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RECORDATION NO. **23200** FILED

OCT 25 '00 12:08 PM

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SURFACE TRANSPORTATION BOARD

October 25, 2000

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

Dear Mr. Williams:

Enclosed for recording with the Surface Transportation Board is an Equipment Financing Agreement dated September 29, 2000, between the following parties:

Secured Party: Jules and Associates, Inc.
515 So. Figueroa Street, #1950
Los Angeles, CA 90071

Debtor: Heartland Rail Corporation
800 Webster Street
Iowa City, IA 52240

Debtor: Iowa Interstate Railroad, Ltd.
800 Webster Street
Iowa City, IA 52240

The equipment included in this transaction is as follows:

Equipment: 4, Locomotives
IAIS 250, 466, 468, 403

Please record this agreement as a primary document. The filing fee of \$26 is enclosed. Thank you for your assistance.

Sincerely,

Mary Ann Oster

Mary Ann Oster
Research Consultant

Enclosures

A short summary of the document to appear in the index as follows: Equipment Financing Agreement dated 9/29/00 between Jules and Associates, Inc., 515 So. Figueroa St., Los Angeles, CA and Heartland Rail Corporation and Iowa Interstate Railroad, Ltd., 800 Webster St., Iowa City, IA 52240.

OCT 25 '00 12-08 PM

JULES AND ASSOCIATES, INC.

SURFACE TRANSPORTATION BOARD

EQUIPMENT FINANCING AGREEMENT

THIS EQUIPMENT FINANCING AGREEMENT (this "Agreement") is dated as of the date set forth on the last page hereof and is between JULES AND ASSOCIATES, INC., a California Corporation ("Secured Party"), and the debtor designated on the last page hereof ("Debtor").

1. EQUIPMENT SECURITY INTEREST. The terms and conditions of this Agreement cover each item of machinery, equipment and other property (individually an "Item" or "Item of Equipment" and collectively the "Equipment") described in a schedule now or hereafter executed by the parties hereto and made a part hereof (individually a "Schedule" and collectively the "Schedules"). Debtor hereby grants Secured Party a security interest in and to all Debtor's right, title and interest in and to the Equipment, and the proceeds and products, whether tangible or intangible, of any or all of the Equipment, including proceeds of insurance covering any or all of the Equipment, or other tangible or intangible property resulting from the sale, exchange, collection, or other disposition of any of the Equipment or any portion thereof or interest therein, and the proceeds thereof, and Debtor's books and records with respect thereto (collectively, the "Collateral"). Such grant with respect to an Item of Equipment to be as of Debtor's execution of a related equipment financing commitment referencing this Agreement or, if Debtor then has no interest in such Items, as of such subsequent time as Debtor acquires an interest in the Item. Such security interest is granted by Debtor to secure performance by Debtor of Debtor's obligations to Secured Party hereunder and under any other agreements under which Debtor has or may hereafter have obligations to Secured Party. Debtor will ensure that such security interest will be and remain a sole and valid first priority lien and security interest, subject only to the lien of current taxes and assessments not in default but only if such taxes and assessments are entitled to priority as a matter of law.

2. DEBTOR'S OBLIGATIONS. The obligations of Debtor under this Agreement respecting an Item of Equipment, except the obligation to pay installment payments with respect thereto which will commence as set forth in paragraph 3 below, commence upon the grant to Secured Party of a security interest in the Item. Debtor's obligations hereunder with respect to an Item of Equipment and Secured Party's security interest therein will continue until payment in full of all amounts due, and performance of all terms and conditions required, hereunder with respect thereto; provided, however, that if this Agreement is then in default, said obligations and security interest will continue during the continuance of said default.

3. INSTALLMENT PAYMENTS AND OTHER PAYMENTS. Debtor will repay advances Secured Party makes on account of the Equipment in installment payments in the amounts and at the times set forth in the Schedules, whether or not Secured Party has rendered an invoice therefore, at the office of Secured Party set forth on the last page hereof, or to such person and/or at such other place as Secured Party may from time to time designate on notice to Debtor. Any other amounts required to be paid to Secured Party by Debtor hereunder are due upon Debtor's receipt of Secured Party's invoice therefor and will be payable as directed in the invoice. Payments under this Agreement may be applied to Debtor's then accrued obligations to Secured Party in such order as Secured Party may choose.

