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FRANKLIN G. PILICY\*

DONALD J. RENALDI  
As of Counsel to the Firm

DOCUMENTS FOR RECORDATION

\*ALSO ADMITTED IN MA

January 21, 2010

UPS OVERNIGHT

Surface Transportation Board  
Attn: Secretary  
395 E Street, SW  
Washington, DC 20024

RECORDATION NO. 28714 FILED

JAN 22 '10 -3 13 PM

SURFACE TRANSPORTATION BOARD

Re: Debtor: The Valley Railroad Company  
Secured Party: Webster Bank, National Association

Dear Secretary:

I have enclosed two (2) originals and ten (10) copies of the documents described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code. These documents are as follows:

1. Security Agreement, a primary document, dated December 23, 2009.
2. UCC-1 Financing Statement, a secondary document, dated December 23, 2009.

We request that these documents be cross-indexed.

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

Debtor – The Valley Railroad Company  
Secured Party – Webster Bank, National Association.

A description of the equipment covered by the documents follows:

One (1) 1989 SY1658M Mikado 2-8-2 Steam Locomotive and all parts or accessories owned by Debtor to be used and/or incorporated into the Steam Locomotive in connection with the restoration of the Steam Locomotive.

A fee of \$82.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to:

Franklin G. Pilicy, P.C.  
Attorney at Law  
365 Main Street  
Watertown, CT 06795

Surface Transportation Board  
Attn: Secretary  
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January 21, 2010

A short summary of the documents to appear in the index follows:

Primary Document – Security Agreement between The Valley Railroad Company, 1 Railroad Avenue, Essex, Connecticut 06426 and Webster Bank, National Association, 145 Bank Street, Waterbury, Connecticut 06702 dated December 23, 2009 and covering One (1) 1989 SY1658M Mikado 2-8-2 Steam Locomotive and all parts or accessories owned by Debtor to be used and/or incorporated into the Steam Locomotive in connection with the restoration of the Steam Locomotive.

Secondary Document – UCC-1 Financing Statement between The Valley Railroad Company, 1 Railroad Avenue, Essex, Connecticut 06426 and Webster Bank, National Association, 145 Bank Street, Waterbury, Connecticut 06702 dated December 23, 2009 and covering One (1) 1989 SY1658M Mikado 2-8-2 Steam Locomotive and all parts or accessories owned by Debtor to be used and/or incorporated into the Steam Locomotive in connection with the restoration of the Steam Locomotive.

Please provide proof of filing of the primary document and the secondary document to this office.

Thank you.

Respectfully,

FRANKLIN G. PILICY, P.C.

By  \_\_\_\_\_  
Franklin G. Pilicy

FGP/ef  
Enclosures

cc. Webster Bank, National Association

JAN 22 '10 -3 13 PM

**SECURITY AGREEMENT**

**SURFACE TRANSPORTATION BOARD**

This Security Agreement entered into this <sup>23<sup>rd</sup></sup> day of Dec, 2009, by **THE VALLEY RAILROAD COMPANY**, a Connecticut corporation having a place of business at 1 Railroad Avenue in the Town of Essex, County of Middlesex and State of Connecticut, (hereinafter "BORROWER" and "DEBTOR") and **WEBSTER BANK, NATIONAL ASSOCIATION**, a national association with offices at 145 Bank Street, Waterbury, Connecticut (hereinafter "SECURED PARTY").

**WITNESSETH**

To secure the payment of an indebtedness in the maximum principal amount of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)**, with interest, payable in accordance with the terms of a Note of even date herewith, which are attached hereto and made a part hereof as Schedule "B" (the "Note"), and to secure the performance or payment of all debts, liabilities and obligations of any kind, whenever and however incurred of DEBTOR to SECURED PARTY to the extent evidenced by the Note (the "indebtedness"), DEBTOR hereby grants and conveys to the SECURED PARTY a security interest in the collateral described on the attached Schedule A (herein the "Collateral"), which Collateral the DEBTOR represents will be used primarily in its business, all property, goods and chattels of the same class as those scheduled acquired by the DEBTOR subsequent to the execution of this Agreement and prior to its termination, to be used in connection with mortgaged premises all proceeds additions and accessions thereto.

