events described in Section 6 hereof.

(i) "Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

(j) "Hazardous Material" means (i) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (iii) any substance the presence of which on any property now or hereafter owned, operated or acquired by Debtor is prohibited by any Law similar to those set forth in this definition; and (iv) any other substance which by Law requires special handling in its collection, storage, treatment or disposal.

(k) "Hazardous Material Contamination" means the contamination (whether presently existing or occurring after the date of this Agreement) by Hazardous Materials on any property owned, operated or controlled by Debtor or for which Debtor has responsibility, including,

without limitation, improvements, facilities, soil, ground water, air or other elements on, or of, any property now or hereafter owned, operated or acquired by Debtor, and any other contamination by Hazardous Materials for which Debtor is, or is claimed to be, responsible.

(l) "Indebtedness" shall include all items which would properly be included in the liability section of a balance sheet or in a footnote to a financial statement in accordance with generally accepted accounting principles, and shall also include all contingent liabilities.

(m) "Laws" shall mean all ordinances, statutes, rules, regulations, orders, injunctions, writs or decrees of any Governmental Authority or political subdivision or agency thereof, or any court or similar entity established by any thereof.

(n) "Lien" shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of setoff, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code of any jurisdiction.

(o) "Loan Documents" shall mean this Agreement, the Note and any and all other agreements, contracts, promissory notes, security agreements, assignments, subordination agreements, pledge or hypothecation agreements, mortgages, deeds of trust, leases, guaranties, instruments, letters of credit, letter-of-credit agreements and documents now and hereafter existing between Creditor and Debtor, executed and/or delivered in connection with the Loan or otherwise or guaranteeing, securing or in any other manner relating to any of the Obligations, together with any other instrument or document executed by Debtor, Creditor or any other person in connection with the Loan.

(p) "Note" shall mean the Promissory Note executed by Debtor as of August 30, 2007 and on even date herewith evidencing the Loan, and all amendments, modifications and extensions thereto.

(q) "Obligations" shall include the full and punctual observance and performance of all present and future duties, covenants and responsibilities due to Creditor by Debtor under this Agreement, the Note, the Loan Documents and otherwise, all present and future obligations and liabilities of Debtor to Creditor for the payment of money under this Agreement, the Note, the Loan Documents and otherwise (extending to all principal amounts, interest, late charges, fees and all other charges and sums, as well as all costs and expenses payable by Debtor under this Agreement, the Note, the Loan Documents and otherwise), whether direct or indirect, contingent or noncontingent, matured or unmatured, accrued or not accrued, related or unrelated to this Agreement, whether or not now contemplated, whether or not any instrument or agreement relating thereto specifically refers to this Agreement, including, without limitation, overdrafts in any checking or other account of Debtor at Creditor and claims against Debtor acquired by assignment to Creditor, whether or not secured under any other document, or agreement or statutory or common law provision, as well as all renewals, refinancings, consolidations, re-castings and extensions of any of the foregoing, the parties acknowledging that the nature of the relationship created hereby contemplates the making of future advances by Creditor to Debtor.

(r) "Obligor" shall mean individually and collectively, Debtor and each endorser, guarantor and surety of the Obligations; any person who is primarily or secondarily liable for the repayment of the Obligations, or any portion thereof; and any person who has granted security for the repayment of any of the Obligations.

(s) "Permitted Liens" shall mean (i) Liens of Creditor, (ii) Liens for taxes not delinquent or for taxes being diligently contested in good faith by Debtor by appropriate proceedings, subject to the conditions set forth in Subsection 4(b) hereof, (iii) mechanic's, workman's, materialman's, landlord's, carrier's and other like Liens arising in the ordinary course of business with respect to obligations which are not due or which are being diligently contested in good faith by Debtor by appropriate proceedings, provided such Liens did not arise in connection with the borrowing of money or the obtaining of advances or credit and do not, in Creditor's discretion, in the aggregate materially detract from the value of Debtor's assets or materially impair the use thereof, and (iv) Liens specifically consented to by Creditor in writing.

(t) "Person" shall include natural persons, corporations, associations, limited liability companies, partnerships, joint ventures, trusts, governments and agencies and departments thereof and every other entity of every kind.

(u) "Sound Accounting Principles" shall mean sound tax accounting principles recognized in the United States of America in effect from time to time.

(v) "Subsidiary" shall include any corporation or unincorporated business entity at least a majority of the outstanding Voting Stock or interests of which is owned, now or in the future, by Debtor and/or by one or more Subsidiaries.

(w) "Voting Stock" shall mean the shares of any class of capital stock of a corporation having ordinary voting power to elect the directors, officers or trustees thereof, including such shares that shall or might have voting power by reason of the occurrence of one or more conditions or contingencies.

2. **Security**.

(a) Security Interest. As security for the payment and performance of all of the Obligations, whether or not any instrument or agreement relating to any Obligation specifically refers to this Agreement or the security interest created hereunder, Debtor hereby assigns, pledges and grants to Creditor a continuing security interest in the Collateral. Creditor's security interest shall continually exist until all Obligations have been paid in full.

(b) Covenants and Representations Concerning Collateral. With respect to all of the Collateral, Debtor covenants, warrants and represents that:

(i) No financing statement covering any of the Collateral is on file in any public office or land or financing records except for financing statements

in favor of Creditor and Debtor is the legal and beneficial owner of all of the Collateral, free and clear of all Liens, except for Permitted Liens.

(ii) The security interest granted Creditor hereunder shall constitute a first priority Lien upon the Collateral. Debtor shall not, and Creditor does not authorize Debtor to, sell, lease, license, or assign any interest in the Collateral nor, without Creditor's prior written consent, permit any other Lien to be created or remain thereon except for Permitted Liens, provided that Debtor may sell inventory in the ordinary course of business.

(iii) Debtor will maintain the Collateral in good order and condition, ordinary wear and tear excepted, subject to the removal of certain collateral and replacement in connection with the renovation of the Property, and will use, operate and maintain the Collateral in compliance with all laws, regulations and ordinances and in compliance with all applicable insurance requirements and regulations. Debtor will promptly notify Creditor in writing of any litigation involving or affecting the Collateral which Debtor knows or has reason to believe is pending or threatened. Debtor will promptly pay when due all taxes and all transportation, storage, warehousing and other such charges and fees affecting or arising out of or relating to the Collateral and shall defend the Collateral, at Debtor's expense, against all claims and demands of any persons claiming any interest in the Collateral adverse to Debtor or Creditor.

(iv) At all reasonable times Creditor and its agents and designees may enter the Business Premises and any other premises of Debtor and inspect the Collateral and all books and records of Debtor (in whatever form), and Debtor shall pay the reasonable costs of such inspections.

(v) Debtor will maintain comprehensive casualty insurance on the Collateral against such risks, in such amounts, with such loss deductible amounts and with such companies as may be satisfactory to Creditor, and each such policy shall contain a clause or endorsement satisfactory to Creditor naming Creditor as loss payee and a clause or endorsement satisfactory to Creditor that such policy may not be cancelled or altered and Creditor may not be removed as loss payee without at least thirty (30) days prior written notice to Creditor. Debtor hereby assigns to Creditor and grants to Creditor a security interest in any and all proceeds of such policies and authorizes and empowers Creditor to adjust or compromise any loss under such policies and to collect and receive all such proceeds. Debtor hereby authorizes and directs each insurance company to pay all such proceeds directly and solely to Creditor and not to Debtor and Creditor jointly. Debtor authorizes and empowers Creditor to execute and endorse in Debtor's name all proofs of loss, drafts, checks and any other documents or instruments necessary to accomplish such collection, and any persons making payments to Creditor under the terms of this paragraph are hereby

relieved absolutely from any obligation or responsibility to see to the application of any sums so paid. After deduction from any such proceeds of all costs and expenses (including attorney's fees) incurred by Creditor in the collection and handling of such proceeds, the net proceeds shall be applied as follows. If no Event of Default shall have occurred and be continuing, such net proceeds may be applied, at Debtor's option, either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to Creditor, or as a credit against such of the Obligations, whether matured or unmatured, as Creditor shall determine in Creditor's sole discretion. In the event that Debtor may and does elect to replace or restore as aforesaid, then such net proceeds shall be deposited in a segregated account of Debtor at Creditor subject to the sole order of Creditor and shall be disbursed therefrom by Creditor in such manner and at such times as Creditor deems appropriate to complete such replacement or restoration; provided, however, that if an Event of Default shall occur at any time before or after replacement or restoration has commenced, then thereupon Creditor shall have the option to apply all remaining net proceeds either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to Creditor, or as a credit against such of the Obligations, whether matured or unmatured, as Creditor shall determine in Creditor's sole discretion. If an Event of Default shall have occurred prior to such deposit of the net proceeds, then Creditor may, in its sole discretion, apply such net proceeds either toward replacing or restoring the Collateral, in a manner and on terms satisfactory to Creditor, or as a credit against such of the Obligations, whether matured or unmatured, as Creditor shall determine in Creditor's sole discretion.