4. NET AGREEMENT; OFFSET; SURVIVAL. This Agreement is a net agreement, and Debtor will not be entitled to any abatement of installment payments or other payments due hereunder or any reduction thereof under any circumstances or for any reason whatsoever. Debtor hereby waives any and all existing and future claims, as offsets, against any installment payments or other payments due hereunder and agrees to pay the installment payments and other amounts due hereunder as and when due regardless of any offset or claim which may be asserted by Debtor on its behalf. The obligations and liabilities of Debtor hereunder will survive the termination of this Agreement.

5. DISCLAIMER OF WARRANTIES. THIS AGREEMENT IS SOLELY A FINANCING AGREEMENT. DEBTOR ACKNOWLEDGES THAT THE EQUIPMENT HAS OR WILL HAVE BEEN SELECTED AND ACQUIRED SOLELY BY DEBTOR FOR DEBTOR'S PURPOSES, THAT SECURED PARTY IS NOT AND WILL NOT BE THE VENDOR OF ANY EQUIPMENT AND THAT SECURED PARTY HAS NOT MADE AND WILL NOT MAKE ANY AGREEMENT, REPRESENTATION OR WARRANTY WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALIFICATION OR FITNESS FOR A PARTICULAR PURPOSE OR VALUE OF THE EQUIPMENT OR ANY OTHER MATTER WITH RESPECT THERETO IN ANY RESPECT WHATSOEVER.

6. NO AGENCY. DEBTOR ACKNOWLEDGES THAT NO AGENT OF THE MANUFACTURER OR OTHER SUPPLIER OF AN ITEM OF EQUIPMENT OR OF ANY FINANCIAL INTERMEDIARY IN CONNECTION WITH THIS AGREEMENT IS AN AGENT OF SECURED PARTY. SECURED PARTY IS NOT BOUND BY A REPRESENTATION OF ANY SUCH PARTY AND, AS CONTEMPLATED IN PARAGRAPH 29 BELOW, THE ENTIRE AGREEMENT OF SECURED PARTY AND DEBTOR CONCERNING THE FINANCING OF THE EQUIPMENT IS CONTAINED IN THIS AGREEMENT AS IT MAY BE AMENDED AS PROVIDED IN THAT PARAGRAPH.

7. ACCEPTANCE. Execution by Debtor and Secured Party of a Schedule covering the Equipment or any Items thereof will conclusively establish that such Equipment has been included under and will be subject to all the terms and conditions of this agreement.



8. LOCATION; INSPECTION; USE. Debtor will keep or permanently garage, as appropriate, each Item of Equipment in Debtor's possession and control, at the Equipment Location designated in the applicable Schedule, or at such other location to which such Item may have been moved with the prior written consent of Secured Party. Whenever requested by Secured Party, Debtor furnish Secured Party such information with respect to the Equipment as Secured party may request. Secured Party will have the right to inspect the Equipment and observe its use during normal business hours and to enter into and upon the premises where the Equipment may be located for such purpose. The Equipment will at all times be used solely for commercial or business purposes and operated in a careful and proper manner and in compliance with all applicable laws, ordinances, rules and regulations, all conditions and requirements of the policy or policies of insurance required to be carried by Debtor under the terms of this agreement and all manufacturer's instructions and warranty requirements. Any modifications or additions to the Equipment required by any such governmental edict or insurance policy will be promptly made by Debtor.

9. ALTERATIONS; SECURITY INTEREST COVERAGE. Without the prior written consent of Secured Party, Debtor will not make any alterations, additions or improvements to any Item of Equipment which detract from its economic value or functional utility, except as may be required pursuant to paragraph 8 above. Secured Party's security interest in the Equipment will include all modifications and additions thereto and replacements and substitutions therefor, in whole or in part. Such reference to replacements and substitutions will not grant Debtor greater rights to replace or substitute than are provided in paragraph 10 below or as may be allowed upon the prior written consent of Secured party.

10. MAINTENANCE. Debtor will maintain the equipment in good repair, condition and working order. Debtor will also cause each Item of Equipment for which a service contract is generally available to be covered by such a contract which provides coverages typical as to property of the type involved and is issued by a competent servicing entity.

