

RECORDATION NO. 32310 FILED

SEP 09 2016 -3 :30 PM

**Claria Horn Boom**  
Member  
859.244.3268 (t)  
859.231.0011 (f)  
cboom@fbtlaw.com

September 1, 2016

SURFACE TRANSPORTATION BOARD

VIA UPS OVERNIGHT

Surface Transportation Board  
Attn: Cynthia Brown, Chief  
Section of Administration/Office of Proceedings  
395 E Street, SW  
Washington, DC 20423  
(202) 245-0245

Re: Central Bank & Trust Co./R.J. Corman Railroad Company/Carolina Lines, LLC;  
R.J. Corman Railroad Company/Memphis Line; R.J. Corman Equipment  
Company, LLC

Dear Ms. Brown:

I have enclosed an original and one copy/counterpart of the document described below to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code. The document is a Security Agreement dated September 1, 2016, and is a primary document that also covers after acquired property. The name and address of the parties to the document are as follows:

SECURITY AGREEMENT

SECURED PARTY:

Central Bank & Trust Co.  
300 West Vine Street  
Lexington, Kentucky 40507

and

DEBTOR:

R.J. Corman Railroad Company/Carolina Lines, LLC  
101 R.J. Corman Drive  
P.O. Box 788  
Nicholasville, Kentucky 40356

September 1, 2016

Page 2

and

GUARANTORS

R.J. Corman Railroad Company/Memphis Line  
101 R.J. Corman Drive  
P.O. Box 788  
Nicholasville, Kentucky 40356

R.J. Corman Equipment Company, LLC  
101 R.J. Corman Drive  
P.O. Box 788  
Nicholasville, Kentucky 40356

A description of the equipment covered by the document is as follows:

**Railroad equipment (see Schedule 2 attached to the Security Agreement).**

A summary of the document to appear in the index is as follows:

A Security Agreement among R. J. Corman Railroad Company/Carolina Lines, LLC, R.J. Corman Railroad Company/Memphis Line, and R.J. Corman Equipment Company, LLC, all with a place of business at 101 R.J. Corman Drive, P.O. Box 788, Nicholasville, Kentucky 40356 and Central Bank & Trust Co., 300 West Vine Street, Lexington, Kentucky 40507 dated September 1, 2016 covering various types of collateral including without limitation, railroad locomotives and rolling stock with serial numbers RJCC 3812, RJCP 7710, RJCC 0100, RJCC 0950, and RJCC 0951, and hereafter acquired property.

A fee of \_\_\_\_\_ is enclosed for filing. Please return the original and any extra copies not needed by the Board for recordation, to me.

Very truly yours,

FROST BROWN TODD LLC



Claria Horn Boom,  
*Counsel for Central Bank & Trust Co.*

Enclosures

Copy to Alan VanArsdall (w/o encl.)

250 West Main Street | Suite 2800 | Lexington, KY 40507-1749 | 859.231.0000 | [frostbrowntodd.com](http://frostbrowntodd.com)  
Offices in Indiana, Kentucky, Ohio, Pennsylvania, Tennessee, Texas, Virginia and West Virginia

SEP 09 2016 -3 :30 PM

SURFACE TRANSPORTATION BOARD

**SECURITY AGREEMENT**

This is a Security Agreement dated as of September 1, 2016 (this "Agreement"), between:

**CENTRAL BANK & TRUST CO.,**

a Kentucky banking corporation  
300 West Vine Street  
Lexington, Kentucky 40507

(the "Lender")

and

**R.J. CORMAN RAILROAD COMPANY/CAROLINA LINES, LLC**

a South Carolina limited liability company  
101 R. J. Corman Drive  
P.O. Box 788  
Nicholasville, Kentucky 40356

(the "Debtor").

and

**R.J. CORMAN RAILROAD COMPANY/MEMPHIS LINE,**

a Kentucky corporation  
101 R. J. Corman Drive  
P.O. Box 788  
Nicholasville, Kentucky 40356

**R.J. CORMAN EQUIPMENT COMPANY, LLC,**

a Kentucky limited liability company  
101 R. J. Corman Drive  
P.O. Box 788  
Nicholasville, Kentucky 40356

(individually and collectively "Guarantors")

Recitals

A. **R.J. CORMAN RAILROAD COMPANY/CAROLINA LINES, LLC** ("Debtor") is indebted to the Lender as of the date hereof in the principal amount of Ten Million and 00/100 Dollars (\$10,000,000.00) (the "Loan") evidenced by a Commercial Note from Debtor to Lender in the original face amount of Ten Million Dollars (\$10,000,000.00) effective as of July 17, 2015 (the "Note").

B. In connection with the above-described loan, as well as other loans to related entities, Debtor, Lender, Guarantors, and other Borrowers and Guarantors (as defined in the Loan Agreement) entered into that certain Loan Agreement dated as of March 27, 2007 (as modified and amended, including without limitation, by that certain Thirteenth Modification of Loan Agreement and Amendment to Notes dated July 17, 2015, the "Loan Agreement").

C. The Note is an extension of previous credit extended to the Debtor and guaranteed by the Guarantors, along with other Guarantors, as evidenced by that certain Guaranty Agreement from Guarantors (along with other Guarantors) to Lender effective as of July 17, 2015 (the "Guaranty").

D. This Agreement evidences the ratification, extension and amendment of security interests previously granted by Debtor and does not constitute a novation, and also evidences the additional extension of security interests granted by Guarantors related to the Note. It is intended that all security interests previously granted to secure the Note remain in force and effect.

NOW, THEREFORE, the Debtor, Guarantors, and the Lender agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement. In addition, the following terms shall have the following meanings, and the meanings assigned to all capitalized terms used herein shall be equally applicable to both the singular and plural forms of the terms defined:

"Accounts Receivable" shall have the meaning given that term in the Loan Agreement.