(vi) All books and records pertaining to the Collateral are located at the Business Premises and Debtor will not change the location of such books and records without the prior written consent of Creditor, which consent shall not be unreasonably withheld.

(vii) Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances, instruments and documents as Creditor may request to vest in and assure to Creditor its rights hereunder or in any of the Collateral, including, without limitation, placing legends on Collateral or on books and records pertaining to Collateral stating that Creditor has a security interest therein.

(viii) Debtor shall cooperate with Creditor to obtain and keep in effect one or more control agreements in deposit account, electronic chattel paper, investment property and letter-of-credit rights Collateral.

(ix) Debtor authorizes Creditor to file financing statements covering the Collateral and all personal property of Debtor and containing such legends as Creditor shall deem necessary or desirable to protect Creditor's interest

in the Collateral. Debtor agrees to pay all taxes, fees and costs (including attorneys' fees) paid or incurred by Creditor in connection with the preparation, filing or recordation thereof.

(x) Whenever required by Creditor, Debtor shall promptly deliver to Creditor, with all endorsements and/or assignments required by Creditor, all instruments, chattel paper, guaranties and the like received by Debtor constituting, evidencing or relating to any of the Collateral or proceeds of any of the Collateral.

(xi) Debtor shall not file any amendments, correction statements or termination statements concerning the Collateral without the prior written consent of Creditor.

(xii) If any Collateral arises out of a contract with the United States Government or any department, agency or instrumentality thereof, Debtor shall immediately notify Creditor thereof and shall execute and deliver to Creditor specific assignments of those contracts and the related United States Government accounts of Debtor and shall do such other things as may be satisfactory to Creditor in order that all sums due and to become due to Debtor under such contract shall be duly assigned to Creditor in accordance with the Federal Assignment of Claims Act (31 United States Code § 3727; 41 United States Code § 15) as in effect on the date hereof and as hereafter amended and/or any other applicable laws and regulations relating to the assignment of governmental obligations. Pa yments on United States Government contracts or United States Government accounts which have been specifically assigned to Creditor by means of a direct assignment, as provided herein, shall be made directly to Creditor, for payment to the Obligations. The separate assignment of specific United States Government contracts to Creditor, as contemplated herein, shall not be deemed to limit Creditor's security interest to the payments under those particular United States Government contracts and the related United States Government accounts, but rather Creditor's security interest shall extend to any and all United States Government contracts and the related United States Government accounts and proceeds thereof, now or hereafter owned or acquired by Debtor. During the term of this Agreement, Debtor agrees and covenants not to make any assignment of any of the United States Government contracts to any party other than Creditor without Creditors prior written consent.

(c) Collateral Collections. After an Event of Default shall have occurred, Creditor shall have the right at any and all times to enforce Debtor's rights against account debtors and other parties obligated on Collateral, including, but not limited to, the right to: (i) notify and/or require Debtor to notify any or all account debtors and other parties obligated on Collateral to make payments directly to Creditor or in care of a post office lock box under the sole control of Creditor established at Debtor's expense subject to Creditor's customary arrangements and

charges therefor, and to take any or all action with respect to Collateral as Creditor shall determine in its sole discretion, including, without limitation, the right to demand, collect, sue for and receive any money or property at any time due, payable or receivable on account thereof, compromise and settle with any person liable thereon, and extend the time of payment or otherwise change the terms thereof, without incurring liability or responsibility to Debtor; (ii) require Debtor to segregate and hold in trust for Creditor and, on the day of Debtor's receipt thereof, transmit to Creditor in the exact form received by Debtor (except for such assignments and endorsements as may be required by Creditor), all cash, checks, drafts, money orders and other items of payment constituting Collateral or proceeds of Collateral; and/or (iii) establish and maintain at Creditor a "Repayment Account," which shall be under the exclusive control of and subject to the sole order of Creditor and which shall be subject to the imposition of such customary charges as are imposed by Creditor from time to time upon such accounts, for the deposit of cash, checks, drafts, money orders and other items of payments constituting Collateral or proceeds of Collateral from which Creditor may, in its sole discretion, at any time and from time to time, withdraw all or any part. Creditor's collection and enforcement of Collateral against account debtors and other persons obligated thereon shall be deemed to be commercially reasonable if Creditor exercises the care and follows the procedures that Creditor generally applies to the collection of obligations owed to Creditor. All cash and non-cash proceeds of the Collateral may be applied by Creditor upon Creditor's actual receipt of cash proceeds against such of the Obligations, matured or unmatured, as Creditor shall determine in Creditor's sole discretion.

(d) Care of Collateral. Debtor shall have all risk of loss of the Collateral. Creditor shall have no liability or duty, either before or after the occurrence of an Event of Default, on account of loss of or damage to, to collect or enforce any of its rights against, the Collateral, to collect any income accruing on the Collateral, or to preserve rights against account debtors or other parties with prior interests in the Collateral. If Creditor actually receives any notices requiring action with respect to Collateral in Creditor's possession, Creditor shall take reasonable steps to forward such notices to Debtor. Debtor is responsible for responding to notices concerning the Collateral, voting the Collateral, and exercising rights and options, calls and conversions of the Collateral. Creditor's sole responsibility is to take such action as is reasonably requested by Debtor in writing, however, Creditor is not responsible to take any action that, in Creditor's sole judgment, would affect the value of the Collateral as security for the Obligations adversely. While Creditor is not required to take certain actions, if action is needed, in Creditor's sole discretion, to preserve and maintain the Collateral, Debtor authorizes Creditor to take such actions, but Creditor is not obligated to do so.

(e) Authorization and Power-of-Attorney. Debtor authorizes Creditor to request other secured parties of Debtor to provide accountings, confirmations of Collateral and confirmations of statements of account concerning Debtor after default. Debtor hereby designates and appoints Creditor and its designees as attorney-in-fact of Debtor, irrevocably and with power of substitution, with authority to endorse Debtor's name on requests to other secured parties of Debtor for accountings, confirmations of collateral and confirmations of statements of account.

3. **Representations and Warranties**. To induce Creditor to enter into this Agreement, Debtor represents and warrants to Creditor that:

(a) State of Incorporation and Legal Name. Debtor's exact legal name is set forth in the first paragraph of this Agreement.

(b) Good Standing. Debtor is a corporation duly organized, legally existing and in good standing under the laws of the state of its incorporation, has the power to own its property and to carry on its business and is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary.

(c) Authority. Debtor has full power and authority to enter into this Agreement, to make the borrowings hereunder, to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, and no consent or approval of any person, including, without limitation, any public authority or regulatory body, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

(d) Binding Agreements. This Agreement has been duly and properly executed by Debtor, constitutes the valid and legally binding obligation of Debtor and is fully enforceable against Debtor in accordance with its terms, subject only to laws affecting the rights of creditors generally and application of general principles of equity.