11. LOSS AND DAMAGE; CASUALTY VALUE. In the event of the loss of, theft of, requisition of, damage to or destruction of an Item of Equipment ("Casualty Occurrence") Debtor will give Secured Party prompt notice thereof and will thereafter place such Items in good repair, condition and working order; provided, however, that if such Item is determined by secured party to be lost, stolen, destroyed or damaged beyond repair, is requisitioned or suffers a constructive total loss as defined in any applicable insurance policy carried by Debtor in accordance with paragraph 14 below, Debtor, at Secured Party's option, will (a) replace such Item with like equipment in good repair, condition and working order whereupon such replacement equipment will be deemed such Item for all purposes hereof or (b) pay Secured Party the "Casualty Value" of such Item which will equal the total of (i) all installment payments and other amounts due from Debtor to Secured Party at the time of such payment and (ii) each future installment payment due with respect to such Item discounted at six percent (6.0%) per annum simple interest will terminate with, and only with, respect to the Item of Equipment so replaced or as to which such payment is made in accordance with paragraph 2 above.

12. TITLING; REGISTRATION. Each Item of Equipment subject to title registration laws will at all times be titled and/or registered by Debtor as Secured Party's agent and attorney-in-fact with full power an authority to register (but without power to affect title to) the Equipment in such manner and in such jurisdiction or jurisdictions as Secured Party directs. Debtor will promptly notify Secured Party of any necessary or advisable retitling and/or reregistration of an Item of Equipment in a jurisdiction other than one in which such Items is then titled and/or registered. Any and all documents of title will be furnished to or caused to be furnished Secured Party by Debtor within sixty (60) days of the date any titling or registering or retitling or reregistering, as appropriate, is directed by Secured Party.

13. TAXES. Debtor will make all filings as to and pay when due all personal property and other ad valorem taxes and all other taxes, fees, charges and assessments based on the ownership or use of the Equipment and will pay as directed by Secured Party or reimburse Secured Party for all other taxes, including, but not limited to, gross receipts taxes (exclusive of federal and state taxes based on Secured Party's net income, unless such net income taxes are in substitution for or relieve Debtor from any taxes which Debtor would otherwise be obligated to pay under the terms of this paragraph 13), fees, charges and assessments whatsoever, however designated, whether based on the installment payments or other amounts due hereunder, levied, assessed or imposed upon the Equipment or otherwise related hereto or to the Equipment, now or hereafter levied, assessed or imposed under the authority of a federal, state or local taxing jurisdiction, regardless of when and by whom payable. Filings with respect to such other amounts will, at Secured Party's option, be made by Secured Party or by Debtor as directed by Secured Party.

14. INSURANCE. Debtor will procure and continuously maintain all risk insurance against loss of or damage to the Equipment from any cause whatsoever for not less than the full replacement value thereof naming Secured Party as Loss Payee. Such insurance will be in a form and with companies approved by Secured Party, will provide at least ten (10) days advance written notice to Secured Party of cancellation, change or modification in any term, condition or amount of protection provided therein, will provide full breach of warranty protection and will provide that the coverage is "primary coverage" (does not require contribution from any other applicable coverage). Debtor will provide Secured Party with an original policy or certificate evidencing such insurance. In the event of an assignment of this Agreement of which Debtor has notice, Debtor will cause such insurance to provide the same protection to the assignee as its interests may appear. The proceeds of such insurance, at the option of Secured Party or such assignee, as appropriate, will be applied toward (a) repair or replacement of the appropriate Item or Item of Equipment, (b) payment of the Casualty Value thereof or (c) payment of, or as provision for, satisfaction of any



other accrued obligations of Debtor hereunder. Debtor hereby appoints Secured Party as Debtor's attorney-in-fact with full power and authority to do all things, including, but not limited to, making claims, receiving payments and endorsing documents, checks or drafts, necessary to secure payments due under any policy contemplated hereby on account of a Casualty Occurrence. Debtor and Secured Party contemplate that the jurisdictions where the Equipment will be located will not impose any liability upon Secured Party for personal injury and/or property damage resulting out of the possession, use, operation or condition of the Equipment. In the event Secured Party determines that such is not or may not be the case with respect to a given jurisdiction, Debtor will provide Secured Party with public liability and property damage coverage applicable to the Equipment in such amounts and such form as Secured Party requires.

15. SECURED PARTY'S PAYMENT. If Debtor fails to pay any amounts due hereunder or to perform any of its other obligations under this agreement, Secured Party may, at its option, but without any obligation to do so, pay such amounts or perform such obligations, and Debtor will (a) reimburse Secured Party the amount of such payment or cost of such performance and (b) pay Secured Party a service charge calculated as provided in paragraph 23 below.