"Collateral" shall mean any or all of the property in which the Debtor and Guarantors grant to the Lender a security interest under Section 2 of this Agreement.

"Event of Default" shall have the meaning given that term in Section 9 of this Agreement.

"General Intangibles" shall have the meaning given that term in the Loan Agreement.

"Inventory" shall have the meaning given that term in the Loan Agreement.

"Person" shall have the meaning given that term in the Loan Agreement.

"Secured Obligations" shall mean all of the obligations secured by this Agreement as set forth in Section 3 of this Agreement.

"Tangible Property" shall have the meaning given that term in the Loan Agreement, and shall include without limitation, the equipment and Tangible Property listed on Schedule 2 attached hereto and incorporated herein by reference.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the Commonwealth of Kentucky.

"Unmatured Default" shall mean the happening of any event or occurrence which, together with the giving of any required notice or the passage of any required period of time, or both, would constitute an Event of Default.

"Warehouse Receipts" shall mean any and all of the non-negotiable warehouse receipts and/or other documents of title issued by any Warehousemen with respect to any Inventory.

"Warehousemen" shall mean any Persons holding or storing any of the Inventory who have issued Warehouse Receipts evidencing their holding or storage of such Inventory.

2. Grant of Security Interests.

(a) The Debtor and Guarantors grant to the Lender a security interest in the following property wherever located, now existing and hereafter arising, acquired, or coming into existence:

(1) all of the Debtor's and Guarantors' right, title and interest in and to the Debtor's and Guarantors' Accounts and Accounts Receivable;

(2) all of the Debtor's and Guarantors' right, title and interest in and to the Debtor's and Guarantors' General Intangibles;

(3) all of the Debtor's and Guarantors' right, title and interest in and to the Debtor's and Guarantors' Inventory;

(4) all of the Debtor's and Guarantors' right title and interest in and to the Debtor's and Guarantors' Tangible Property;

(5) any and all property which the Debtor and Guarantors receive, or may hereafter be entitled to receive, on account of any collections of or with respect to the Debtor's and Guarantors' Accounts Receivable, or any instrument in payment of, or substitution for, any of the Debtor's and Guarantors' Accounts Receivable or the Debtor's and Guarantors' General Intangibles, or any part thereof;

(6) any and all property which the Debtor and Guarantors receive, or which the Debtor and Guarantors may hereafter become entitled to receive, on account of any sale, exchange, transfer or other disposition of the Debtor's and Guarantors' Inventory or Debtor's and Guarantors' General Intangibles, or any part thereof; and

(7) any and all property which the Debtor and Guarantors are, or may hereafter become entitled to receive, on account of any sale, exchange, transfer or other disposition of the Debtor's and Guarantors' Tangible Property, or any part thereof.

(b) The Debtor and Guarantors grant to the Lender a security interest in and to any and all of the Debtor's and Guarantors goods, chattel paper, leases, master leases and schedules thereto, documents, instruments (as those terms are defined in the Uniform Commercial Code) and money, whether now existing or acquired subsequent to the date of this Agreement.

(c) The Debtor and Guarantors grant a further security interest to the Lender in the proceeds and products of any sale, exchange, collection or other disposition of the Collateral or any part thereof.

3. Obligations Secured. The security interests granted by the Debtor and Guarantors hereby secure the payment and performance of all of the following Secured Obligations: (a) any and all indebtedness of the Debtor and/or Guarantors to the Lender evidenced by the Note or any note between Debtor and Guarantors and Lender, and (b) any and all of the representations, warranties, obligations, agreements, covenants and promises of the Debtor and Guarantors contained in the Loan Agreement, this Agreement and any other agreements between Debtor or Guarantors and Lender or Lender's affiliates, whether or not now or hereafter evidenced by any note, instrument or other writing; and (c) any and all indebtedness, obligations and liabilities of the Debtor or Guarantors to Lender, however evidenced, whether now existing or hereafter arising, direct or indirect, absolute or contingent, or acquired by the Lender, including without limitation, any and all other indebtedness, liabilities and obligations of Debtor and/or Guarantors to the Lender that exist on the date of this Agreement, or arise or are created or acquired after the date of this Agreement, regardless of whether they are of the same or of a different class or type as the indebtedness evidenced by the Note and/or the Loan Agreement, and whether or not the creation thereof was reasonably foreseeable or would be naturally contemplated by the Debtor or Guarantors or the Lender as the date of this Agreement.

4. Amendment to Loan Agreement. The parties agree that the definition of "Collateral" in the Loan Agreement shall be amended to include the "Collateral" as described in Section 2 of this Agreement. The parties further agree that the definition of "Security Agreements" in the Loan Agreement shall be amended to include this Agreement dated effective September 1, 2016.

5. Representations and Warranties. To induce the Lender to extend the Loan to Debtor and to enter into this Agreement, any and all of the representations and warranties made by the Debtor and Guarantors in the Loan Agreement, the Note, and any other documents related thereto are incorporated herein by reference, and the Debtor and Guarantors further represent, warrant and agree as follows:

(a) The Debtor and Guarantors have full right, power, authority and capacity to enter into and perform this Agreement; and this Agreement has been duly entered into and delivered and constitutes a legal, valid and binding obligation of the Debtor and Guarantors enforceable in accordance with its terms.

(b) The Debtor and Guarantors have good and marketable title to their respective Collateral, and the Collateral is not subject to any lien, charge, pledge, encumbrance, claim or security interest other than the security interests created by this Agreement or already existing in favor of Lender.

(c) The Debtor and Guarantors will keep their respective Inventory and Tangible Property at the locations set out on Schedule 1 attached to this Agreement. The Tangible Property is located (except for after-acquired Tangible Property), on the date of this Agreement, at the locations described on Schedule 1 attached to this Agreement.