(e) No Conflicting Agreements. The execution, delivery and performance by Debtor of this Agreement and the Note will not (i) violate (A) any provision of law or any order, rule or regulation of any court or agency of government, (B) any award of any arbitrator, (C) the Charter or Bylaws of Debtor, or (D) any indenture, contract, agreement, mortgage, deed of trust or other instrument to which Debtor is a party or by which Debtor or any of its property is bound, or (E) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a material default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien upon any of the property or assets of Debtor except for Liens created in favor of Creditor under or pursuant to this Agreement.

(f) Litigation. Except as disclosed to Creditor in Schedule 3(f) attached hereto, there are no judgments, injunctions or similar orders or decrees, claims, actions, suits or proceedings pending or, to the knowledge of Debtor, threatened against or affecting Debtor or any property of Debtor, at law or in equity, by or before any court or any federal, State, county, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could result in any material adverse change in the business, operations, prospects, properties or in the condition, financial or otherwise, of Debtor, and Debtor is not, to Debtor's knowledge, in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court or any federal, State, county, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could have a material adverse effect on Debtor.

(g) Financial Condition. The financial statements of Debtor heretofore delivered to Creditor are true and complete, fairly present the financial condition of Debtor as at such dates and the results of its operations for the period then ended and were prepared in accordance with GAAP applied on a consistent basis for prior periods. There is no Indebtedness of Debtor as of the date of such statements which is not reflected therein, and no material adverse change in Debtor's financial condition has occurred since the date of such statements.

(h) Taxes. Debtor has paid or caused to be paid all federal, State and local taxes to the extent that such taxes have become due and has filed or caused to be filed all federal, State and local tax returns which are required to be filed by Debtor.

(i) Title to Properties. Debtor has good and marketable title to all of its properties and assets (including the Collateral), and all of the properties and assets of Debtor are free and clear of Liens, except for Permitted Liens.

(j) Place of Business. Debtor's principal place of business and chief executive office is located at the Business Premises and has been located at the Business Premises.

(k) Financial Information. All financial statements, schedules, reports and other information supplied to Creditor by or on behalf of Debtor heretofore and hereafter are and will be true and complete.

(l) Licenses and Permits. Debtor has duly obtained and now holds all licenses, permits, certifications, approvals and the like required by federal, state and local laws of the jurisdictions in which Debtor conducts its business, and each remains valid and in full force and effect.

(m) Certain Indebtedness. There is no Indebtedness of Debtor owing to any employee, officer, stockholder or director of Debtor other than accrued salaries, commissions and the like.

(n) Outstanding Indebtedness. Debtor has no outstanding Indebtedness except as permitted by Subsection 5(a) hereof and there exists no default under the provisions of any instrument evidencing such Indebtedness or under the provisions of any agreement relating thereto.

(o) Government Contracts. Debtor is not now, and has not been within the past 3 years, in receipt of any communication from any officer or employee of the United States Government regarding Debtor's actual or possible disqualification, suspension or debarment from contracting with the United States Government. Further, Debtor has no information, in relation to the obtaining, formation, pricing, performance, billing or administration of any one of its contracts with the United States Government of: (a) a violation of law, regulation or contract provision, or any such fact(s) or circumstance(s) reasonably indicating any such violation; (b) a pending or threatened investigation; (c) an existing or threatened adverse audit finding, whether draft or final; (d) an existing or threatened cost disallowance or finding of defective pricing; (e) a

pending or threatened claim or action seeking a fine, penalty or damages; (f) a communication regarding, or actual initiation of, payment withholding or suspension, setoff, recoupment or debt collection; or (g) a contract termination or a communication reasonably indicating the potential for such a termination.

(p) Presence of Hazardous Materials or Hazardous Materials Contamination. To the best of Debtor's knowledge and belief, and except as permitted by applicable Laws and asbestos abatement, no Hazardous Materials are located on any real property owned, operated or controlled by Debtor or for which Debtor is responsible and for which remedial or corrective action would, be required under applicable Laws. To the best of Debtor's knowledge and belief, and except as permitted by applicable Laws, no property owned, operated or controlled by Debtor has ever been used as a manufacturing, storage, or dump site for Hazardous Materials.

(q) Patents, Trademarks, etc. Debtor owns, possesses or has the right to use all necessary patents, patent rights, licenses, trademarks, trade names, trade name rights, copyrights and franchises to conduct his business as now conducted, without any known conflict with any patent, patent right, license, trademark, trademark rights, trade name right, trade name, copyright or franchise right of any other person.

(r) Perfection and Priority of Collateral. Creditor has or upon proper recording of any financing statement, execution of any control agreement or delivery of Collateral to Creditor's possession, will have and will continue to have as security for the Obligations, a valid and perfected Lien on and security interest in all Collateral, free of all other Liens, claims and rights of third parties whatsoever, except Permitted Liens.

(s) Commercial Purpose. The Loan is not a "consumer transaction" as defined in the Tennessee Uniform Commercial Code and none of the Collateral was or will be purchased or held primarily for personal family or household purposes.

(t) Survival; Updates of Representations and Warranties. All representations and warranties contained in or made in connection with this Agreement and the other Loan Documents shall survive the Closing and any advance made hereunder. Creditor acknowledges and agrees that any and all representations and warranties contained in or made under or in connection with this Agreement may be amended, changed or otherwise modified by Debtor, with the consent of Creditor, at any time and from time to time after the Closing so as to accurately reflect the matters represented and warranted therein; provided, that such amendments, changes and/or modifications are disclosed in writing to and approved by Creditor. Creditor shall have no obligation to waive any Event of Default due to any present or future inaccuracy of such representation or warranty or to agree to any amendment, change or modification of such representation or warranty. Debtor ratifies its prior authorization for Creditor to file such financing statements.

4. **Affirmative Covenants**. Debtor covenants and agrees with Creditor that, until (a) all Obligations have been paid in full, (b) there exists no commitment by Creditor which could give rise to any Obligations, and (c) all appropriate termination statements have been filed terminating the security interest granted Creditor hereunder, Debtor will:

(a) Financial Statements. Furnish to Creditor in accordance with the Loan Agreement.

(b) Taxes. Pay and discharge all taxes, assessments and governmental charges upon Debtor, its income and properties, prior to the date on which penalties attach thereto unless and to the extent only that the same are being diligently contested by Debtor in good faith in the normal course of business by appropriate proceedings, provided, however, that (i) Creditor shall have been given reasonable prior written notice of intention to contest, (ii) nonpayment of the same will not, in Creditor's sole discretion, materially impair any of the Collateral or Creditor's rights or remedies with respect thereto or the prospect for full and punctual payment of all of the Obligations, (iii) Debtor at all times effectively stays or prevents any official or judicial sale of or action or filing against any of the Collateral by reason of nonpayment of the same, and (iv) Debtor establishes reasonable reserves for any liabilities being contested and for expenses arising out of such contest.

(c) Corporate Existence; Continuation of Business and Compliance with Laws. Maintain its corporate existence in good standing, continue his business operations as now being conducted; and comply with all applicable federal, State and local laws, rules, ordinances, regulations and orders unless and to the extent only that the validity or applicability thereof is being diligently contested by Debtor in good faith by appropriate proceedings, provided, however, that (i) Creditor shall have been given reasonable prior written notice of intention to contest, (ii) such noncompliance will not, in Creditor's sole discretion, materially impair any of the Collateral or Creditor's rights or remedies with respect thereto or the prospect for full and punctual payment of all of the Obligations, (iii) Debtor at all times effectively stays or prevents any official or judicial sale of or action or filing against any of the Collateral by reason of such noncompliance, and (iv) Debtor establishes reasonable reserves for any liabilities or expenses which may arise out of such noncompliance and contest.

(d) Civil and Criminal Proceedings. Promptly notify Creditor in writing of (i) the threatened or actual commencement of a criminal proceeding or investigation or (ii) any action, suit or proceeding at law or in equity by or before any court, governmental agency or instrumentality which could result in any material adverse change in the business, operations, prospects, properties or assets or in the condition, financial or otherwise, of Debtor.