16. INDEMNITY. Debtor does hereby assume liability for and does agree to indemnify, defend, protect, save and keep harmless Secured Party from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including court costs and legal expenses, of whatever kind and nature, imposed on, incurred by or asserted against Secured Party (whether or not also indemnified against by any other person) in any way relating to or arising out of this agreement or the manufacture, financing, ownership, delivery, possession, use operation, condition or disposition of the Equipment by Secured Party or Debtor, including, without limitation, any claim alleging latent and other defects, whether or not discoverable by Secured Party or Debtor, and any other claim arising out of strict liability in tort, whether or not in either instance relating to an event occurring while Debtor remains obligated under this agreement; and any claim for patent, trademark or copyright infringement. Debtor agrees to give Secured Party and Secured Party agrees to give Debtor notice of any claim or liability hereby indemnified against promptly following learning thereof.

17. DEFAULT. Any of the following will constitute an event of default hereunder: (a) Debtor's failure to pay when due any installment payment or other amount due hereunder, which failure continues for seven (7) days after the due date thereof; (b) Debtor's default in performing any other obligation, term or condition of this agreement or any other agreement between Debtor and Secured Party or default under any further agreement providing security for the performance by Debtor of its obligations hereunder, provided such default has continued for more than twenty (20) days, except as provided in (c) and (d) hereinbelow, or default under any lease or any mortgage or other instrument contemplating the provision of financial accommodation applicable to the real estate where an Item of Equipment is located; (c) any writ or order of attachment or execution or other legal process being levied on or charged against any Item of Equipment and not being released or satisfied within ten (10) days; (d) Debtor's failure to comply with its obligations under paragraph 14 above or any transfer by Debtor in violation of paragraph 21 below; (e) a non-appealable judgment for the payment of money in excess of \$100,000 being rendered by a court of record against Debtor which Debtor does not discharge or make provision for discharge in accordance with the terms thereof within ninety (90) days from the date of entry thereof; (f) death or judicial declaration of incompetency of Debtor, if an individual; (g) the filing by Debtor of a petition under the Bankruptcy Code or any amendment thereto or under any other insolvency law or law providing for the relief of debtors, including, without limitation, a petition for reorganization, arrangement or extension, or the commission by Debtor of an act of bankruptcy; (h) the filing against Debtor of any such petition not dismissed or permanently stayed within thirty (30) days of the filing thereof; (i) the voluntary or involuntary making of an assignment of a substantial portion of its assets by Debtor for the benefit of creditors, appointment of a receiver or trustee for Debtor or for any of Debtor's assets, institution by or against Debtor or any other type of insolvency proceeding (under the Bankruptcy Code or otherwise) or of any formal or informal proceeding for dissolution, liquidation, settlement of claims against or winding up of the affairs of Debtor, Debtor's cessation of business activities or the making by Debtor of a transfer of all or a material portion of Debtor's assets or inventory not in the ordinary course of business; (j) the occurrence of any event described in parts (e), (f), (g), (h) or (i) hereinabove with respect to any guarantor or other party liable for payment or performance of this agreement; (k) any certificate, statement, representation, warranty or audit heretofore or hereafter furnished with respect hereto by or on behalf of Debtor or any guarantor or other party liable for payment or performance of this agreement proving to have been false in any material respect at the time as of which the facts therein set forth were stated or certified or having omitted any substantial contingent or unliquidated liability or claim against Debtor or any such guarantor or other party; (l) breach by Debtor of any lease or other agreement providing financial accommodation under which Debtor or its property is bound or (m) a transfer of effective control of Debtor, if an organization.

18. REMEDIES. Upon the occurrence of an event of default, Secured Party will have the rights, options, duties, and remedies of a secured party, and Debtor will have the rights and duties of a debtor, under the California Uniform Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, Secured Party may exercise any one or more of the following remedies: (a) declare the Casualty Value (or such lesser amount as may be set by law) immediately due and payable with respect to any or all Items of Equipment without notice or demand to Debtor; (b) sue from time to time for and recover all installment payments and other payments then accrued and which accrue during the pendency of such action with respect to any or all Items of Equipment; (c) take possession of and, if deemed appropriate, render unusable any or all of the Collateral, without demand or notice, wherever same may be located, without any court order or other process of law and without liability for any damages occasioned by such taking of possession and remove, keep and store the same, or use and operate or lease the same until sold; (d)