(d) The books and records with respect to the Debtor's and Guarantors Accounts Receivable are kept at the Debtor's and Guarantors place of business in Kentucky, located at 101 R.J. Corman Drive, Nicholasville, Kentucky 40356.

(e) The Debtor's chief place of business is located at 502 Chapin Road, Chapin, South Carolina 29038, and Debtor will maintain an operating office at 103 South Wilson Street, Chadbourn, North Carolina 28431. The Guarantors' chief place of business is located at 101 R.J. Corman Drive, Nicholasville, Kentucky 40356. Guarantor, R.J. Corman Railroad Company/Memphis Line, will maintain an operating office at 145 East First Street, Guthrie, Kentucky 42234, and Guarantor, R.J. Corman Equipment Company, LLC will maintain an operating office at 101 R.J. Corman Drive, Nicholasville, Kentucky 40356.

(f) The Collateral is used and will be used for business use only.

(g) The registered office of the Debtor's registered agent in South Carolina is: CT Corporation System, 2 Office Park Court, Suite 103, Columbia, South Carolina 29223. The registered office of the Guarantors' registered agent in Kentucky is: David R. Irvin, 110 North Main Street, Nicholasville, Kentucky 40356.

(h) Within the five (5) consecutive years last preceding the date of this Agreement, neither the Debtor nor the Guarantors have conducted business under, or otherwise used, any name other than as set forth in the caption hereof.

(i) Within the four (4) consecutive months next preceding the date of this Agreement, neither the Debtor nor the Guarantors have moved Inventory or Tangible Property from a jurisdiction not listed on Schedule 1 into a jurisdiction listed thereon.

(j) The Debtor and Guarantors understand and acknowledge that the Lender is consenting to the extension of credit in reliance upon the security interests granted by the Debtor and Guarantors and evidenced by this Agreement. The Debtor and Guarantors intend to induce the Lender to consent to the extension of credit which would otherwise be prohibited under the Loan Agreement, recognizing that such inducement results in this Agreement becoming legally valid and enforceable.

6. Duration of Security Interests. The Lender, its successors and assigns, shall hold the security interests created hereby upon the terms of this Agreement, and this Agreement shall continue until the Note has been paid in full, the other Secured Obligations have been performed, executed, or satisfied in their entirety, and no commitment to lend or extend credit which is intended to be secured hereby remains outstanding. After payment of any part of the Secured Obligations, the Lender may, at its option, retain all or any portion of the Collateral as security for any remaining Secured Obligations and retain this Agreement as evidence of such security. The security interests granted hereunder shall not be impaired or affected by any renewals or extensions of time for payment of any of the Secured Obligations, or by release of any party liable on the Secured Obligations; by any acquisition, release or surrender of other security, collateral or guaranty; by delay in enforcement of payment of any of the Secured Obligations; or by delay in enforcement of any security.

7. Certain Notices. The Debtor and Guarantors shall notify the Lender of any and all changes of location: of the Debtor's or Guarantors' chief place of business, of the registered office of the Debtor's and Guarantors' registered agent, or of the books and records with respect to any Accounts Receivable at least sixty (60) days prior to effecting any such change. The Debtor and Guarantors shall notify the Lender in writing of any and all changes of the location of all other Collateral at least sixty (60) days prior to effecting any such change, except when the Collateral are goods which are mobile and which are of a type normally used in more than one jurisdiction, such as motor vehicles, trailers, rolling stock, airplanes, shipping containers, road building, construction machinery and commercial harvesting machinery and the like, if the goods are equipment or are inventory leased or held for lease by the Debtor or Guarantors to others and not covered by a certificate of title. If the Collateral is covered by a certificate of title, neither the Debtor nor Guarantors shall change the location of the Collateral to another jurisdiction and permit it to remain there for more than four (4) months without giving Lender at least sixty (60) days

prior written notice of the change of the location of the Collateral. In no event shall the Debtor or Guarantors surrender any certificate of title covering the Collateral to any titling agency in another jurisdiction without giving Lender sixty (60) days prior written notice.

8. Covenant Not to Dispose of or Impair Collateral. The Debtor and Guarantors shall not, without the prior written consent of the Lender, sell, transfer or otherwise dispose of the Collateral, or any part thereof or interest therein, except (a) collections of Accounts Receivable permitted under this Agreement, (b) sale of Inventory in the ordinary course of business (which shall not include any transfer in complete or partial satisfaction of indebtedness), and (c) otherwise as permitted by the Debtor's and Guarantors' agreements with Lender. The Debtor and Guarantors shall not permit any of the Collateral to be levied upon under any legal process, nor permit anything to be done that may impair the value of the Collateral or the security intended to be provided by this Agreement.

9. Default. The occurrence of a default under this Agreement or an Event of Default under the Loan Agreement shall constitute a default under this Agreement (an "Event of Default").

10. Loan Remedies. Upon any Event of Default, the Lender may at its option declare any and all of the Loan or Loans and the other Secured Obligations to be immediately due and payable; and, in addition to that right, and in addition to exercising all other rights or remedies, the Lender may proceed to exercise with respect to the Collateral all rights, options and remedies of a secured party upon default as provided for under the Uniform Commercial Code. The rights of the Lender upon an Event of Default shall include, without limitation, any and all rights and remedies in any and all other documents, instruments, agreements and other writings between the Lender and the Debtor and/or Guarantors, all rights and remedies as provided by law, in equity or otherwise, and in addition thereto, the following:

(a) The right to require the Debtor and Guarantors to assemble the Collateral and the books and records with respect to Accounts Receivable and make them available to the Lender at a place or places to be designated by the Lender which is reasonably convenient to the Debtor and Guarantors and the Lender.