(e) Extraordinary Loss. Promptly notify Creditor in writing of any event causing extraordinary loss or depreciation of the value of Debtor's assets (whether or not insured) and the facts with respect thereto.

(f) Books and Records. Keep and maintain proper and current books and records in accordance with GAAP and permit access by Creditor to, reproduction by Creditor of and copying by Creditor from, such books and records during normal business hours. All reasonable costs and expenses of such inspections and examinations shall be paid by Debtor.

(g) Conferences. Permit Creditor to discuss Debtor's affairs, finances and accounts with any employees of Debtor or professionals held by the Debtor.

(h) Maintenance of Properties. Maintain all properties and improvements necessary to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and cause replacements and repairs to be made when necessary for the proper conduct of its business.

(i) Patents, Franchises, etc. Maintain, preserve and protect all licenses, patents, franchises, trademarks and trade names of Debtor or licensed by Debtor which are necessary to the conduct of the business of Debtor as now conducted, free of any conflict with the rights of any other person.

(j) Insurance. Maintain with duly licensed insurers and in amounts satisfactory to Creditor such insurance on Debtor's tangible personal property against such risks and with such loss deductible amounts as may be satisfactory to Creditor.

(k) Evidence of Insurance. Deliver to Creditor from time to time, and periodically if Creditor shall so require, evidence satisfactory to Creditor that all insurance and endorsements required pursuant to this Agreement and the Loan Documents are in effect.

(l) Further Assurances and Corrective Instruments. Promptly execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, to Creditor from time to time such supplements hereto and such other instruments and documents as may be requested by Creditor to protect and preserve the Collateral, Creditor's security interest therein, perfection of Creditor's security interest and/or Creditor's rights and remedies hereunder.

(m) Financial Information. Deliver to Creditor promptly upon Creditor's request, and periodically if Creditor shall so require, such written statements, schedules or reports (which shall be Certified if required by Creditor) in such form, containing such information and accompanied by such documents as may be satisfactory to Creditor from time to time concerning the Collateral, Debtor's financial condition or business operations or any other matter or matters, including, without limitation, copies of federal, State and local tax returns of Debtor, and permit Creditor, its agents and designees, to discuss Debtor's financial condition and business operations with Debtor's employees and professionals.

(n) Notice of Event of Default. Immediately notify Creditor in writing of the occurrence of any Event of Default or any event or existing condition which, with the giving of notice and/or the lapse of time, could constitute an Event of Default or which might materially and adversely affect the financial conditions or operations of Debtor and the facts with respect thereto.

(o) Railroad Retirement. At all times maintain the employee pension benefit plans, if any, in accordance with all applicable laws.

(p) Continuance of Business. Continue to operate the business as currently conducted and not to acquire or operate any other business enterprise without Creditor's prior consent.

(q) Hazardous Materials: Contamination. Debtor agrees to (i) give notice to Creditor immediately upon Debtor's acquiring knowledge of the presence of any Hazardous Materials (other than those stored in compliance with applicable Laws and are in Debtor's possession in the ordinary course of business) on any property owned or controlled by Debtor or for which Debtor is responsible or of any Hazardous Materials Contamination with a full description thereof for which remedial or corrective action is required; (ii) promptly take action to comply with any Laws requiring the removal, treatment or disposal of Hazardous Materials or Hazardous Materials Contamination and provide Creditor with satisfactory evidence of such action, which action must be in all respects sufficient to avoid any penalty, assessment or notice of non-compliance with any required remedial or corrective action on the part of any Governmental Authority; (iii) provide Creditor, within thirty (30) days after a demand by Creditor, with a bond, letter-of-credit or similar financial assurance evidencing to Creditor's reasonable satisfaction that the necessary funds are available to pay the cost of removing, treating and disposing of Hazardous Materials described in item (ii) or Hazardous Materials Contamination and discharging any Lien which may be established as a result thereof on any property owned or controlled by Debtor or for which Debtor is responsible; and (iv) defend, indemnify and hold harmless Creditor and its employees, trustees, successors and assigns from any and all claims which may now or in the future (whether before or after the termination of this Agreement) be asserted as a result of the presence of any Hazardous Materials on any property owned or controlled by Debtor for which Debtor is responsible for any Hazardous Materials Contamination.

(r) Creditor as Depository. Maintain Creditor as its principal depository for its deposit and other commercial accounts.

5. **Negative Covenants**. Debtor covenants and agrees with Creditor that, until (a) all Obligations have been paid in full and (b) there exists no commitment by Creditor which could give rise to any Obligations, Debtor will not, directly or indirectly, without Creditor's prior written consent:

(a) Indebtedness. Create, incur, assume or permit to exist, directly or indirectly, any Indebtedness except: (i) Indebtedness to Creditor; (ii) trade Indebtedness (which shall not include any borrowing, trade acceptance or notes given in settlement of trade Indebtedness) incurred in the ordinary course of business and not in dispute or more than thirty (30) days past due; (iii) existing Indebtedness previously disclosed by Debtor to Creditor in writing; and (iv) Indebtedness which shall be consented to by Creditor in writing in advance, in Creditor's sole but reasonable discretion, and if required by Creditor, subordinated to the Obligations by a written agreement satisfactory to Creditor in form and substance.

(b) Liens. Create, incur, assume or permit to exist, directly or indirectly, any Lien upon any of Debtor's properties or assets, now or hereafter owned by Debtor, other than Permitted Liens.

(c) Merger. Enter into or be a party to any merger, consolidation, reorganization or exchange of stock or assets.

(d) Sale of Assets, etc. Sell, assign, transfer, convey or lease any interest in all or any substantial part of its property except in the ordinary course of Debtor's business as now being conducted; purchase or otherwise acquire all or substantially all of the assets of any other person or persons, or any shares of stock of, or similar interest in, any other person or persons.

(e) Investments. Make any capital contribution to any other person or purchase or acquire a beneficial interest in any stock, securities or evidences of Indebtedness of, or make any investment or acquire any interest in, any other person, except investments in federally insured certificates of deposit or in direct obligations of the United States of America maturing within one year from the date of acquisition.

(f) Fiscal Year. Change Debtor's fiscal year.

(g) Subsidiaries. Organize or cause to exist any Subsidiaries without Creditor's prior written consent, which consent may be conditioned, without limitation, upon the granting by such Subsidiary of a guarantee of payment of the Note and all other indebtedness of Debtor to Creditor.

(h) Change of Name. Change the name of Debtor.

(i) Trade Names. Use any trade name other than Debtor's true name.

(j) Change Business Premises. Change or move its Business Premises.

(k) Change State of Organization. Change its state of organization.

(l) Retirement Plan Compliance. Engage in any activity which would be in violation of any law or regulation pertain to the retirement plan or plans for the benefit of the employees.

(m) Dividends, Stock Redemptions. Directly or indirectly declare or pay any dividend on, or make any other distribution with respect to (whether by reduction of capital or otherwise), any shares of its capital stock or make any advances or loans to stockholders other than S Corporation tax distributions.

(n) Sale of Stock. Sell, convey, transfer, assign, pledge or otherwise encumber any of the stock of Debtor to any person.

(o) Loans and Guaranties. Loan or make advances to any other person or guarantee, indorse or otherwise be or become liable or contingently liable in connection with the obligations or Indebtedness of any other person, firm or corporation, directly or indirectly, except:

(i) as an endorser of negotiable instruments for the payment of money deposited to Debtor's bank account for collection in the ordinary course of business;

(ii) trade credit extended in the ordinary course of Debtor's business; or

(iii) advances made in the usual course of business to officers and employees of Debtor for travel and other out-of-pocket expenses incurred by them on behalf of Debtor in connection with such business.