require Debtor to assemble any or all of the Collateral at such locations as Secured Party shall designate; (e) upon ten (10) days notice to Debtor or such other notice as may be required by law, sell or otherwise dispose of any Item of Equipment, whether or not in Secured Party's possession, in a commercially reasonable manner at public or private sale at any place deemed appropriate and apply the net proceeds of such sale, including, but not limited to, costs of transportation, repossession, storage, refurbishing, advertising and brokers fees, to the obligations of Debtor to Secured Party hereunder or otherwise, with Debtor remaining liable for any deficiency and with any excess being returned to Debtor; (f) upon thirty (30) days' notice to Debtor, retain any repossessed or assembled Collateral as Secured Party's own property in full satisfaction of Debtor's liability for the installment payments due hereunder with respect thereto, provided that Debtor will have the right to redeem such Collateral by payment in full of its obligations to Secured Party hereunder or otherwise or to require Secured Party to sell or otherwise dispose of such Collateral in the manner set forth in subparagraph (e) hereinabove upon notice to Secured Party within such thirty (30) day period or (g) utilize any other remedy available to Secured Party under the Uniform Commercial Code or similar provision of law or otherwise at law or in equity.

No right or remedy conferred herein is exclusive of any other right or remedy conferred herein or by law; but all such remedies are cumulative of every other right or remedy conferred hereunder of at law or in equity, by statute or otherwise, and may be exercised concurrently or separately from time to time. Any sale contemplated by subparagraph (e) of this paragraph 18 may be adjourned from time to time by announcement at the time and place appointed for such sale, or for any such adjourned sale, without further published notice, and Secured Party may bid and become the purchaser at any such sale. Any sale of an Item of Equipment, whether under said subparagraph or by virtue of judicial proceedings, will operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Debtor in and to said Item and will be a perpetual bar to any claim against such Item, both at law and in equity, against Debtor and all persons claiming by, through or under Debtor.

19. DISCONTINUANCE OF REMEDIES. If Secured Party proceeds to enforce any right under this agreement and such proceedings are discontinued or abandoned for any reason or are determined adversely, then and in every such case Debtor and Secured Party will be restored to their former positions and rights hereunder.

20. SECURED PARTY'S EXPENSES. Debtor will pay Secured Party all costs and expenses, including attorneys' fees and court costs and sales costs not offset against sales proceeds under paragraph 18 above, incurred by Secured Party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions hereof. This obligation includes the payment or reimbursement of all such amounts whether an action is ultimately filed and whether an action filed is ultimately dismissed.

21. ASSIGNMENT. Without the prior written consent of Secured Party, Debtor will not sell, lease, pledge or hypothecate, except as provided in this Agreement, any Item of Equipment or any interest therein or assign, transfer, pledge or hypothecate this Agreement or any interest in this Agreement or permit the Equipment to be subject to any lien, charge or encumbrance of any nature except the security interest of Secured Party contemplated hereby, and any such prohibited act shall be null and void. Consent by Secured Party to any of the foregoing prohibited acts applies only in the given instance and is not a consent to any subsequent like act by Debtor or any other person.

All rights of Secured Party hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of, either in whole or in part, without notice to Debtor but always, however, subject to the rights of Debtor under this Agreement. If Debtor is given notice of any such assignment, Debtor will acknowledge receipt thereof in writing. In the event Secured Party assigns this Agreement or the installment payments due or to become due hereunder or any other interest herein, whether as security for any of its indebtedness or otherwise, no breach or default by Secured Party hereunder or pursuant to any other agreement between Secured Party and Debtor, should there be one, will excuse performance by Debtor of any provision hereof, it being understood that in the event of such default or breach by Secured Party that Debtor will pursue any rights on account thereof solely against Secured Party. No such assignee, unless such assignee agrees in writing, will be obligated to perform any duty, covenant or condition required to be performed by Secured Party in connection with this agreement.

Subject always to the foregoing, this Agreement inures to the benefit of, and is binding upon, the heirs, legatees, personal representatives, successors and assigns of the parties hereto.

22. MARKINGS; PERSONAL PROPERTY. If Secured Party supplies Debtor with labels, plates, decals or other markings stating that Secured Party has an interest in the Equipment, Debtor will affix and keep the same prominently displayed on the Equipment or will otherwise mark the Equipment or its then location or locations, as appropriate, at Secured Party's request to indicate Secured Party's security interest in the Equipment. The Equipment is, and at all times will remain, personal property notwithstanding that the Equipment or any Item thereof may now be, or hereafter become, in any manner affixed or attached to, or embedded in, or permanently resting upon real property or any improvement thereof or attached in any manner to what is permanent as by means of cement, plaster, nails, bolts, screws or otherwise. If requested by Secured Party, Debtor will obtain and deliver to Secured Party waivers of interest or liens in recordable form satisfactory to Secured Party from all persons claiming any interest in the real property on which an Item of Equipment is or is to be installed or located.