(b) The right to require the Debtor and Guarantors to store all or any part of the Debtor's and Guarantors' Inventory and Tangible Property, at the Debtor's and Guarantors' own cost and risk, on behalf of the Lender, after the Lender has taken possession of such Inventory and Tangible Property. Storage shall be in such manner as to prevent any deterioration of such Inventory and Tangible Property, and shall be for a reasonable time pending the sale or other disposition of such Inventory and Tangible Property.

(c) The right to sell the Collateral at public or private sale in one or more lots in accordance with Uniform Commercial Code. The Lender may bid upon and purchase any or all of the Collateral at any public sale thereof, and shall be entitled to apply the unpaid portion of the Secured Obligations as a credit against the purchase price. The Lender's purchase of all or any of the Collateral shall extinguish the Debtor's and Guarantors' rights under Section 9-623 of the Uniform Commercial Code upon application of the unpaid portion of the Secured Obligations. The Lender shall be entitled to apply the proceeds of any such sale to the satisfaction of the Secured Obligations and to expenses incurred in realizing upon the Collateral in accordance with the Uniform Commercial Code.

(d) The right to notify the account debtors on all or any part of the Debtor's and Guarantors' Accounts Receivable of the Lender's interest therein and to require such account debtors to begin making payments directly to the Lender regardless of whether the Debtor and/or Guarantors were previously making collections on all or any part of the Debtor's and Guarantors' Accounts Receivable. The Lender shall have the right to proceed against any such account debtors in its own name, or in the name of the Debtor or Guarantors with or without the consent of the Debtor or Guarantors. The Lender may retain any such payments or collections and apply them to the satisfaction of the Secured Obligations and to expenses incurred in collection, all in accordance with the Uniform Commercial Code.

(e) The right to recover the reasonable expenses of taking possession of any of the Collateral that may be reduced to possession, preparing the Collateral for sale, selling the Collateral, collecting all or any part of the Debtor's and Guarantors' Accounts Receivable, and other like expenses.

(f) The right to recover all of the Lender's expenses of collection, including, without limitation, court costs and reasonable attorneys' fees and disbursements incurred in realizing upon the Collateral or enforcing or attempting to enforce any provision of this Agreement.

(g) The right to retain the Collateral and become the owner thereof, in accordance with the provisions of the Uniform Commercial Code.

(h) The right to proceed by appropriate legal process at law or in equity to enforce any provision of this Agreement or in aid of the execution of any power of sale, or for foreclosure of the security interests of the Lender, or for the sale of the Collateral under the judgment or decree of any court.

(i) The right to enter any premises where any Collateral may be located for the purpose of taking possession or removing the same.

(j) The right to (1) possession of any and all of the Warehouse Receipts, (2) notify any of the Warehousemen holding any of the Debtor's or Guarantors' Inventory that a default has occurred and that the Lender, to the exclusion of the Debtor and Guarantors, is entitled to direct release and delivery of the Inventory, and (3) otherwise cause the Warehousemen to store the Inventory as the Lender's agent.

11. Cumulative Remedies. The rights and remedies of the Lender shall be deemed to be cumulative, and any exercise of any right or remedy shall not be deemed to be an election of that right or remedy to the exclusion of any other right or remedy. Notwithstanding the foregoing, the Lender shall be entitled to recover by the cumulative exercise of all remedies no more than the sum of (a) the Secured Obligations at the time of exercise of remedies, plus (b) the costs, fees and expenses the Lender is otherwise entitled to recover.

12. Waivers. The Debtor and Guarantors acknowledge that this Agreement involves the grant of multiple security interests, and the Debtor and Guarantors hereby waive, to the extent permitted by applicable law, (a) any requirement of marshaling assets or proceeding against Persons or assets in any particular order, and (b) any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which the Debtor and Guarantors may now or hereafter have with respect to the rights of the Lender with respect to the Collateral under this Agreement.

13. Collections from Accounts Receivable.

(a) At any time when the Lender may exercise remedies under Section 10 of this Agreement, the Lender shall have the right to notify account debtors obligated on any or all Accounts Receivable to make payments directly to the Lender.

(b) Until the Lender requests that account debtors of Accounts Receivable be notified of the Lender's security interest created at a time when the Lender may exercise remedies under Section 10 of this Agreement, the Debtor and Guarantors shall continue to collect payments on the Debtor's and Guarantors' Accounts Receivable and use the proceeds thereof in the ordinary course of business. If any Event of Default has occurred and is continuing, the Debtor and Guarantors may not use the proceeds from payments on Accounts Receivable to satisfy any indebtedness to any Person other than the Lender. If the Debtor or Guarantors collect payments on any Accounts Receivable after an Event of Default has occurred and while it is continuing, the Debtor and Guarantors shall hold the proceeds received from that collection as a constructive trust for the Lender and shall turn over such proceeds to the Lender immediately upon demand in the identical form received, if so requested by the Lender. In the event of such payment, the Lender shall credit the proceeds as payment of the Secured Obligations first to costs or penalties, if any, second to interest, and then to principal. Any credit given to the Debtor or

Guarantors for proceeds in form other than cash shall be conditional upon final payment to the Debtor and Guarantors in cash or solvent credit of the items, and if any item is not paid the amount of any credit given for it shall be charged to the Debtor or Guarantors whether or not the item is returned, and such amount shall be a part of the obligations secured by this Agreement.

(c) The Debtor and Guarantors shall have no power to, and shall not, waive, compromise or discount any Accounts Receivable, without the prior written consent of the Lender, except for (1) ordinary trade discounts and allowances for payment within thirty days of the date of invoice or billing, and (2) discounts or allowances in the ordinary course of collecting Accounts Receivable, not to exceed more than One Hundred Thousand Dollars (\$100,000.00) in the aggregate in any fiscal year of the Debtor and Guarantors collectively.