(p) Sale Leaseback. Except for leases existing on the date hereof and previously disclosed to Creditor in writing, and renewals or extension thereof, become or be liable as lessee with respect to any lease of any property (real, personal or mixed) which has been or is to be sold or transferred by Debtor to any person or which Debtor intends to use for substantially the same purpose as any other property which has been or is to be sold or transferred by Debtor to any person in connection with such lease.

(q) Leases. Become liable as lessee with respect to any lease of any property, real, personal or mixed, except for leases in existence on the date hereof and previously disclosed to Creditor in writing and renewals and extensions thereof.

(r) Asset Investments. Make any investments in non-current assets (which shall include fixed assets and capitalized value of leased equipment and leased real property).

(s) Funded Debt. Redeem, call for redemption, purchase or otherwise acquire or retire, directly or indirectly, or make any optional prepayment of principal on, any Funded Debt, or amend, alter or otherwise modify the provisions relating to any Funded Debt, if the affect of such amendment, alteration or modification would or might be to accelerate such Funded Debt. For the purposes of this Subsection, "Funded Debt" shall include any obligation of Debtor to any person other than Creditor payable more than one year from the date of its creation which, under GAAP, is shown on the balance sheet as a liability (excluding reserves for deferred income taxes and other reserves to the extent that such reserves do not constitute an obligation).

6. **Events of Default**. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) Failure to Pay. The failure of Debtor to pay any of the Obligations as and when due and payable (whether by acceleration, declaration, extension or otherwise).

(b) Covenants and Agreements. The failure of Debtor to perform, observe or comply with any of the covenants of this Agreement or any of the Loan Documents.

(c) Information, Representations and Warranties. If any representation or warranty made herein or if any information contained in any financial statement, application, schedule, report or any other document given by Debtor in connection with the Obligations, with the

Collateral, or with any of the Loan Documents is not in all respects true and accurate or if Debtor omitted to state any material fact or any fact necessary to make such information not misleading.

(d) Default under Loan Documents. The occurrence of a default or an event of default under any of the Loan Documents which is not cured within any applicable grace or cure period.

(e) Default on Other Obligations. The occurrence of any default under any other borrowing if the result of such default would permit the acceleration of the maturity of any note, loan or other agreement between Debtor and any person other than Creditor.

(f) Insolvency. Debtor shall be or become insolvent (as defined in Section 101 of the United States Bankruptcy Code) or unable to pay its debts as they become due, or admits in writing to such insolvency or to such inability to pay its debts as they become due.

(g) Involuntary Bankruptcy. There shall be filed against Debtor an involuntary petition or other pleading seeking the entry of a decree or order for relief under the United States Bankruptcy Code or any similar federal or state insolvency or similar laws ordering: (i) the liquidation of Debtor or (ii) a reorganization of Debtor or the business and affairs of Debtor or (iii) the appointment of a receiver, liquidator, assignee, custodian, trustee, or similar official for Debtor of the property of Debtor and the failure to have such petition or other pleading denied or dismissed within forty-five (45) calendar days from the date of filing.

(h) Voluntary Bankruptcy. The commencement by Debtor of a voluntary case under the federal bankruptcy laws or any federal or state insolvency or similar laws or the consent by Debtor to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, or similar official for Debtor of any of the property of Debtor or the making by Debtor of an assignment for the benefit of creditors, or the failure by Debtor generally to pay its debts as the debts become due.

(i) Judgments, Awards. The entry of any judgment, order, award or decree against Debtor and a determination by Creditor, in good faith but in its sole discretion, that the same, when aggregated with all other judgments, orders, awards and decrees outstanding against Debtor could have a material adverse effect on the prospect for Creditor to fully and punctually realize the full benefits conferred on Creditor by this Agreement.

(j) Injunction. The injunction or restraint of Debtor in any manner from conducting its business in whole or in part and a determination by Creditor, in good faith but in its sole discretion, that the same could have a material adverse effect on the prospect for Creditor to fully and punctually realize the full benefits conferred on Creditor by this Agreement.

(k) Attachment by Creditors. Any assets of Debtor shall be attached, levied upon, seized or repossessed, or come into the possession of a trustee, receiver or other custodian and a determination by Creditor, in good faith but in its sole discretion, that the same could have a material adverse effect on the prospect for Creditor to fully and punctually realize the full benefits conferred on Creditor by this Agreement.

(l) Dissolution, Merger, Consolidation, Reorganization. The voluntary or involuntary dissolution, merger, consolidation, winding up or reorganization of Debtor or the occurrence of any action preparatory thereto.

(m) Adverse Change in Financial Condition. The determination in good faith by Creditor that material adverse change has occurred in the financial condition of Debtor from the conditions set forth in the most recent financial statement of Debtor heretofore furnished to Creditor or from the financial condition of Debtor as heretofore most recently disclosed to Creditor in any other manner.

(n) Adverse Change in Value of Collateral. The determination in good faith by Creditor that the security for the Obligations is or has become inadequate.

(o) Prospect of Payment or Performance. The determination in good faith by Creditor that the prospect for payment or performance of any of the Obligations is impaired for any reason.

(p) Termination Statement. Any amendment to or termination of a financing statement naming Debtor as debtor and Creditor as secured party, or any correction statement with respect thereto, is filed in any jurisdiction by any party other than Creditor without the prior consent of Creditor.

7. **Rights and Remedies.**

(a) Rights and Remedies of Creditor. Upon and after the occurrence of an Event of Default, Creditor may, without notice or demand, exercise in any jurisdiction in which enforcement hereof is sought, the following rights and remedies, in addition to the rights and remedies available to Creditor under the Loan Documents, the rights and remedies of a secured party under the Tennessee Uniform Commercial Code and all other rights and remedies available to Creditor under applicable law, all such rights and remedies being cumulative and enforceable alternatively, successively or concurrently:

(i) Declare all Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand for payment, protest or notice of any kind, all of which are hereby expressly waived.

(ii) Institute any proceeding or proceedings to enforce the Obligations and any Liens of Creditor.

(iii) Take possession of the Collateral, and for that purpose, so far as Debtor may give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom without any liability for suit, action or other proceeding, Debtor HEREBY WAIVING ANY AND ALL RIGHTS TO PRIOR NOTICE AND TO JUDICIAL HEARING WITH RESPECT TO REPOSSESSION

OF COLLATERAL, and require Debtor, at Debtor's expense, to assemble and deliver the Collateral to such place or places as Creditor may designate.

(iv) Operate, manage and control the Collateral (including use of the Collateral and any other property or assets of Debtor in order to continue or complete performance of Debtor's obligations under any contracts of Debtor), or permit the Collateral or any portion thereof to remain idle or store the same, and collect all rents and revenues therefrom and sell or otherwise dispose of any or all of the Collateral upon such terms and under such conditions as Creditor, in its sole discretion, may determine, and purchase or acquire any of the Collateral at any such sale or other disposition, all to the extent permitted by applicable law.

(v) Enforce Debtor's rights against any account debtors and other obligors.

(b) Power of Attorney. Effective upon the occurrence of an Event of Default, Debtor hereby designates and appoints Creditor and its designees as attorney-in-fact of Debtor, irrevocably and with power of substitution, with authority to endorse Debtor's name on any notes, acceptances, checks, drafts, money orders, instruments or other evidences of payment or proceeds of the Collateral that may come into Creditor's possession; to execute proofs of claim and loss; to adjust and compromise any claims under insurance policies; and to perform all other acts necessary and advisable, in Creditor's sole discretion, to carry out and enforce this Agreement and the Loan Documents. All acts of said attorney or designee are hereby ratified and approved by Debtor and said attorney or designee shall not be liable for any acts of commission or omission nor for any error of judgment or mistake of fact or law. This power of attorney is coupled with an interest and is irrevocable so long as any of the Obligations remain unpaid or unperformed or there exists any commitment by Creditor which could give rise to any Obligations.