23. LATE CHARGE. If Debtor fails to pay any installment payment or any other sum to be paid by Debtor to Secured Party when due, Debtor will pay to Secured Party (a) Secured Party's collection costs paid third parties relevant to the collection thereof, (b) interest on such unpaid installment or other amount at the rate of



eighteen percent (18%) per annum, or at such lesser contract rate as may be applicable, computed from the date due to the date paid and (c) a service charge equal to the product of \$25.00 and the greater of the number of commitments or billing locations affected during each month or portion thereof during which such failure will continue as compensation for Secured Party's internal operating expenses arising as a result of such failure. It is understood that only \$25.00 will be due under subparagraph (c) in any given month as to a given commitment or billing location notwithstanding the number of related installment or other payments which are past due during such month.

24. NON-WAIVER. No covenant or condition of this agreement can be waived except by the written consent of Secured Party. Forbearance or indulgence by Secured Party in regard to any breach hereunder will not constitute a waiver of the related covenant or condition to be performed by Debtor.

25. ADDITIONAL DOCUMENTS. In connection with and in order to perfect and evidence the security interest in the Equipment granted Secured Party hereunder Debtor will execute and deliver to Secured Party such financing statements and similar documents as Secured Party requests in form and substance satisfactory to Secured Party. Debtor authorizes Secured Party where permitted by law to make filings of such financing statements without Debtor's signature. Debtor further will furnish Secured Party (a) a fiscal year end financial statement including balance sheet and profit and loss statement within one hundred twenty (120) days of the close of each fiscal year, (b) any other information normally provided by Debtor to the public and (c) such other financial data or information relative to this agreement and the Equipment, including, without limitation, copies of vendor proposals and purchase orders and agreements, as Secured Party may from time to time reasonably request. Debtor will procure and/or execute, have executed, acknowledge, have acknowledged, deliver to Secured Party, record and file such other documents and showings as Secured Party deems necessary or desirable to protect its interest in this agreement and the Equipment. Debtor will pay as directed by Secured Party or reimburse Secured Party for all filing, search, title report and other fees incurred by Secured Party in connection with any documents to be provided by Debtor pursuant to this paragraph or paragraph 22 and any further similar documents Secured Party may procure.

26. POWER OF ATTORNEY. Debtor hereby irrevocably makes, constitutes, and appoints Secured Party (and any of Secured Party's officers, employees, or agents designated by Secured Party) as Debtor's true and lawful attorney, with power to: (a) if Debtor refuses to, or fails timely to execute and deliver any of the documents described in paragraph 25, sign the name of Debtor on any of the documents described in paragraph 25, (b) endorse Debtor's name on any checks, notices, acceptances, money orders, drafts, or other item of payment or security that may come into Secured Party's possession; (c) at any time that an event of default has occurred and is continuing or Secured Party deems itself insecure (in accordance with Section 1208 of the California Uniform Commercial Code), notify the post office authorities to change the address for delivery of Debtor's mail to an address designated by Secured Party, to receive and open all mail addressed to Debtor, and to retain all mail relating to the Equipment and forward all other mail to Debtor; and (d) at any time that an event of default has occurred and is continuing or Secured Party deems itself insecure (in accordance with Section 1208 of the California Uniform Commercial Code), make, settle, and adjust all claims under Debtor's policies of insurance and make all determinations and decisions with respect to such policies of insurance. The appointment of Secured Party as Debtor's attorney, and each and every one of Secured Party's rights and powers, being coupled with an interest, is irrevocable until all of Debtor's obligations hereunder have been fully and finally repaid and performed and Secured Party's obligations hereunder is terminated.