(d) If any Account Receivable shall be evidenced by a promissory note, trade acceptance or other instrument with an original principal balance of Twenty-Five Thousand Dollars (\$25,000.00) or more, the Debtor and Guarantors shall immediately deliver such instrument to the Lender, appropriately endorsed to the Lender's order. The Debtor and Guarantors authorize the Lender to endorse same on the Debtor's and Guarantors' behalf and hereby waives presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto.

14. The Lender as Agent. The Debtor and Guarantors hereby irrevocably constitute the Lender as the Debtor's and Guarantors' respective agent and attorney-in-fact at any time during any period when the Lender may exercise the remedies set forth in Section 10 of this Agreement, to (a) proceed against account debtors obligated on Accounts Receivable in the Debtor's and Guarantors' name or in the Lender's name, and (b) sign and endorse all checks, drafts and other instruments in payment of Accounts Receivable, and (c) perform all such other acts with respect to Accounts Receivable as the Lender may in its discretion deem necessary to effectuate the security intended to be granted in this Agreement.

15. Special Collection Procedure. Upon the Lender's demand at any time when the Lender may exercise remedies under Section 10 of this Agreement, the Debtor and Guarantors shall forthwith, upon receipt of all checks, drafts, cash and other remittances in payment or on account of Accounts Receivable or for the sale of Inventory or Tangible Property by the Debtor and Guarantors, deposit the same in a special bank account maintained with the Lender over which the Lender alone, to the exclusion of the Debtor and Guarantors, have the power of withdrawal. The funds in such account shall be held by the Lender for application toward the Secured Obligations. Such proceeds paid on Accounts Receivable shall be deposited in precisely the form received, except for the endorsement of the Debtor and Guarantors where necessary to permit collection of items, which endorsement the Debtor and Guarantors agree to make and which the Lender is

also hereby authorized by to make in the Debtor's and Guarantors' name and on the Debtor's and Guarantors' behalf as attorney-in-fact. Pending such deposit, the Debtor and Guarantors agree that the Debtor and Guarantors will not commingle any such checks, drafts, cash and other remittances with any other funds or property, but will hold them separate and apart therefrom in express trust for the Lender until deposited in that special account. The Lender will, once each day, apply the whole or any part of the collected funds on deposit in such special account against the principal and/or interest of the Note, the order and method of such application being in the sole discretion of the Lender. Any portion of the funds in the special account which the Lender elects not to apply as provided in the preceding sentence may be paid over by the Lender to the Debtor or Guarantors or may be retained in the special account, at the Lender's sole discretion, as continuing security and in which the Debtor and Guarantors hereby grant to the Lender security interests for all the Secured Obligations.

16. Books and Records. The Debtor and Guarantors shall maintain books and records with respect to Accounts Receivable in form and manner reasonably satisfactory to the Lender, and the Lender shall have the right during business hours with reasonable notice to inspect any and all of the business properties, premises or books and records of the Debtor and Guarantors relating to Accounts Receivable or other Collateral or the proceeds thereof. The Debtor and Guarantors further agree to furnish, from time to time, such reports, data and financial statements with respect to the Collateral as the Lender may reasonably request from time to time.

17. Insurance. The Debtor and Guarantors hereby assign to the Lender all sums which become payable under any insurance covering the Debtor's and Guarantors' respective Inventory and Tangible Property, direct any insurer to pay all such proceeds to the Lender (except that the Debtor and Guarantors may receive proceeds which are Fifty Thousand Dollars (\$50,000.00) or less in the aggregate from one incident or occurrence that generated a claim), and authorize the Lender to act as the Debtor's and Guarantors' attorney in obtaining, adjusting, settling, compromising and canceling such insurance and endorsing any drafts drawn to the Debtor or Guarantors pursuant to such insurance. If an Unmatured Default or an Event of Default exists at the time the Lender receives the insurance proceeds, the Lender may apply those proceeds as a prepayment under Section IV of the Loan Agreement at the Lender's discretion; or if the Lender chooses, it may remit the insurance proceeds to the Debtor or Guarantors. If no Unmatured Default or Event of Default exists at the time the Lender receives the insurance proceeds, the Lender shall remit the insurance proceeds to the Debtor or Guarantors.

18. Certain Obligations Regarding Collateral.

(a) The Debtor and Guarantors shall keep and maintain their respective Inventory and Tangible Property in good condition and repair and under adequate condition of storage to prevent its deterioration or depreciation in value.

(b) The Debtor and Guarantors shall keep the Collateral free and clear of any and all liens other than the security interests created in favor of the Lender under this Agreement or permitted by the Debtor's and Guarantors loan documents, and shall declare and pay any and all fees, assessments, charges and taxes allocable to the Collateral, or which might result in a lien against the Collateral if left unpaid unless the Debtor and Guarantors, at the Debtor's and Guarantors' own expense, are contesting the validity or amount thereof in good faith by an appropriate proceeding, timely instituted, which shall operate to prevent the collection or satisfaction of the lien or amount so contested. If the Debtor or Guarantors fail to pay such amount and is not contesting the validity or amount thereof in accordance with the preceding sentence, the Lender may, but is not obligated to, pay such amount, and such payment shall be deemed conclusive evidence of the legality or validity of such amount. The Debtor and Guarantors shall promptly reimburse the Lender for any and all payments made by the Lender in accordance with the preceding sentence, and until reimbursement, such payments shall be part of the Secured Obligations.

(c) The Debtor and Guarantors shall keep its Inventory and Tangible Property only at the locations set out on Schedule 1 attached to and incorporated into this Agreement.