**1. DEBTOR'S COVENANTS: DEBTOR warrants, covenants and agrees as follows:**

a. To pay and perform all of the obligations secured by this Agreement according to their terms.

b. On demand of the SECURED PARTY to do the following: execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of this Agreement, execute any instrument or statement required by law or otherwise in order to perfect, continue or terminate the security interest of the SECURED PARTY in the Collateral and pay all costs of filing in connection therewith.

c. To retain possession of the Collateral during the existence of this Agreement and not to sell, exchange, assign, loan, deliver, lease, mortgage or otherwise dispose of same without the written consent of the SECURED PARTY, which consent will not unreasonably be withheld (except for property which may be replaced or which may be sold in the ordinary course of business provided the DEBTOR is not in default hereunder) and to notify SECURED PARTY of the amounts and whereabouts of any proceeds in the event of any sale.

d. To keep the Collateral free and clear of all liens, charges, encumbrances, taxes and assessments other than that hereby created and other than liens to SECURED PARTY.

e. To pay, when due, all taxes, assessments and license fees relating to the Collateral.

f. To keep the Collateral, at DEBTOR'S own cost and expense, in good repair and condition and to use it for the purposes intended and not to misuse, abuse, waste or allow it to deteriorate except for normal wear and tear and to make same available for inspection by the SECURED PARTY during normal business hours and upon reasonable notice.

To keep the Collateral insured against loss by fire, including extended coverage, theft and other hazard as the SECURED PARTY may require in an amount equal to the full value of the Collateral and in no event less than the outstanding indebtedness to extent available. Policies covering the collateral shall be obtained from responsible insurers authorized to do business in Connecticut. Certificates of insurance or policies shall have attached thereto a loss payable clause making loss payable to the SECURED PARTY as its interest may appear, and all such policies and renewal policies shall be deposited, on request by the SECURED PARTY, with the SECURED PARTY. Each policy or endorsement shall contain a clause requiring the insured to give not less than ten (10) days' written notice to the SECURED PARTY in the event of cancellation of the policy for any reason whatsoever, and a clause that the interest of the SECURED PARTY shall not be impaired or invalidated by any act or neglect of the DEBTOR or owner of the Collateral nor by the occupation of the premises where the Collateral is located for purposes more hazardous than are permitted by said policy. DEBTOR shall give immediate written notice to the SECURED PARTY and to insurers of loss or damage to the Collateral and shall promptly file proof of loss with insurers. DEBTOR hereby appoints the SECURED PARTY the attorney of the DEBTOR in obtaining and adjusting any such insurance and endorsing settlement drafts and hereby assigns to the SECURED PARTY all sums which may become payable under such insurance, including return premiums and dividends, as additional security for the indebtedness. In the event of termination or threatened termination of insurance, the SECURED PARTY has the right to obtain its own insurance covering the Collateral and to add the costs of obtaining and maintaining such insurance as an additional obligation of the DEBTOR to the SECURED PARTY.

Nothing herein shall relieve the DEBTOR of its duty or obligation to do any act for which the SECURED PARTY may be hereby appointed attorney for the DEBTOR.

g. In the conduct of its business, DEBTOR will comply in all material respects with all applicable laws, ordinances, rules and regulations of all governmental authorities having jurisdiction over DEBTOR and/or its business.

h. DEBTOR authorizes SECURED PARTY upon prior notice of thirty days to DEBTOR, where reasonable to give such notice, if DEBTOR fails to do so, to do all things required of DEBTOR herein and charge all reasonable expenses incurred to DEBTOR and charge interest on the same until repayment to it at the interest rate provided in the Note; and that failure to repay any said advance with interest within one (1) month from the date of such advance shall constitute a default hereunder.

i. To provide the SECURED PARTY with annual financial statements within 120 days of the end of DEBTOR'S fiscal year, and to make all its books and records available for inspection by the SECURED PARTY during reasonable business hours upon reasonable advance notice to Debtor.

2. Non-Waiver: Waiver of or acquiescence in any default by the DEBTOR or failure of the SECURED PARTY to insist upon strict performance by the DEBTOR of any warranties or agreements on this Security Agreement shall not constitute a waiver of any subsequent or other default or failure.

3. Default: The following shall constitute a default by DEBTOR:

- a. Non-payment of any amount due under the Note, which non-payment continues for ten (10) days or any other event of default as provided in the Note, in each case beyond any applicable grace period.
- b. Failure by DEBTOR to comply with or perform any provision of this Agreement or other obligations of DEBTOR to SECURED PARTY hereby beyond any applicable grace period.
- c. If any representations or warranties made or given by DEBTOR in connection with this Agreement proves to be materially false or misleading as of the date made.
- d. Commencement of any bankruptcy or other insolvency proceeding by or against the DEBTOR, which is not discharged within a ninety (90) day period.
- e. Default beyond any applicable grace period under any other loan agreement, promissory note, security agreement or mortgage deed executed by DEBTOR or any guarantor of the indebtedness in respect of any debt owed to SECURED PARTY.