27. DEBTOR'S WARRANTIES. Debtor certifies and warrants that the financial data and other information which Debtor has submitted, or will submit, to Secured Party in connection with this Agreement is, or will be at time of delivery, as appropriate, a true and complete statement of the matters therein contained. Debtor further certifies and warrants: (a) this Agreement has been duly authorized by Debtor and when executed and delivered by the person signing on behalf of Debtor below will constitute the legal, valid and binding obligation, contract and agreement of Debtor enforceable against Debtor in accordance with its respective terms; (b) this Agreement and each and every showing provided by or on behalf of Debtor in connection herewith may be relied upon by Secured Party in accordance with the terms thereof notwithstanding the failure of Debtor or other applicable party to ensure proper attestation thereto, whether by absence of a seal or acknowledgment or otherwise; (c) Debtor has the right, power and authority to grant a security interest in the Equipment to Secured Party for the uses and purposes herein set forth; and (d) each Item of Equipment will, at the time such item becomes subject hereto, be in good repair, condition and working order; (e) the chief executive office of Debtor is located at the address indicated on the signature page hereof and Debtor's Federal Employer Identification Number is _____; (f) Debtor is duly organized and existing and in good standing under the laws of the state of its incorporation and qualified and licensed to do business in, and in good standing in, any state where the failure to be so licensed or qualified could reasonably be expected to have a material adverse effect on the business, operations, condition (financial or otherwise), finances, or prospects of Debtor or on the value of the Equipment to Secured Party; (g) the execution, delivery, and performance of the this Agreement are within Debtor's corporate powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in Debtor's Articles or Certificate of Incorporation, or By-laws, nor will they constitute an event of default under any material agreement to which Debtor is a party or by which its properties or assets may be bound; (h) there are no actions or proceedings pending by or against Debtor before any court or administrative agency and Debtor does not have knowledge or belief of any pending, threatened, or imminent litigation, governmental investigations, or claims, complaints, actions, or prosecutions involving Debtor or any guarantor of this Agreement, except for: (i) ongoing collection matters in which Debtor is the plaintiff; (ii) matters previously disclosed to Secured Party in writing; and (iii) matters arising after the date hereof that, if decided adversely to Debtor, would not materially impair the prospect of

42-123700
Heartland
Rail Corp.
36-335470
Iowa Interstate
Railroad, Inc.



repayment of the Obligations or materially impair the value or priority of Secured Party's security interests in the Collateral.

28. AFFIRMATIVE COVENANTS. Debtor covenants and agrees that until full and final payment of all obligations owing to Secured Party hereunder have been paid in full and this Agreement has been terminated, and unless Secured Party shall otherwise consent in writing, Debtor shall not do any of the following: (a) enter into any acquisition, merger, consolidation, reorganization, or recapitalization, or reclassify its capital stock, or liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, assign, lease, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business, property, or assets, whether now owned or hereafter acquired, or acquire by purchase or otherwise all or substantially all of the properties, assets, stock, or other evidence of beneficial ownership of any person or entity; (b) change Debtor's name, Federal Employer Identification Number, business structure, or identity, or add any new fictitious name; (c) suspend or go out of a substantial portion of its business; or (d) relocate its chief executive office to a new location.

29. ENTIRE AGREEMENT. This Agreement constitutes the entire Agreement between Secured Party and Debtor and will not be amended, altered or changed except by a written agreement signed by the parties hereto. Debtor may not retire Debtor's installment payment obligations with respect to the Equipment prior to their maturity without Secured Party's prior written consent.

30. GENDER, NUMBER; JOINT AND SEVERAL LIABILITY. Whenever the context of this agreement requires, the neuter gender includes the feminine or masculine and the singular number includes the plural; and whenever the words "Secured Party" are used herein, they include all assignees of Secured Party, it being understood that specific reference to "assignee" in paragraph 14 above is for further emphasis. If there is more than one Debtor named in this Agreement, the liability of each will be joint and several.

31. TITLES. The titles to the paragraphs of this Agreement are solely for the convenience of the parties and are not an aid in the interpretation of this Agreement.

32. TIME. Time is of the essence of this Agreement and each and all of its provisions.

33. NOTICES. Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by prepaid telex, TWX, telefacsimile, or telegram (with messenger delivery specified) to Debtor or to Secured Party, as the case may be, at its address set forth on the signature pages hereof. The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section, other than notices by Secured Party in connection with Sections 9504 or 9505 of the Code, shall be deemed received on the earlier of the date of actual receipt or three (3) days after the deposit thereof in the mail. Debtor acknowledges and agrees that notices sent by Secured Party in connection with Sections 9504 or 9505 of the Code shall be deemed sent when deposited in the mail or transmitted by telefacsimile or other similar method set forth above.

34. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER. THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ITS CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA OR, AT THE SOLE OPTION OF SECURED PARTY, IN ANY OTHER COURT IN WHICH SECURED PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF DEBTOR AND SECURED PARTY WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 34. DEBTOR AND SECURED PARTY HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. DEBTOR AND SECURED PARTY REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS



FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

IN WITNESS WHEREOF, the undersigned have executed these presents as of September 29, 2000.