(d) If the Debtor or Guarantors fail to provide insurance pursuant to the Loan Agreement, the Lender may, but is not obligated to, pay for such insurance after first notifying the Debtor and Guarantors of the Lender's intent to pay it. The Debtor and Guarantors shall promptly reimburse the Lender for any payments made pursuant to this subparagraph, and until reimbursement, such payments shall be a part of the Secured Obligations.

19. Use and Inspection of Collateral. The Debtor and Guarantors shall not use the Collateral in violation of any statute or ordinance, and the Lender shall have the right, at reasonable hours, to inspect the Collateral at the premises of the Debtor and Guarantors or wherever the Collateral may be located.

20. Notice.

(a) Any requirement of the Uniform Commercial Code or other applicable law of reasonable notice shall be met if such notice is given at least five (5) business days before the time of sale, disposition or other event or thing giving rise to the requirement of notice.

(b) All notices and other communications under this Agreement shall be delivered in accordance with and subject to Section 12.16 of the Loan Agreement.

21. Further Assurance. The Debtor and Guarantors shall sign, from time to time, such financing statements and other documents and instruments and take such other actions as the Lender may request from time to time to more fully create, perfect, continue, maintain or terminate the security interests in the Collateral intended to be created in this Agreement. Pursuant to Kentucky Revised Statute 355.9-509 (effective July 1, 2001), as may be amended from time to time, Debtor and Guarantors authorize Lender to file a financing statement(s) or amendments as may be necessary to fully perfect Lender's security interest in the Collateral, to the full extent permitted by KRS 355.9-509, as may be amended from time to time.

22. Miscellaneous.

(a) Failure by the Lender to exercise any right shall not be deemed a waiver of that right, and any single or partial exercise of any right shall not preclude the further exercise of that right. Every right of the Lender shall continue in full force and effect until such right is specifically waived in a writing signed by the Lender.

(b) If any part, term or provision of this Agreement is held by any court to be prohibited by any law applicable to this Agreement, the rights and obligations of the parties shall be construed and enforced, to the greatest extent allowed by law, with that part, term or provision, or if it is totally unenforceable, as if this Agreement did not contain that particular part, term or provision.

(c) The headings in this Agreement have been included for ease of reference only, and shall not be considered in the construction or interpretation of this Agreement.

(d) This Agreement shall inure to the benefit of the Lender, its successors and assigns, and all obligations of the Debtor and Guarantors shall bind the Debtor's and Guarantors' respective successors and assigns.

(e) To the extent allowed under the Uniform Commercial Code, this Agreement shall in all respects be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

(f) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. No change, modification, addition or termination of this Agreement shall be enforceable unless in writing and signed by the party against whom enforcement is sought.

(g) This Agreement may be signed by each party upon a separate copy, and in such cases one counterpart of this Agreement shall consist of enough of such copies to reflect the signature of each party.

(h) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement or the terms thereof to produce or account for more than one such counterpart.

**(i) The Debtor and Guarantors consent to one or more actions being instituted and maintained in the Fayette County, Kentucky, Circuit Court to enforce this Agreement and/or one or more of the other Debtor and/or Guarantors Loan documents, and waives any objection to any such action based upon lack of personal or subject matter jurisdiction or improper venue. The Debtor and Guarantors agree that any process or other legal summons in connection with any such action or proceeding may be served by mailing a copy thereof by certified mail, or any substantially similar form of mail, addressed to the Debtor and Guarantors as provided in Section 20 above.**

**(j) The Debtor and Guarantors acknowledge that each has received a copy of this Agreement and each of the other Debtor and/or Guarantors Loan documents, as fully executed by the parties thereto. The Debtor and Guarantors acknowledge that each: (a) HAS READ THIS AGREEMENT AND THE OTHER DEBTOR AND/OR GUARANTORS LOAN DOCUMENTS OR HAVE CAUSED SUCH DOCUMENTS TO BE EXAMINED BY THE DEBTOR'S AND GUARANTORS' REPRESENTATIVES OR ADVISORS; (b) is thoroughly familiar with the transactions contemplated in this Agreement and the other Debtor and Guarantors Loan documents; and (c) has had the opportunity to ask such questions to representatives of the Lender, and receive answers thereto, concerning the terms and conditions of the transactions contemplated in this Agreement and the other Debtor and Guarantors Loan documents as the Debtor and Guarantors deem necessary in connection with the Debtor's and Guarantors' respective decision to enter into this Agreement.**

(k) No Novation. This agreement represents a continuation and modification of security for credit previously extended and is not intended to constitute a novation.

***[SIGNATURES ON THE FOLLOWING PAGE]***

IN WITNESS WHEREOF, the Debtor, Guarantors, and the Lender have executed and delivered this Agreement effective as of the date set out in the preamble hereto.

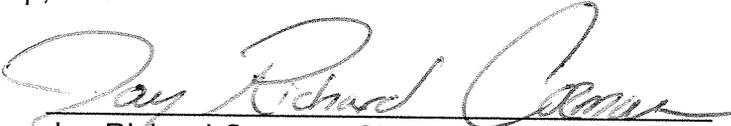
**DEBTOR:**

**R. J. CORMAN RAILROAD COMPANY/CAROLINA LINES, LLC**, a South Carolina limited liability company

By: R. J. Corman Railroad Company, LLC,  
Manager and Sole Member of Debtor

By: R. J. Corman Railroad Group, LLC,  
Manager and Sole Member of R.J. Corman  
Railroad Company, LLC

By: THE RICHARD J. CORMAN LIVING TRUST,  
Manager and Sole Member of R. J. Corman Railroad  
Group, LLC