4. Remedies on Default: Upon any default and upon demand, DEBTOR agrees immediately to assemble the Collateral and make it available to SECURED PARTY at the place and time designated in the said demand. SECURED PARTY shall be entitled to immediate possession of the Collateral and SECURED PARTY may (i) enter any premises where any Collateral may be located for the purpose of taking possession of and removing the same; and (ii) sell, assign, lease or otherwise dispose of the Collateral or any part thereof, either at public or private sale acceptable to SECURED PARTY, all at SECURED PARTY'S sole option and as it, in its sole discretion may deem advisable, and SECURED PARTY may bid or become purchaser at any such sale if public, free from any right or redemption which is hereby expressly waived by the DEBTOR. Until sale the SECURED PARTY may store the Collateral on the premises where it is located when seized, and if said premises be the property of DEBTOR, DEBTOR agrees not to charge SECURED PARTY for storage thereof for a period of ninety (90) days before or after sale or disposition of said Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily

sold in a recognized market, SECURED PARTY will give DEBTOR reasonable notice of the time and place of any public sale or the time after which any private sale or other intended disposition will be made. The requirement of reasonable notice shall be met if such notice is mailed to DEBTOR at least ten (10) days before the time of the sale or disposition.

The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of Collateral shall be applied first to the expenses (including all attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, and then to the satisfaction of all liabilities of the DEBTOR to the SECURED PARTY, application as to particular obligations or against principal or interest under the Note to be in SECURED PARTY'S discretion. The DEBTOR shall be liable to SECURED PARTY and shall pay to SECURED PARTY on demand any deficiency which may remain after such sale, disposition, collection or liquidation of Collateral, and SECURED PARTY in turn agrees to remit to the DEBTOR, or other persons as their interest appear, any surplus remaining after all such liabilities have been paid in full.

5. Power of Attorney: To facilitate the exercise by SECURED PARTY of its rights and remedies the DEBTOR hereby constitutes SECURED PARTY or any other person whom the SECURED PARTY may designate, as attorney-in-fact for the DEBTOR, at the DEBTOR'S expense, to exercise all or any of the foregoing powers and other powers incidental to the foregoing, all of which, being coupled with interest, shall be irrevocable, shall continue until the indebtedness has been paid in full and shall be in addition to any other rights and remedies that SECURED PARTY may have. Said Power of Attorney shall not be used by SECURED PARTY unless there is a Notice of Default and the DEBTOR fails to cure said default.

6. Attorneys' Fees, etc.: Upon any default, the SECURED PARTY'S reasonable attorneys' fees and the legal and other reasonable expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising, and selling the Collateral shall be chargeable to the DEBTOR.

IN WITNESS WHEREOF, the parties have respectively signed and sealed these presents at Hartford, Connecticut the day and year first above written.

WITNESSED BY:

THE VALLEY RAILROAD COMPANY

By

  
Robert Bell

Its President  
Duly Authorized

WEBSTER BANK, NATIONAL ASSOCIATION

[Signature]  
[Signature]

By [Signature]  
John Rivers  
Its Vice President  
Duly Authorized

STATE OF CONNECTICUT :

: ss: December 23, 2009

COUNTY OF Hartford :

On this 23<sup>rd</sup> day of December, 2009, before me personally appeared ROBERT BELL, to me personally known, who being by me duly sworn, says that he is the President of THE VALLEY RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Signature]  
Notary Public  
My Commission Expires: 7/31/2013

STATE OF CONNECTICUT :

: ss: December 23, 2009

COUNTY OF Hartford :

On this 23<sup>rd</sup> day of December, 2009, before me personally appeared JOHN RIVERS, to me personally known, who being by me duly sworn, says that he is the Vice President of WEBSTER BANK, NATIONAL ASSOCIATION, that said instrument was signed on behalf of said national association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

[Signature]  
Notary Public  
My Commission Expires: 03/31/2014

SCHEDULE A

DEBTOR:

THE VALLEY RAILROAD COMPANY  
1 Railroad Avenue  
Essex, CT 06426

SECURED PARTY:

WEBSTER BANK, NATIONAL ASSOCIATION  
145 Bank Street  
Waterbury, CT 06702

The Security Agreement covers the following types or items of property or collateral:

One (1) 1989 SY1658M Mikado 2-8-2 Steam Locomotive and all parts or accessories owned by Debtor to be used and/or incorporated into the Steam Locomotive in connection with the restoration of the Steam Locomotive.

THE VALLEY RAILROAD COMPANY

By \_\_\_\_\_

  
Robert Bell

Its President

Duly Authorized