(c) Notice of Disposition of Collateral and Disclaimer of Warranties. It is mutually agreed that commercial reasonableness and good faith require Creditor to give Debtor, after default, no more than ten (10) days prior written notice of the time and place of any public disposition of Collateral or of the time after which any private disposition or any other intended disposition is to be made. It is mutually agreed that it is commercially reasonable for Creditor to disclaim all warranties which arise with respect to the disposition of the Collateral.

(d) Costs and Expenses. Debtor agrees to pay to Creditor on demand the amount of all expenses paid or incurred by Creditor in consulting with counsel concerning any of its rights hereunder, under the Loan Documents or under applicable law, all expenses, including attorneys' fees and court costs paid or incurred by Creditor in exercising or enforcing any of its rights hereunder, under the Loan Documents or under applicable law, together with interest on all such amounts at the highest rate and calculated in the manner provided in the Note, and such portion of Creditor's overhead as Creditor shall allocate to collection and enforcement of the Obligations in Creditor's sole but reasonable discretion (the "Enforcement Costs"). The provisions of this

Subsection shall survive the termination of this Agreement and Creditor's security interest hereunder and the payment of all Obligations.

8. **Miscellaneous**.

(a) Performance for Debtor. Debtor agrees and hereby authorizes that Creditor may, in Creditor's sole discretion, but Creditor shall not be obligated to, whether or not an Event of Default shall have occurred, advance funds on behalf of Debtor, without prior notice to Debtor, in order to insure Debtor's compliance with any covenant, warranty, representation or agreement of Debtor made in or pursuant to this Agreement or any of the Loan Documents, to continue or complete, or cause to be continued or completed, performance of Debtor's obligations under any contracts of Debtor, to cover overdrafts in any checking or other accounts of Debtor at Creditor or to preserve or protect any right or interest of Creditor in the Collateral or under or pursuant to this Agreement or any of the Loan Documents, including, without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Collateral or other property or assets of Debtor; provided, however, that the making of any such advance by Creditor shall not constitute a waiver by Creditor of any Event of Default with respect to which such advance is made nor relieve Debtor of any such Event of Default. Debtor shall pay to Creditor upon demand all such advances made by Creditor with interest thereon at the highest rate and calculated in the manner provided in the Note. All such advances shall be deemed to be included in the Obligations and secured by the security interest granted Creditor hereunder; provided, however, that the provisions of this Subsection shall survive the termination of this Agreement and Creditor's security interest hereunder and the payment of all other Obligations.

(b) Expenses. Whether or not any of the transactions contemplated hereby shall be consummated, Debtor agrees to pay to Creditor on demand the amount of all expenses paid or incurred by Creditor (including the fees and expenses of its counsel) in connection with the preparation of all written commitments of Creditor antedating this Agreement, this Agreement and the Loan Documents and all documents and instruments referred to herein and all expenses paid or incurred by Creditor in connection with the filing or recordation of all financing statements and instruments as may be required by Creditor at the time of, or subsequent to, the execution of this Agreement, including, without limitation, all documentary stamps, indebtedness taxes, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Debtor shall pay Creditor $25.00 for each response to Debtor's request for an accounting or confirmation of a list of Collateral or statement of account exceeding one request per 6-month period. Debtor agrees to save harmless and indemnify Creditor from and against any liability resulting from the failure to pay any required documentary stamps, indebtedness taxes, recordation and transfer taxes, recording costs or any other expenses incurred by Creditor in connection with this Agreement. The provisions of this Subsection shall survive the termination of this Agreement and Creditor's security interest hereunder and the payment of all other Obligations.

(c) Applications of Payments and Collateral. Except as may be otherwise specifically provided in this Agreement, all Collateral and proceeds of Collateral coming into Creditor's possession and all payments made by any Obligor may be applied by Creditor to any of the

Obligations, whether matured or unmatured, as Creditor shall determine in its sole but reasonable discretion. Creditor may defer the application of non-cash proceeds of Collateral, including, but not limited to, non-cash proceeds collected under Subsection 2(c) hereof, to the Obligations until cash proceeds are actually received by Creditor.

(d) Waivers by Debtor. Debtor hereby waives, to the extent the same may be waived under applicable law: (i) notice of acceptance of this Agreement; (ii) all claims, causes of action and rights of Debtor against Creditor on account of actions taken or not taken by Creditor in the exercise of Creditor's rights or remedies hereunder, under the Loan Documents or under applicable law; (iii) all claims of Debtor for failure of Creditor to comply with any requirement of applicable law relating to enforcement of Creditor's rights or remedies hereunder, under the Loan Documents or under applicable law; (iv) all rights of redemption of Debtor with respect to the Collateral; (v) in the event Creditor seeks to repossess any or all of the Collateral by judicial proceedings, any bond(s) or demand(s) for possession which otherwise may be necessary or required; (vi) presentment, demand for payment, protest and notice of non-payment and all exemptions; (vii) any and all other notices or demands which by applicable law must be given to or made upon Debtor by Creditor; (viii) settlement, compromise or release of the obligations of any person primarily or secondarily liable upon any of the Obligations; (A) all rights of Debtor to demand that Creditor release account debtors from further obligation to Creditor; and (B) substitution, impairment, exchange or release of any Collateral for any of the Obligations. Debtor agrees that Creditor may exercise any or all of its rights and/or remedies hereunder, under the Loan Documents and under applicable law without resorting to and without regard to any Collateral or sources of liability with respect to any of the Obligations. Upon termination of this Agreement and Creditor's security interest hereunder and payment of all Obligations, (i) within ten (10) days following Debtor's request to Creditor, Creditor shall release control of any security interest in the Collateral perfected by control, and (ii) within twenty (20) days after Creditor receives an authenticated demand from Debtor, Creditor shall send Debtor a statement terminating any financing statement filed against the Collateral or file such termination statement.

(e) Waivers by Creditor. Neither any failure nor any delay on the part of Creditor in exercising any right, power or remedy hereunder, under any of the Loan Documents or under applicable law shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

(f) Creditor's Setoff. Creditor shall have the right, in addition to all other rights and remedies available to it, following an Event of Default, to set off against any Obligations due Creditor, any debt owing to Debtor by Creditor, including, without limitation, any funds in any checking or other account now or hereafter maintained by Debtor at Creditor. Debtor hereby confirms Creditor's right to setoff, and nothing in this Agreement or any of the Loan Documents shall be deemed a waiver or prohibition of Creditor's right of setoff.

(g) Modifications. No modifications or waiver of any provision of this Agreement or any of the Loan Documents, and no consent by Creditor to any departure by Debtor therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No

notice to or demand upon Debtor in any case shall entitle Debtor to any other or further notice or demand in the same, similar or other circumstances.

(h) Notices. Unless otherwise provided herein. all notices, requests and other communications provided for hereunder shall be in writing and shall be given at the following addresses:

If to the Creditor:	Tennessee Railcar Service, Inc. 422 West Cumberland Avenue Knoxville, Tennessee 37922 Attention: H. Peter Claussen
If to Debtor:	BANKEAST 607 Market Street Knoxville, Tennessee 37902 Attention: David L. Copeland

Any such notice, request or other communication shall be effective (i) if given by mail, upon the earlier of receipt or the third business day after such communication is deposited in the United States mails, registered or certified, with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means (including, without limitation, by air courier), when delivered at the address specified herein. The Debtor or the Creditor may change its address for notice purposes by notice to the other parties in the manner provided herein.

(i) Applicable Law and Consent to Jurisdiction. The performance and construction of this Agreement and the Loan Documents shall be governed by the laws of the state of Tennessee (excluding the choice of law rules thereof). Debtor agrees that any suit, action or proceeding instituted against Debtor with respect to any of the Obligations, the Collateral, this Agreement or any of the Loan Documents may be brought in any court of competent jurisdiction located in the state of Tennessee. By its execution hereof, Debtor hereby irrevocably waives any objection and any right of immunity on the ground of venue, the convenience of the forum or the jurisdiction of such courts or from the execution of judgments resulting therefrom. Debtor hereby irrevocably accepts and submits to the jurisdiction of the aforesaid courts in any such suit, action or proceeding.