By:   
Jay Richard Corman, Chairperson of the  
Trustees of the Richard J. Corman Living  
Trust, the Manager and Sole Member of  
R.J. Corman Railroad Group, LLC, the  
Manager and Sole Member of R. J. Corman  
Railroad Company, LLC, the Manager and  
Sole Member of R. J. Corman Railroad  
Company/Carolina Lines, LLC

Attest:

By:   
\_\_\_\_\_

John Morris, Secretary of the Trustees of the  
Richard J. Corman Living Trust, the Manager  
and Sole Member of R.J. Corman Railroad Group,  
LLC, the Manager and Sole Member of R. J.  
Corman Railroad Company, LLC, the Manager  
and Sole Member of R. J. Corman Railroad  
Company/Carolina Lines, LLC

The above being the Chairperson and Secretary of the Trustees of the Richard J. Corman Living Trust, as created by that Declaration of Trust executed by Richard J. Corman, as Settlor, and by Richard J. Corman and R. J. Corman Railroad Trust Company, LLC as initial Co-Trustees on June 28, 2012, hereby certify, pursuant to the provisions of Article IV, paragraph G, and Article VII, paragraph D, of said Declaration of Trust, and for the purpose of protecting those persons dealing with the Trustees in the foregoing instrument, that the actions of the Trustees in entering into the foregoing instrument are in compliance with said Declaration of Trust.

STATE OF KENTUCKY

COUNTY OF JESSAMINE

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Jay Richard Corman, as Chairperson of the Trustees of the Richard J. Corman Living Trust, the Manager and Sole Member of R.J. Corman Railroad Group, LLC, the Manager and Sole Member of R. J. Corman Railroad Company, LLC, and the Manager and Sole Member of R. J. Corman Railroad Company/Carolina Lines, LLC, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such trust/companies.

IN WITNESS WHEREOF, I have set my hand and seal this 26<sup>th</sup> day of AUGUST, 2016.

SEAL

  
\_\_\_\_\_  
NOTARY PUBLIC, State-at-Large  
My commission expires: JAN 9, 2019  
Notary ID # 525446

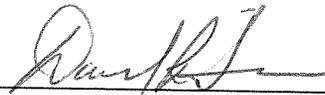
STATE OF KENTUCKY

COUNTY OF JERAMINE

Before me, a Notary Public in and for the State and County aforesaid, personally appeared John Morris, as Secretary of the Trustees of the Richard J. Corman Living Trust, the Manager and Sole Member of R.J. Corman Railroad Group, LLC, the Manager and Sole Member of R. J. Corman Railroad Company, LLC, and the Manager and Sole Member of R. J. Corman Railroad Company/Carolina Lines, LLC, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such trust/companies.

IN WITNESS WHEREOF, I have set my hand and seal this 20th day of August, 2016.

SEAL

  
\_\_\_\_\_  
NOTARY PUBLIC, State-at-Large  
My commission expires: JAN 19, 2019  
Notary ID # 625446

IN WITNESS WHEREOF, the Guarantor and the Lender have executed and delivered this Agreement effective as of the date set out in the preamble hereto.

**GUARANTOR:**

**R.J. CORMAN RAILROAD COMPANY/MEMPHIS LINE,**  
a Kentucky corporation

By: R. J. Corman Railroad Group, LLC,  
Sole Shareholder and Director of R.J. Corman Railroad  
Company/Memphis Line

By: THE RICHARD J. CORMAN LIVING TRUST,  
Manager and Sole Member of R. J. Corman Railroad  
Group, LLC

By:



Jay Richard Corman, Chairperson of the  
Trustees of the Richard J. Corman Living  
Trust, the Manager and Sole Member of  
R.J. Corman Railroad Group, LLC, the  
Sole Shareholder and Director of R. J. Corman  
Railroad Company/Memphis Line

Attest:

By:



John Morris, Secretary of the Trustees of the  
Richard J. Corman Living Trust, the Manager  
and Sole Member of R.J. Corman Railroad Group,  
LLC, the Sole Shareholder and Director of R. J.  
Corman Railroad Company/Memphis Line

The above being the Chairperson and Secretary of the Trustees of the Richard J. Corman Living Trust, as created by that Declaration of Trust executed by Richard J. Corman, as Settlor, and by Richard J. Corman and R. J. Corman Railroad Trust Company, LLC as initial Co-Trustees on June 28, 2012, hereby certify, pursuant to the provisions of Article IV, paragraph G, and Article VII, paragraph D, of said Declaration of Trust, and for the purpose of protecting those persons dealing with the Trustees in the foregoing instrument, that the actions of the Trustees in entering into the foregoing instrument are in compliance with said Declaration of Trust.

STATE OF KENTUCKY

COUNTY OF JESSAMINE

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Jay Richard Corman, as Chairperson of the Trustees of the Richard J. Corman Living Trust, the Manager and Sole Member of R.J. Corman Railroad Group, LLC, the Sole Shareholder and Director of R. J. Corman Railroad Company/Memphis Line, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such trust/companies.

IN WITNESS WHEREOF, I have set my hand and seal this 26<sup>th</sup> day of August, 2016.

SEAL



NOTARY PUBLIC, State-at-Large

My commission expires: JAN 19, 2019

Notary ID # 525446

STATE OF KENTUCKY

COUNTY OF JESSAMINE

Before me, a Notary Public in and for the State and County aforesaid, personally appeared John Morris, as Secretary of the Trustees of the Richard J. Corman Living Trust, the Manager and Sole Member of R.J. Corman Railroad Group, LLC, the Sole Shareholder and Director of R. J. Corman Railroad Company/Memphis Line, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such trust/companies.

IN WITNESS WHEREOF, I have set my hand and seal this 25<sup>th</sup> day of August, 2016.

