RECORDATION NO. 22486 FILED

OCT 19 '99 3-00PM

Norwest Bank Minnesota, N.A.
Norwest Center
Sixth and Marquette
Minneapolis, Minnesota 55479-0001
612/667-1234

October 4, 1999

Surface Transportation Board
1925 K Street, Suite 700
Washington, DC 20403
Attn: Vernon A. Williams

RE: Security Agreement For Lending

Attention: Vernon A. Williams

Enclosed are two original copies of the Security Agreement For Lending between Minnesota Commercial Railway Company and Norwest Bank Minnesota, National Association for the purposes of filing under UCC Article 9 as it relates to train locomotives. Enclosed is a check for $26.00 to cover the filing fee. The Debtor and Secured Party are as follows:

| Debtor: | Secured Party: |
|---|---|
| Minnesota Commercial Railway Company<br>508 Cleveland Avenue North<br>St. Paul, MN 55114 | Norwest Bank Minnesota, National Association<br>6th and Marquette<br>Minneapolis, MN 55435-0091 |

Additionally, I have enclosed a self addressed, stamped envelope for the return of the original that will be file-stamped. If you have any questions, please let me know (612) 667-2879.

Sincerely,

Elizabeth M. Ende

Elizabeth Ende
Portfolio Banker

enc.

RECORDATION NO. 22486 FILED

OCT 19 '99 3-00 PM

# SECURITY AGREEMENT FOR LENDING

This SECURITY AGREEMENT ("Agreement") is made to be effective as of September, 30th, 1999, by MINNESOTA COMMERCIAL RAILWAY COMPANY, a Minnesota corporation ("Debtor") and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION ("Secured Party").

## RECITALS

A. Debtor has requested that Secured Party extend financial accommodations to Debtor.

B. Secured Party is willing to extend certain financial accommodations to Debtor, subject to, among other things, the condition precedent that Debtor execute and deliver this Agreement as security for the payment and performance of Debtor's obligations to Secured Party.

## AGREEMENT

In consideration of the above recitals, and the promises set forth in this Agreement, the parties agree as follows:

1. Obligations. "Obligations" means collectively every debt, liability and obligation of Debtor to Secured Party of every type and nature, whether now existing or hereafter created or arising.

2. Collateral. "Collateral" means collectively all of the following property of Debtor, whether now owned or hereafter acquired and wherever located: (a) accounts, general intangibles, inventory, the railway locomotives described on Exhibit A attached hereto and incorporated herein ("Locomotives"), all equipment (including, but not limited to, cranes), furnishings and other items of personal property; (b) accessions, additions and improvements to, replacements of, and substitutions for any of the foregoing; (c) proceeds of any of the foregoing; and (d) books, records and data in any form relating to any of the foregoing.

3. Security Interest. Debtor grants to Secured Party a security interest ("Security Interest") in the Collateral to secure the payment and performance of the Obligations. The Security Interest continues in effect until this Agreement is terminated in writing by Secured Party.

4. Representations, Warranties and Covenants. Debtor represents, warrants and agrees that:

4.1 Principal Office. Debtor's principal office is located at the address specified on Schedule 1 attached to this Agreement. Debtor will give Secured Party written notice prior to any change in the location of Debtor's principal office. Debtor's Federal Tax Identification Number or Social Security Number is as specified on Schedule 1 attached to this Agreement.

4.2 Organization: Authority. If Debtor is a corporation, partnership or organization, Debtor is duly organized, existing and in good standing under the laws of the state of its organization and has full power and authority to enter into this Agreement.

4.3 Perfection of Security Interest. Debtor will execute and deliver, and irrevocably appoints Secured Party (which appointment is coupled with an interest) Debtor's attorney-in-fact to execute and deliver in Debtor's name, all financing statements, investment account control agreements and other agreements which Secured Party may at any time reasonably request in order to secure, protect, perfect, collect or enforce the Security Interest. Debtor has delivered all Collateral consisting of instruments, documents and chattel paper to Secured Party or, at the time Debtor acquires an interest therein, will deliver all after acquired Collateral consisting of instruments, documents and chattel paper to Secured Party.

4.4 Enforceability of Collateral. To the extent the Collateral consists of accounts, or general intangibles, the Collateral is enforceable in accordance with its terms, is genuine, complies with applicable laws concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral.

4.5 Title to Collateral. Debtor holds, or will hold at the time Debtor acquires an interest in after acquired Collateral, good and marketable title to the Collateral free of all security interests and encumbrances except for the Security Interest and the security interests and encumbrances specified on Schedule 1 attached to this Agreement ("Permitted Liens"). Debtor will keep the Collateral free of all security interests and encumbrances except for the Security Interest and the Permitted Liens. Debtor will defend Secured Party's rights in the Collateral against the claims and demands of all other persons.