(j) Survival: Successors and Assigns. All covenants, agreements, representations and warranties made herein and in the Loan Documents shall survive the execution and delivery hereof and thereof, shall survive Closing and shall continue in full force and effect until all Obligations have been paid in full, there exists no commitment by Creditor which could give rise to any Obligations and all appropriate termination statements have been filed terminating the security interest granted Creditor hereunder. Whenever in this Agreement any of the parties hereto is referred to. such reference shall be deemed to include the successors and assigns of such party. All covenants, agreements, representations and warranties by or on behalf of Debtor which are contained in this Agreement and the Loan Documents shall inure to the benefit of Creditor, its successors and assigns. Debtor may not assign this Agreement or any of its rights hereunder without the prior written consent of Creditor.

(k) Severability. If any term, provision or condition, or any part thereof, of this Agreement or any of the Loan Documents shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

(l) Merger and Integration. This Agreement and the attached Schedules (if any) contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby, and no other agreement, statement or promise made by any party hereto, or by any employee, officer, agent or attorney of any party hereto, which is not contained herein shall be valid or binding.

(m) **WAIVER OF JURY TRIAL. DEBTOR HEREBY (i) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY A JURY, AND (ii) WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH CREDITOR AND DEBTOR MAY BE PARTIES, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY PERTAINING TO THIS AGREEMENT, ANY OF THE LOAN DOCUMENTS AND/OR ANY TRANSACTIONS, OCCURRENCES, COMMUNICATIONS, OR UNDERSTANDINGS (OR THE LACK OF ANY OF THE FOREGOING) RELATING IN ANY WAY TO DEBTOR-CREDITOR RELATIONSHIP BETWEEN THE PARTIES. IT IS UNDERSTOOD AND AGREED THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS SECURITY AGREEMENT. THIS WAIVER OF JURY TRIAL IS SEPARATELY GIVEN, KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY DEBTOR AND DEBTOR HEREBY AGREES THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. CREDITOR IS HEREBY AUTHORIZED TO SUBMIT THIS AGREEMENT TO ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND DEBTOR AND CREDITOR, SO AS TO SERVE AS CONCLUSIVE EVIDENCE OF SUCH WAIVER OF RIGHT TO TRIAL BY JURY. DEBTOR REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND/OR THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.**

(n) Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

(o) Headings. The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and shall not be used or deemed to limit or diminish any of the provisions hereof.

(p) Recitals. The Recitals hereto are hereby incorporated into and made a part of this Agreement.

(q) Maximum Rate of Interest. Notwithstanding any provision of this Agreement to the contrary, Debtor shall not be obligated to pay interest in excess of the maximum rate of interest permitted by the laws of any state determined to apply or the laws of the United States applicable to loans in such state. If any provisions of this Agreement shall ever be construed to require the payment of any amount of interest in excess of that permitted by applicable law, then the interest to be paid shall be held subject to reduction to the amount allowed under applicable law and any sums paid in excess of the interest rate allowed by law shall be applied in reduction of the principal balance outstanding. Debtor acknowledges that it has been contemplated at all times by Debtor that the laws of the state of Tennessee will govern the maximum rate of interest that it is permissible for Creditor to charge Debtor.

(balance of page intentionally left blank – signatures on following page)

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the date first above written.

DEBTOR:

TENNESSEE RAILCAR SERVICE, INC.
a Tennessee corporation

_____
Signature of Authorized Official

H. Peter Claussen
Name of Authorized Official

~~President~~ CHAIRMAN
Title of Authorized Official

CREDITOR:

BANKEAST

_____
Signature of Authorized Official

David L. Copeland
Name of Authorized Official

Executive Vice President
Title of Authorized Official

EXHIBIT "A"

Exhibit A
List of Cars being Leased by TRS to SRL
09.01.07

MSDR	1110	BOX	GA/FL	0.63	IN SERVICE	1961	1980
MSDR	1155	BOX	KXHR	0.42	IN SERVICE	1974	
LRS	7221	BOX	CIC	0.63	IN SERVICE	1966	1980
LRS	7222	BOX	CIC	0.63	IN SERVICE	1966	1980
LRS	7245	BOX	CIC	0.63	IN SERVICE	1966	1980
LRS	7249	BOX	CIC	0.63	IN SERVICE	1966	1980
LRS	7250	BOX	CIC	0.63	IN SERVICE	1966	1981
LRS	7257	BOX	CIC	0.63	IN SERVICE	1966	1981
LRS	7260	BOX	CIC	0.66	IN SERVICE	1956	1979
LXOH	1	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	2	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	3	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	4	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	5	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	6	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	7	C.H.	LRS	0.55	IN SERV.	1980	
LXOH	8	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	9	C.H.	LRS	0.55	IN SERV.	1980	
LXOH	10	C.H.	LRS	0.55	IN SERV.	1980	
LXOH	11	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	12	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	14	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	15	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	16	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	17	C.H.	LRS	0.55	IN SERV.	1980	
LXOH	18	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	19	C.H.	LRS	0.55	IN SERV.	1981	
LXOH	20	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	21	C.H.	WGCR	0.55	IN SERV.	1979	
LXOH	22	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	23	C.H.	WGCR	0.55	IN SERV.	1979	
LXOH	24	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	25	C.H.	WGCR	0.55	IN SERV.	1978	
LXOH	26	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	27	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	28	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	29	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	30	C.H.	LRS	0.55	IN SERV.	1979	
LXOH	31	C.H.	LRS	0.55	IN SERV.	1974	
LXOH	32	C.H.	WGCR	0.55	INSERV.	1981	
LXOH	33	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	34	C.H.	LRS	0.55	IN SERV.	1981	
LXOH	35	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	36	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	37	C.H.	LRS	0.55	IN SERV.	1978	
LXOH	38	C.H.	LRS	0.55	IN SERV.	1981	
LXOH	39	C.H.	LRS	0.55	IN SERV.	1978	

Exhibit A
List of Cars being Leased by TRS to SRL
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LXOH	40	C.H.	LRS	0.55	INSERV.	1979	
LXOH	41	C.H.	LRS	0.55	INSERV.	1979	
LXOH	42	C.H.	LRS	0.55	INSERV.	1978	
LXOH	43	C.H.	LRS	0.55	INSERV.	1981	
LXOH	44	C.H.	LRS	0.55	INSERV.	1981	
LXOH	45	C.H.	LRS	0.55	INSERV.	1978	
LXOH	46	C.H.	LRS	0.55	INSERV.	1978	
LXOH	47	C.H.	LRS	0.55	INSERV.	1981	
LXOH	49	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	50	C.H.	LRS	0.55	INSERV.	1978	
LXOH	51	C.H.	LRS	0.55	INSERV.	1978	
LXOH	52	C.H.	LRS	0.55	INSERV.	1978	
LXOH	53	C.H.	LRS	0.55	INSERV.	1978	
LXOH	54	C.H.	LRS	0.55	INSERV.	1979	
LXOH	55	C.H.	LRS	0.55	INSERV.	1978	
LXOH	56	C.H.	LRS	0.55	INSERV.	1979	
LXOH	57	C.H.	LRS	0.55	INSERV.	1979	
LXOH	58	C.H.	LRS	0.55	INSERV.	1981	
LXOH	59	C.H.	WGCR	0.55	INSERV.	1979	
LXOH	60	C.H.	LRS	0.55	INSERV.	1981	
LXOH	61	C.H.	LRS	0.55	INSERV.	1980	
LXOH	63	C.H.	LRS	0.55	INSERV.	1979	
LXOH	64	C.H.	LRS	0.55	INSERV.	1979	
LXOH	65	C.H.	LRS	0.55	INSERV.	1979	
LXOH	66	C.H.	LRS	0.55	INSERV.	1978	
LXOH	67	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	68	C.H.	WGCR	0.55	INSERV.	1974	
LXOH	69	C.H.	WGCR	0.55	INSERV.	1971	
LXOH	70	C.H.	WGCR	0.55	INSERV.	1979	
LXOH	71	C.H.	WGCR	0.55	INSERV.	1979	
LXOH	75	C.H.	WGCR	0.55	Bad Ordered	1978	
LXOH	76	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	77	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	78	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	79	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	80	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	81	C.H.	WGCR	0.55	INSERV.	1978	
LXOH	82	C.H.	WGCR	0.55	INSERV.	1979	
LXOH	83	C.H.	WGCR	0.55	INSERV.	1979	
LXOH	84	C.H.	WGCR	0.55	INSERV.	1981	
LXOH	5003	GON.	NCYR	1.10	IN SERVICE	1980	
LXOH	5004	GON.	NCYR	1.10	IN SERVICE	1980	
LXOH	5039	GON.	NCYR	1.09	IN SERVICE	1980	
LXOH	5046	GON.	NCYR		IN SERVICE	1980	
LXOH	5069	GON.	NCYR	1.10	IN SERVICE	1981	
LXOH	5075	GON.	NCYR	1.06	IN SERVICE	1981	
LXOH	5081	GON.	NCYR	1.09	IN SERVICE	1981	

