



RECORDATION NO. 30618 FILED

Lanny M. Van Daele
Corporate Counsel JAN 30 '13 -1 20 PM

Ph: 319-298-5405 SURFACE TRANSPORTATION BOARD
Fax: 319-298-5456
Email: lmvandaele@iaisrr.com

January 18, 2013

Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 E St. S.W.
Washington, D.C. 20423-0001



Re: Railroad Rehabilitation & Improvement Financing (RRIF) Loan Program;
Lender: United States of America, Secretary of Transportation,
Administrator of the Federal Railroad Administration;
Borrower: Iowa Interstate Railroad, Ltd.

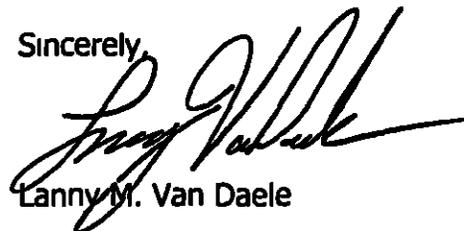
Dear Section Chief:

Enclosed for filing and recording is the Financing Statement and Security Agreement between the United States of American and the Iowa Interstate Railroad, Ltd.

In addition, enclosed is a check in the amount of \$42.00 made to the order of the Surface Transportation Board. The file stamped copy of the document should be returned to the undersigned at the address provided below.

If you have any comments or questions, please do not hesitate to contact me.

Sincerely,



Lanny M. Van Daele

cc:

Barbara Klein Barr
Chief, Credit Programs Division
1200 New Jersey Ave. S.E.
W36-320
Washington, D.C. 20590



FINANCING STATEMENT AND SECURITY AGREEMENT

**BORROWER/
DEBTOR:**

Iowa Interstate Railroad, Ltd
5900 6th St. S.W
Cedar Rapids, IA 52404

**LENDER/
SECURED PARTY:**

United States of America
Federal Railroad Administration
1200 New Jersey Ave. S.E.
Washington, D.C. 20590

COLLATERAL:

Eleven (11) General Electric Locomotives of the Model No.
ES44AC having the corresponding Road and Serial numbers:

- 500 - 59419
- 501 - 59420
- 502 - 59421
- 503 - 59422
- 504 - 59423
- 505 - 59424
- 506 - 59425
- 507 - 59426
- 508 - 59427
- 509 - 59428
- 510 - 59429
- 511 - 59430

JAN 30 '13 -1 20 PM

SECURITY AGREEMENT**SURFACE TRANSPORTATION BOARD**

THIS SECURITY AGREEMENT is dated as of December 5th, 2008, and made by and between IOWA INTERSTATE RAILROAD, LTD., a corporation organized and existing under the laws of Delaware ("*Borrower*"), and the UNITED STATES OF AMERICA, REPRESENTED BY THE SECRETARY OF TRANSPORTATION ACTING THROUGH THE ADMINISTRATOR OF THE FEDERAL RAILROAD ADMINISTRATION ("*Lender*").

WHEREAS, Borrower and the Lender have entered into a Financing Agreement of even date herewith (as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "*Financing Agreement*"). Capitalized terms used but not defined herein shall have the meaning set forth in the Financing Agreement.

WHEREAS, pursuant to the Financing Agreement, Borrower is entering into this Agreement in order to grant to the Lender a security interest in the Collateral (as hereinafter defined).

WHEREAS, it is a condition precedent to the making of advances under the Financing Agreement that Borrower shall have granted the assignment and security interest contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lender to make advances under the Financing Agreement, Borrower hereby agrees with the Lender as follows:

GRANT OF SECURITY. Borrower hereby pledges and grants to the Lender a security interest in Borrower's right, title and interest in and to the following, in each case, as to each type of property described below, whether now owned or hereafter acquired by Borrower, wherever located, and whether now or hereafter existing or arising (collectively, the "*Collateral*"):

- (a) All locomotives to be acquired with the proceeds of the funds provided by Lender under the provisions of the Financing Agreement, as further described in Schedule I hereto; and
- (b) All products and proceeds of the foregoing.

Section 1. **Security for Obligations.** This Agreement secures the payment of the Indebtedness, whether such obligations are direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, fees, premiums, penalties, indemnifications, contract causes of action, costs, expenses or otherwise.

Section 2. **Borrower Remains Liable.** Anything herein to the contrary notwithstanding, (a) Borrower shall remain liable under the Indebtedness to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Lender of any of the rights hereunder shall not release Borrower from any of its duties or obligations under the Indebtedness and (c) Lender shall not have any obligation or liability under the Indebtedness by reason of this

Agreement, nor shall Lender be obligated to perform any of the obligations or duties of Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 3. Representations and Warranties. Borrower represents and warrants as follows:

- (a) Borrower's exact legal name, as defined in Section 9-503(a) of the UCC, is correctly set forth in the introductory paragraph to this Agreement. Borrower is located (within the meaning of Section 9-307 of the UCC) and has its chief executive office in the state or jurisdiction set forth in **Schedule II** hereto. The information set forth in **Schedule II** hereto with respect to Borrower is true and accurate in all respects. Since January 1, 2000, Borrower has not changed its name, location, chief executive office, type of organization, jurisdiction of organization or organizational identification number from those set forth on **Schedule I** hereto
- (b) Borrower is the legal and beneficial owner of the Collateral free and clear of any lien, security interest, claim, option or right of others, except for the security interest created under this Agreement or permitted under the Financing Agreement. No effective financing statement or other instrument similar in effect covering all or any part of such Collateral or listing Borrower or any trade name of Borrower as debtor is on file in any recording office, except such as may have been filed in favor of the Lender or as otherwise permitted under the Financing Agreement.
- (c) All filings and other actions necessary to perfect the security interest in the Collateral created under this Agreement have been duly made or taken and are in full force and effect, and this Agreement creates in favor of the Lender a valid and, together with such filings and other actions, perfected first priority security interest in the Collateral, securing the payment of the Indebtedness.
- (d) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the grant by Borrower of the security interest granted hereunder or for the execution, delivery or performance of this Agreement by Borrower, or (ii) the perfection or maintenance of the security interest created hereunder (including the first priority nature of such security interest), except for the filing of financing and continuation statements under the UCC, which financing statements and lien filings have been duly made and are in full force and effect.

Section 4. Further Assurances.

- (a) Borrower agrees that from time to time, at the expense of Borrower, Borrower will promptly execute and deliver, or otherwise authenticate, all further instruments and documents, and take all further action that may be necessary or desirable, or that the Lender may request, in order to perfect and protect any security interest granted or purported to be granted by Borrower hereunder or to

enable the Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Borrower will promptly, with respect to Collateral: (i) execute or authenticate and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Lender may request, in order to perfect and preserve the security interest granted or purported to be granted by Borrower hereunder; and (ii) deliver to the Lender evidence that all other action that the Lender may deem reasonably necessary or desirable in order to perfect and protect the security interest created by Borrower under this Agreement has been taken.

- (b) Borrower hereby authorizes the Lender to file one or more financing or continuation statements, and amendments thereto, in each case without the signature of Borrower. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. Borrower ratifies its authorization for the Lender to have filed such financing statements, continuation statements or amendments filed prior to the date hereof.
- (c) Borrower will furnish to the Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with such Collateral as the Lender may reasonably request, all in reasonable detail.

Section 5. Transfers and Other Liens; Additional Shares. Borrower agrees that it will not (i) sell, assign or otherwise dispose of, or grant any option with respect to, any of the Collateral, except in the ordinary course of business, as permitted under the terms of section 5.7 of the Financing Agreement, or (ii) create or suffer to exist any lien upon or with respect to any of the Collateral except for the pledge, assignment and security interest created under this Agreement and liens permitted under section 5.8 of the Financing Agreement.

Section 6. Lender Appointed Attorney in Fact. Borrower hereby irrevocably appoints the Lender Borrower's attorney in fact, with full authority in the place and stead of Borrower and in the name of Borrower or otherwise, from time to time upon the occurrence and during the continuance of an Event of Default, in the Lender's discretion, to take any action and to execute any instrument that the Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to obtain and adjust insurance claims,
- (b) to ask for, demand, collect, sue for, recover, compromise, receive and give a quitance and receipts for moneys due and to become due under or in respect of any of the Collateral,
- (c) to receive, indorse and collect any drafts or other instruments, documents and chattel paper, in connection with clause (a) or (b) above, and

- (d) to file any claims or take any action or institute any proceedings that the Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce compliance with the rights of the Lender with respect to any of the Collateral.

Section 7. Lender May Perform. If Borrower fails to perform any agreement contained herein, the Lender may, but without any obligation to do so and without notice, itself perform, or cause performance of, such agreement, and the expenses of the Lender incurred in connection therewith shall be payable by Borrower.

Section 8. The Lender's Duties.

- (a) The powers conferred on the Lender hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not Lender has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.
- (b) Anything contained herein to the contrary notwithstanding, the Lender may from time to time, when the Lender deems it to be necessary, appoint one or more subagents (each a "*Subagent*") for the Lender hereunder with respect to all or any part of the Collateral. In the event that the Lender so appoints any Subagent with respect to any Collateral, (i) the assignment of such Collateral and the security interest granted in such Collateral hereunder shall be deemed for purposes of this Security Agreement to have been made to such Subagent, in addition to the Lender, as security for the Indebtedness, (ii) such Subagent shall automatically be vested, in addition to the Lender, with all rights, powers, privileges, interests and remedies of the Lender hereunder with respect to such Collateral, and (iii) the term "Lender," when used herein in relation to any rights, powers, privileges, interests and remedies of the Lender with respect to such Collateral, shall include such Subagent; *provided, however*, that no such Subagent shall be authorized to take any action with respect to any such Collateral unless and except to the extent expressly authorized in writing by the Lender.

Section 9. Default. The occurrence of an Event of Default shall constitute a default hereunder. Any notices provided under the Financing Agreement shall also serve as notices under this Security Agreement.