SEAL

  
\_\_\_\_\_  
NOTARY PUBLIC, State-at-Large  
My commission expires: JAN 19, 2019  
Notary ID # 52544C

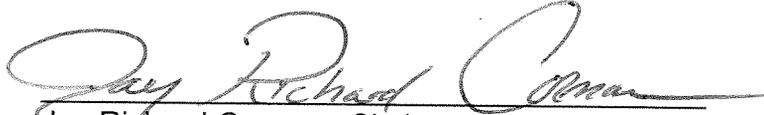
IN WITNESS WHEREOF, the Guarantor and the Lender have executed and delivered this Agreement effective as of the date set out in the preamble hereto.

**GUARANTOR:**

**R.J. CORMAN EQUIPMENT COMPANY, LLC,**  
a Kentucky limited liability company

By: R. J. Corman Railroad Group, LLC,  
Manager and Sole Member of R.J. Corman Railroad  
Equipment Company, LLC

By: THE RICHARD J. CORMAN LIVING TRUST,  
Manager and Sole Member of R. J. Corman Railroad  
Group, LLC

By:   
Jay Richard Corman, Chairperson of the  
Trustees of the Richard J. Corman Living  
Trust, the Manager and Sole Member of  
R.J. Corman Railroad Group, LLC, the  
Manager and Sole Member of R. J. Corman  
Equipment Company, LLC

Attest:

By: 

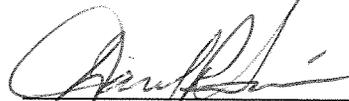
John Morris, Secretary of the Trustees of the  
Richard J. Corman Living Trust, the Manager  
and Sole Member of R.J. Corman Railroad Group,  
LLC, the Manager and Sole Member of R. J.  
Corman Equipment Company, LLC

The above being the Chairperson and Secretary of the Trustees of the Richard J. Corman Living Trust, as created by that Declaration of Trust executed by Richard J. Corman, as Settlor, and by Richard J. Corman and R. J. Corman Railroad Trust Company, LLC as initial Co-Trustees on June 28, 2012, hereby certify, pursuant to the provisions of Article IV, paragraph G, and Article VII, paragraph D, of said Declaration of Trust, and for the purpose of protecting those persons dealing with the Trustees in the foregoing instrument, that the actions of the Trustees in entering into the foregoing instrument are in compliance with said Declaration of Trust.

STATE OF KENTUCKY  
COUNTY OF JESSAMINE

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Jay Richard Corman, as Chairperson of the Trustees of the Richard J. Corman Living Trust, the Manager and Sole Member of R.J. Corman Railroad Group, LLC, the Manager and Sole Member of R. J. Corman Equipment Company, LLC, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such trust/companies.

IN WITNESS WHEREOF, I have set my hand and seal this 26<sup>th</sup> day of August, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC, State-at-Large  
My commission expires: JAN 19, 2019  
Notary ID # 525466

SEAL

STATE OF KENTUCKY

COUNTY OF JESSAMINE

Before me, a Notary Public in and for the State and County aforesaid, personally appeared John Morris, as Secretary of the Trustees of the Richard J. Corman Living Trust, the Manager and Sole Member of R.J. Corman Railroad Group, LLC, the Manager and Sole Member of R. J. Corman Equipment Company, LLC, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such trust/companies.

IN WITNESS WHEREOF, I have set my hand and seal this 21<sup>st</sup> day of AUGUST, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC, State-at-Large  
My commission expires: JAN 19, 2016  
Notary ID # 525446

SEAL

**LENDER:**

**CENTRAL BANK & TRUST CO.,**  
a Kentucky banking corporation

By:   
Print Name: Alan VanArsdall  
Title: Market President

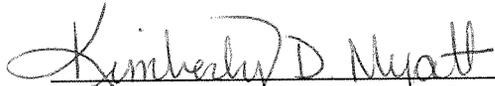
STATE OF Kentucky  
COUNTY OF Jessamine

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Alan VanArsdall, as Market President of Central Bank & Trust Co., a Kentucky banking corporation, who executed and acknowledged the foregoing instrument as his free act and deed and the free act and deed of such corporation.

IN WITNESS WHEREOF, I have set my hand and seal this 29<sup>th</sup> day of August, 2016.

SEAL



  
NOTARY PUBLIC, State-at-Large  
My commission expires: January 13, 2018  
Notary ID # 503575

MY COMMISSION EXPIRES JANUARY 13, 2018  
NOTARY NO. 503575

## SCHEDULE 1

### Locations of Inventory and Tangible Property

The Debtor's and Guarantors' Inventory and Tangible Property are kept at the following locations:

- a. 502 Chapin Road, Hwy. 76, Chapin, South Carolina 29038
- b. 103 South Wilson Street, Chadbourn, North Carolina 28431
- c. 101 R.J. Corman Drive, Nicholasville, Kentucky 40356
- d. 145 East First Street, Guthrie, Kentucky 42234

**SCHEDULE 2**

LIST OF EQUIPMENT RELATING TO SECURITY INTEREST BETWEEN CENTRAL BANK &  
TRUST CO., DEBTOR AND GUARANTORS

| Description | Serial Number |
|-------------|---------------|
| Locomotive  | RJCC 3812     |
| Locomotive  | RJCP 7710     |
| Locomotive  | RJCC 0100     |
| Locomotive  | RJCC 0950     |
| Locomotive  | RJCC 0951     |

COMMONWEALTH OF KENTUCKY

COUNTY OF FAYETTE

I, Laura Gatson Scott, am a Notary Public in the Commonwealth of Kentucky, State at Large, and I certify that I have compared the attached Security Agreement of R.J. Corman Railroad Company/Carolina Lines, LLC with the original and have found the copy to be complete and identical in all respects to the original document, on this 1<sup>st</sup> day of September, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE AT LARGE  
My commission expires: 11-11-2016  
Notary ID # 498062

(SEAL)