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LXOH	5119	GON.	NCYR	1.17	IN SERVICE	1982	
LXOH	5129	GON.	NCYR	1.16	IN SERVICE	1982	
LXOH	5146	GON.	NCYR	1.16	IN SERVICE	1983	
LXOH	5163	GON.	NCYR	1.17	IN SERVICE	1982	
LXOH	5174	GON.	NCYR	1.10	IN SERVICE	1981	
LXOH	5178	GON.	NCYR	1.29	IN SERVICE	1983	
LXOH	5200	GON.	NCYR	1.06	IN SERVICE	1981	
LXOH	5215	GON.	NCYR	1.10	IN SERVICE	1981	
LXOH	5218	GON.	NCYR	1.16	IN SERVICE	1982	
LXOH	7206	BOX	KXHR	BAD ORDERED			
LXOH	7205	BOX	CIC	0.64	IN SERVICE	1966	1981
LXOH	7226	BOX	KXHR	0.55	BAD ORDERED	1966	1981
LXOH	7235	BOX	KXHR	0.55	BAD ORDERED	1966	1981
LXOH	7236	BOX	KXHR	0.63	BAD ORDERED	1966	1980
LXOH	7243	BOX	KXHR	0.63	BAD ORDERED	1966	1981
LXOH	7254	BOX	CIC	0.63	IN SERVICE	1966	1980
LXOH	7256	BOX	KXHR	0.63	BAD ORDERED	1966	1981
LXOH	12244	BOX	KXHR	0.22	IN SERVICE	1968	
LXOH	210607	BOX	KXHR	0.52	BAD ORDERED	1971	1988
LXOH	210785	BOX	KXHR	0.52	BAD ORDERED	1972	1988
SRN	4005	BOX	SRN	0.67	IN SERV.	1979	
SRN	4008	BOX	SRN	0.67	IN SERV.	1979	
SRN	4012	BOX	SRN	0.67	IN SERV.	1979	
SRN	4015	BOX	SRN	0.67	IN SERV.	1979	
SRN	4022	BOX	SRN	0.67	IN SERV.	1979	
SRN	4029	BOX	SRN	0.67	IN SERV.	1979	
SRN	4040	BOX	SRN	0.67	IN SERV.	1979	
SRN	4043	BOX	SRN	0.67	IN SERV.	1979	
SRN	4047	BOX	SRN	0.67	IN SERV.	1979	
SRN	4048	BOX	SRN	0.67	IN SERV.	1979	
SRN	4049	BOX	SRN	0.67	IN SERV.	1979	
SRN	4050	BOX	SRN	0.67	IN SERV.	1979	
SRN	4051	BOX	SRN	0.67	IN SERV.	1979	
SRN	4063	BOX	SRN	0.67	IN SERV.	1979	
SRN	4064	BOX	SRN	0.67	IN SERV.	1979	
SRN	4066	BOX	SRN	0.67	IN SERV.	1979	
SRN	4068	BOX	SRN	0.67	IN SERV.	1979	
SRN	4071	BOX	SRN	0.67	IN SERV.	1979	
SRN	4072	BOX	SRN	0.67	IN SERV.	1979	
SRN	4076	BOX	SRN	0.67	IN SERV.	1979	
SRN	4078	BOX	SRN	0.67	IN SERV.	1979	
SRN	4087	BOX	SRN	0.67	IN SERV.	1979	
SRN	4090	BOX	SRN	0.67	IN SERV.	1979	
SRN	4091	BOX	SRN	0.65	IN SERV.	1979	
SRN	4100	BOX	SRN	0.67	IN SERV.	1979	
WGCR	201	BOX	YVRR	0.80	IN SERVICE	1979	
WGCR	202	BOX	KXHR	0.80	IN SERVICE	1979	

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WGCR	204	BOX	KXHR	0.80	IN SERVICE	1979	
WGCR	211	BOX	KXHR	0.80	IN SERV.	1979	
WGCR	216	BOX	KXHR	0.80	IN SERVICE	1979	
WGCR	227	BOX	YVRR	0.80	IN SERVICE	1979	
WGCR	239	BOX	YVRR	0.80	IN SERVICE	1979	
WGCR	1101	BOX	KXHR	0.63	IN SERVICE	1961	1980
WGCR	1105	BOX	KXHR	0.63	IN SERVICE	1961	1980
WGCR	2704	BOX	YVRR	0.42	IN SERVICE	1974	
WGCR	2706	BOX	KXHR	0.41	IN SERVICE	1974	
WGCR	2709	BOX	KXHR	0.41	IN SERV.	1974	
WGCR	4001	BOX	CIC	0.67	IN SERV.	1979	
WGCR	4009	BOX	CIC	0.67	IN SERV.	1979	
WGCR	4010	BOX	CIC	0.67	IN SERV.	1979	
WGCR	4016	BOX	YVRR	0.67	IN SERVICE	1979	
WGCR	4019	BOX	CIC	0.67	IN SERV.	1979	
WGCR	4044	BOX	KXHR	0.67	IN SERVICE	1979	
WGCR	4093	BOX	KXHR	0.67	IN SERV.	1979	
WGCR	5013	GON	NCYR	1.10	INSERVICE	1980	
WGCR	5071	GON	NCYR	1.09	INSERVICE	1981	
WGCR	5074	GON	NCYR	1.11	INSERVICE	1981	
WGCR	5100	GON	NCYR	1.11	INSERVICE	1981	
WGCR	5110	GON	NCYR	1.11	INSERVICE	1981	
WGCR	5121	GON	NCYR	1.17	INSERVICE	1982	
WGCR	5134	GON	NCYR	1.17	INSERVICE	1982	
WGCR	7203	BOX	KXHR	0.64	ROCTEN/TAM	1966	1981
WGCR	7229	BOX	KXHR	0.55	ROCTEN/TAM	1966	1981
WGCR	7244	BOX	CIC	0.59	IN SERV.	1966	1981
WGCR	210517	BOX	KXHR	0.45	IN SERVICE	1975	
WGCR	210527	BOX	KXHR	0.45	IN SERVICE	1975	
WGCR	210684	BOX	KXHR	0.52	BAD ORDERE	1972	1988
YVRR	5020	GON	NCYR	1.10	INSERVICE	1980	
YVRR	5034	GON.	NCYR	0.91	IN SERVICE	1980	
YVRR	5045	GON	NCYR	1.09	INSERVICE	1980	
YVRR	5060	GON	NCYR	1.09	INSERVICE	1981	
YVRR	5079	GON	NCYR	1.06	INSERVICE	1981	
YVRR	5092	GON	NCYR	1.10	INSERVICE	1981	
YVRR	5109	GON	NCYR	1.09	INSERVICE	1981	
YVRR	5130	GON	NCYR	0.93	INSERVICE	1982	

Total Count: 179