JULES AND ASSOCIATES, INC.

By: _____

Title: _____

515 So. Figueroa Street
Suite 1950
Los Angeles, CA 90071
Facsimile No: (213) 362-5610
Attention: _____

Heartland Rail Corporation and Iowa Interstate
Railroad, Ltd. as Co-Debtors

Debtor

By: _____

Title: Jon R. Roy, President of Heartland
Rail Corporation

By: _____

Title: Lee J. Gullickson, Treasurer of Iowa
Interstate Railroad, Ltd.

Address: 800 Webster Street
Iowa City, IA 52240
Facsimile No.: (319) 339-9506
Attention: Jon R. Roy/Lee J. Gullickson

[attach notarial acknowledgement]

DEBTOR'S ACKNOWLEDGMENT

STATE OF Iowa)
COUNTY OF Johnson) SS

The foregoing instrument was acknowledged before me this 23 day of October, 2000, by Jon R. Roy the President of Heartland Rail Corp. a Corporation, on behalf of said corporation.

Carolyn L. Young
Notary Public



SECURED PARTY'S ACKNOWLEDGMENT

STATE OF CA.)
COUNTY OF Los Angeles) SS

The foregoing instrument was acknowledged before me this 23 day of October, 2000, by Jules Buenhenta the President of Jules and Associates, Inc. a Corporation, on behalf of said corporation.

Ken Paul Beltran
Notary Public

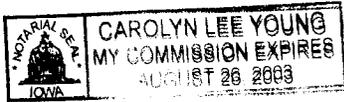


DEBTOR'S ACKNOWLEDGMENT

STATE OF Iowa)
COUNTY OF Johnson) SS

The foregoing instrument was acknowledged before me this 23 day of October, 2000, by Lee J. Gullickson the Treasurer of Iowa INTERSTATE RAILROAD, Ltd a Corporation, on behalf of said corporation.

Carolyn Lee Young
Notary Public



SECURED PARTY'S ACKNOWLEDGMENT

STATE OF CA.)
COUNTY OF Los Angeles) SS

The foregoing instrument was acknowledged before me this 23 day of October, 2000, by Jules Buenavista the President of Jules and Associates, P.A. a Corporation, on behalf of said corporation.

Ken Paul Beltran
Notary Public

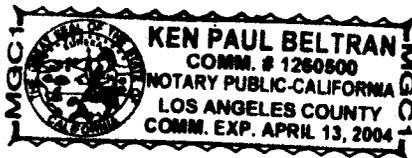


EXHIBIT "A"
JULES AND ASSOCIATES, INC.
EQUIPMENT FINANCING AGREEMENT DATED SEPTEMBER 29, 2000
SCHEDULE NO. 1

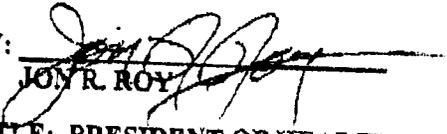
<u>QUANTITY</u>	<u>EQUIPMENT DESCRIPTION:</u>		
4	EMD LOCOMOTIVES		
	<u>Unit Number</u>	<u>Model</u>	<u>Frame Number</u>
	IAIS 250	SW1200	4491-20
	IAIS 466	GP8	6497-9
	IAIS 468	GP8	6496-1
	IAIS 403	GP10	5553-27

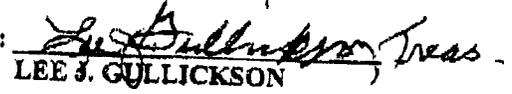
Along with all additions, substitutions, attachments, replacements, and accessions thereof, plus the proceeds of all the foregoing including amounts payable under any insurance policy.

This Exhibit "A" is attached to and a part of Jules and Associates, Inc. Equipment Financing Agreement dated September 29, 2000 Schedule No. 1 and constitutes a true and accurate description of the equipment.

**DEBTOR: HEARTLAND RAIL CORPORATION AND
IOWA INTERSTATE RAILROAD, LTD. AS CO-DEBTORS**

ACKNOWLEDGED & ACCEPTED BY:

BY: 
JOY R. ROY
TITLE: PRESIDENT OF HEARTLAND RAIL CORPORATION

BY:  Treas.
LEE J. GULLICKSON
TITLE: TREASURER OF IOWA INTERSTATE RAILROAD, LTD.