4.6 Collateral Location. Except for those items described on Exhibit A, Debtor will keep all Collateral at Debtor's principal office and at the locations specified on Schedule 1 attached to this Agreement.

4.7 Collateral Use. Debtor will use the Collateral only for business purposes. Debtor will not use or keep any Collateral for any unlawful purpose or in violation of any federal, state or local law, statute or ordinance.

4.8 Maintenance of Collateral. Debtor will maintain all tangible Collateral in good condition and repair. Debtor will not commit or permit damage to or destruction of any of the Collateral. Debtor will give Secured Party prompt written notice of any material loss of or damage to any tangible Collateral and of any other happening or event that materially affects the existence, value or amount of the Collateral.

4.9 Disposition of Collateral. Debtor will not sell or otherwise dispose of any Collateral or any interest in any Collateral without the prior written consent of Secured Party, except that until the occurrence of an Event of Default (as defined in Section 5 below), Debtor may sell any inventory constituting Collateral in the ordinary course of Debtor's business.

4.10 Taxes, Assessments and Liens. Debtor will promptly pay all taxes and other governmental charges levied or assessed upon or against any Collateral.

4.11 Records; Access. Debtor will keep accurate and complete records pertaining to the Collateral and to Debtor's business and financial condition and will submit to Secured Party all reports regarding the Collateral and Debtor's business and financial condition as and when Secured Party may reasonably request. During normal business hours, Debtor will permit Secured Party and its representatives to examine or inspect any Collateral, wherever located, and to examine, inspect and copy Debtor's books and records relating to the Collateral and Debtor's business and financial condition.

4.12 Insurance. Debtor will keep all tangible Collateral insured against risks of fire (including so-called extended coverage), theft and other risks and in such amounts as Secured Party may reasonably request, with any loss payable to Secured Party to the extent of its interest. Debtor assigns to Secured Party all money due or to become due with respect to, and all other rights of Debtor with respect to, all insurance concerning the Collateral and Debtor directs the issuer of any such insurance to pay all such money directly to Secured Party.

4.13 Collection Costs. Debtor will reimburse Secured Party on demand for all costs of collection of any of the Obligations and all other expenses incurred by Secured Party in connection with the perfection, protection, defense or enforcement of the Security Interest and this Agreement, including all reasonable attorneys fees incurred by Secured Party whether or not any litigation or bankruptcy or insolvency proceeding is commenced.

4.14 Locomotive Markings. Debtor shall cause the Locomotives to be kept numbered and marked with the identification numbers and marks set forth on Exhibit A to this Agreement and shall not change or allow the change of the identification number or marking of any Locomotive unless and until a statement of new number, marking, numbers or markings to be substituted therefore shall have been filed with Secured Party and filed, recorded and deposited by Debtor in all public offices where this Agreement shall have been filed, recorded or deposited.

5. Events of Default. Each of the following is an "Event of Default" under this Agreement: (a) Debtor fails to pay any of the Obligations when due and any applicable grace period lapses without cure by Debtor; (b) Debtor fails to timely perform any other Obligation and any applicable grace period lapses without cure by Debtor; (c) any representation made by Debtor in this Agreement or in any financial statement or report submitted to Secured Party proves to have been materially false or misleading when made; (d) Debtor ceases to conduct its business; (e) Debtor is or becomes insolvent, however defined; (f) Debtor voluntarily files, or has filed against it involuntarily, a petition under the United States Bankruptcy Code; (g) if Debtor is a corporation, partnership or organization, Debtor is dissolved or liquidated.

6. Remedies Upon Event of Default. Upon the occurrence of an Event of Default and at any time thereafter, Secured Party may exercise one or more of the following rights and remedies: (a) declare any or all unmatured Obligations to be immediately due and payable without presentment or any other notice or demand and immediately enforce payment of any or all of the Obligations; (b) require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party; (c) exercise and enforce any rights or remedies available upon default to a secured party under the Uniform Commercial Code, and, if notice to Debtor of the intended disposition of Collateral or any other intended action is required by law, such notice shall be commercially reasonable if given at least ten (10) calendar days prior to the intended disposition or other action; and (d) exercise and enforce any other rights or remedies available to Secured Party by law or agreement against the Collateral, Debtor, or any other person or property. Secured Party's duty of care with respect to Collateral in its possession will be fulfilled if Secured Party exercises reasonable care in physically safekeeping the Collateral or, in the case of Collateral in the possession of a bailee or other third person exercises reasonable care in the selection of the bailee or other third person. Mere delay or failure to act will not preclude the exercise or enforcement of any of the Secured Party's rights or remedies. All rights and remedies of Secured Party are cumulative and may be exercised singularly or concurrently, at Secured Party's option.