Section 10. Remedies. Upon the occurrence of a default, or at any time thereafter:

- (a) The Lender may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it under applicable law, all the rights and remedies of a secured party upon default under the UCC (whether or not the UCC applies to the affected Collateral) and also may: (i) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Lender's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Lender may deem commercially reasonable; (ii) occupy any premises owned or leased by Borrower where the Collateral or any part thereof is assembled or located for a reasonable period in order to effectuate its rights and remedies hereunder or under law, without obligation to Borrower in respect of such occupation; and (iii) exercise any and all rights and remedies of Borrower under or in connection with the Collateral, or otherwise in respect of the Collateral, including, without limitation, (A) any and all rights of Borrower to demand or otherwise require payment of any amount under, or performance of any provision of the Collateral, (B) exercise all other rights and remedies with respect to the Collateral, including, without limitation, those set forth in Section 9-607 of the UCC. Borrower agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.
- (b) At any time during which the Lender is exercising its rights and remedies in respect of the Collateral, any cash held by or on behalf of the Lender and all cash proceeds received by or on behalf of the Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held by the Lender as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Lender pursuant hereto) in whole or in part by the Lender against, all or any part of the Indebtedness. Any surplus of such cash or cash proceeds held by or on behalf of the Lender and remaining after payment in full of all the Indebtedness shall be paid over to Borrower or to whomsoever may be lawfully entitled to receive such surplus.
- (c) All payments received by Borrower under or in connection with any Collateral shall be received in trust for the benefit of the Lender, shall be segregated from other funds of Borrower and shall be forthwith paid over to the Lender in the same form as so received (with any necessary endorsement).
- (d) The Lender may, without notice to Borrower except as required by law and at any time or from time to time, charge, set off and otherwise apply all or any part of the Indebtedness against any funds held with respect to the Collateral or in any other deposit account.

Section 11. Indemnity and Expenses.

- (a) Borrower agrees to indemnify, defend and save and hold harmless Lender and each of its Affiliates and their respective officers, directors, employees, agents and advisors (each, an "*Indemnified Party*") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.
- (b) Borrower will upon demand pay to the Lender the amount of any and all reasonable expenses, including, without limitation, the reasonable fees and expenses of its counsel and of any experts and agents, that the Lender may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Lender hereunder or (iv) the failure by Borrower to perform or observe any of the provisions hereof.

Section 12. Amendments; Waivers. No amendment or waiver of any provision of this Agreement, and no consent to any departure by Borrower herefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Lender to exercise, and no delay in exercising any right hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

Section 13. Notices. All notices and other communications provided for hereunder shall be given in accordance with the Financing Agreement.

Section 14. Continuing Security Interest; Assignments under the Financing Agreement. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the termination of the Indebtedness, (b) be binding upon Borrower, its successors and assigns and (c) inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Lender and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Financing Agreement (including, without limitation, all or any portion of its commitment, the advances owing to it and the Note or Notes, if any, held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lender herein or otherwise.

Section 15. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and

all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

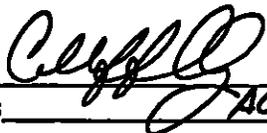
Section 16. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the District of Columbia, except with respect to the perfection of the security interest granted hereby and enforcement by Lender of its rights in the Collateral, which shall be governed by the laws of the State of Iowa.

Section 17. Release of Collateral. It is the understanding of Borrower and Lender that, so long as no Event of Default has occurred and is continuing, Borrower shall have the right to make, effect, and consummate such sales and other dispositions of any or all the right, title, or interest of Borrower in or to such portion or portions of the Collateral as is or may at any time, or from time to time, be or become necessary or desirable in the ordinary course of Borrower's business, free and clear of all liens and interests of Lender under this Agreement, provided that (a) such disposition is made for fair and reasonable consideration, (b) the asset or assets so being disposed shall have a market value not to exceed \$2,500,000 (c) the proceeds derived from such sale are used to acquire similar replacement assets (Borrower shall advise Lender of such replacement and update Schedule I) or paid in reduction of the Indebtedness and provided that (d) such sale or disposition is permitted under the Financing Agreement.

IN WITNESS WHEREOF, Borrower has caused this Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

LENDER:

FEDERAL RAILROAD ADMINISTRATION

By 
Its FEDERAL RAILROAD ADMINISTRATION

BORROWER:

IOWA INTERSTATE RAILROAD, LTD.
a Delaware company

By 
Manager

PRODUCT DESCRIPTION

Evolution Series - ES44AC - Serial Numbers 500 to 511

**Schedule II to the
Security Agreement**

**LOCATION, CHIEF EXECUTIVE OFFICE, BUSINESS LOCATIONS, TYPE OF
ORGANIZATION, JURISDICTION OF ORGANIZATION AND ORGANIZATIONAL
IDENTIFICATION NUMBER**

Location	Chief Executive Office	Business Locations	Type of Organization	Jurisdiction of Organization	Organizational ID No.
5900 6 th ST, SW Cedar Rapids, IA 52404	Dennis H. Miller President and CEO 5900 6 th ST, SW Cedar Rapids, IA 52404		"S" Corporation	Delaware	TIN 36-3304791