7. Miscellaneous. The following miscellaneous provisions are a part of this Agreement:

7.1 Definitions. Terms not otherwise defined in this Agreement shall have the meanings ascribed to them, if any, under the Uniform Commercial Code.

7.2 Notices. All notices under this Agreement must be in writing and will be deemed given when delivered or placed in the United States mail, registered or certified, postage prepaid, addressed to the respective party at the respective address set forth on Schedule 1 attached to this Agreement. Any party may change its address for notices under this Agreement by giving written notice to the other parties.

7.3 Amendments. This Agreement may be waived, amended, modified or terminated and the Security Interest may be released only in a writing signed by Secured Party. Any waiver signed by Secured Party will be effective only in the specific instance and for the specific purpose given.

7.4 Applicable Law. This Agreement is governed by the laws of the State of Minnesota. If any provision of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability will not affect other provisions or applications that can be given effect and this Agreement will be construed and enforced as if the unlawful or unenforceable provision or application had never been contained in or prescribed by this Agreement.

7.5 Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

7.6 Integration. This Agreement embodies the entire agreement and understanding among the parties relative to subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

7.7 Successors and Assigns. This Agreement is binding upon and will inure to the benefit of the parties and their successors and assigns.

7.8 Counterparts. This Agreement may be executed in several counterparts, each of which will be an original, and all of which will constitute one and the same instrument.

DEBTOR:

MINNESOTA COMMERCIAL RAILWAY COMPANY

By John W. Gohmann
John W. Gohmann
Its Pres
Date 9/20/99

SECURED PARTY:

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION

By Elizabeth M. Ende
Its Officer
Date 9-30-99

STATE OF ILLINOIS )
)ss.
COUNTY OF LAKE )

On this 21ST day of SEPTEMBER, 1999, before me a Notary Public within and for said County, personally appeared John W. Gohmann, who, being by me duly sworn did say that he is the President of MINNESOTA COMMERCIAL RAILWAY COMPANY, the corporation named in the foregoing instrument, and acknowledged said instrument was signed on behalf of said corporation by authority of its Board of Directors. Further, he acknowledged before me that the execution of the foregoing instrument to be the free act and deed of said corporation.

OFFICIAL SEAL
CAROLE LEVIN
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 7-15-2002

Notary Public, Carole Levin
My Commission expires: 7/15/2002

STATE OF MINNESOTA )
)ss.
COUNTY OF HENNEPIN )

On this 30 day of Sept., 1999, before me a Notary Public within and for said county, personally appeared Elizabeth M. Ende who, being by me duly sworn did say that she/he is a(n) officer of NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, the association named in the foregoing instrument, and acknowledged said instrument was signed on behalf of said corporation by authority of its Board of Directors. Further, he acknowledged before me that the execution of the foregoing instrument to be the free act and deed of said association.

Vicki L. Plymate
Notary Public, Minnesota / Hennepin County
My Commission expires: JAN. 31, 2000

VICKI L. PLYMATE
NOTARY PUBLIC-MINNESOTA
HENNEPIN COUNTY
My Commission Expires Jan. 31, 2000

**SCHEDULE 1**
**TO**
**SECURITY AGREEMENT**

DEBTOR'S PRINCIPAL OFFICE:

508 Cleveland Avenue North
St. Paul, Minnesota 55114-1804

SECURED PARTY'S ADDRESS:

Norwest Center
MAC N9305-114
Sixth and Marquette
Minneapolis, Minnesota 55479-

DEBTOR'S TIN OR SSN: 411 572 875

PERMITTED LIENS:

None.

COLLATERAL LOCATIONS IN ADDITION TO DEBTOR'S PRINCIPAL OFFICE:

None.

**EXHIBIT A**
**TO**
**SECURITY AGREEMENT**

The Collateral includes those certain _4_ railroad locomotive(s) owned by Debtor and identified as follows:

| Description | Road No. | Model No. | Date Built |
|---|---|---|---|
| GE2300 HP Locomotive | MNNR 1971 | B23-7 | 1979 |
| GE2300 HP Locomotive | MNNR 1978 | B23-7 | 1979 |
| GE2300 HP Locomotive | MNNR 1983 | B23-7 | 1979 |
| GE3000 HP Locomotive | MNNR 54 | B30-7 | 1977 |