



Surface Transportation Board  
March 10, 1997  
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44 passenger cars and 10 locomotives bearing  
Durango & Silverton Road numbers as follows:

<u>Passenger Cars</u>					<u>Locomotives</u>	
64	319	336	406	415	420	481
126	323	337	407	416	473	482
212	327	350	408	566	476	493
213	330	400	409	630	478	498
257	331	401	410	631	480	499
270	332	402	411	632		
291	333	403	412	B-2		
311	334	404	413	B-7		
312	335	405	414			

A fee of \$24 is enclosed. Please return the original and the extra copy, after said copy has been date stamped received to.

Jones & Keller, P.C.  
1625 Broadway, Suite 1600  
Denver, CO 80202  
Attention Barry L Wilkie

A self-addressed stamped envelope has been provided for your convenience

A short summary of the document to appear in the Index follows:

Surface Transportation Board

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Rolling Stock Security Agreement dated March <sup>13</sup>~~10~~, 1997, between Charles E. Bradshaw, Jr. ("Lender") and The Durango & Silverton Narrow Gauge Railroad Company, 479 Main Avenue, Durango, Colorado 81301 ("Guarantor"), and covering 44 passenger cars, and 10 locomotives, bearing Durango & Silverton Road numbers as follows

<u>Passenger Cars</u>					<u>Locomotives</u>	
64	319	336	406	415	420	481
126	323	337	407	416	473	482
212	327	350	408	566	476	493
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257	331	401	410	631	480	499
270	332	402	411	632		
291	333	403	412	B-2		
311	334	404	413	B-7		
312	335	405	414			

Blanket Remainder of Equipment.

Very truly yours,

JONES & KELLER, P C.

By Barry L. Wilkie  
Barry L. Wilkie  
Attorney for The Durango & Silverton  
Narrow Gauge Railroad Company

cc: Charles E. Bradshaw, Jr. (w/o enc )  
Stephen Hatcher, Esq (w/o enc.)  
Dennis Olle, Esq (w/o enc )



RECORDATION No. 20553

MAR 24 1997 - 10:18 AM

ROLLING STOCK SECURITY AGREEMENT

BETWEEN

THE DURANGO & SILVERTON NARROW GAUGE RAILROAD  
COMPANY

AS GUARANTOR / DEBTOR

AND

CHARLES E. BRADSHAW, JR.

AS LENDER

DATED AS OF March 13, 1997

Filed and recorded with the Surface Transportation Board pursuant to 49 U.S.C. 11301 on  
\_\_\_\_\_, 1997, at \_\_\_ m., Recordation No. \_\_\_\_\_

## ROLLING STOCK SECURITY AGREEMENT

This ROLLING STOCK SECURITY AGREEMENT (this "Agreement") dated as of the 13 day of March 1997, between THE DURANGO & SILVERTON NARROW GAUGE RAILROAD COMPANY, a Colorado corporation, having its principal office at 479 Main Avenue, Durango, Colorado 81301 ("Guarantor"), and CHARLES E. BRADSHAW, JR ("Lender").

As security for Guarantor's obligations pursuant to the Guaranty (as defined below), and in order to induce Lender to extend or continue to extend credit to First American Railways, Inc., a Nevada corporation, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor agrees with Lender as follows:

### I. DEFINITIONS

A. Specific Terms. In addition to terms defined elsewhere in this Agreement or in any exhibit or amendment hereto or document incorporated herein, when used herein, the following terms shall have the following meanings:

The "Collateral" shall mean the Rolling Stock, together with all parts thereof or therefor (including spare parts), attachments, accessories, accessions, equipment, appurtenances and additions that are appertaining, attached, affixed or related thereto and all substitutions, renewals or replacements thereof and all additions, improvements, accessions and accumulations thereto, all books and records (including computer records) in any way related thereto, and all proceeds thereof.

The "Collateral Location" shall mean the location, premises, rights-of-way, easements, land and property of The Durango & Silverton Narrow Gauge Railroad Company, including all track, buildings, sheds and storage areas ordinarily used by said railroad.

The "Guaranty" shall mean Guarantor's Unlimited Continuing Guaranty of even date herewith which guarantees certain obligations of First American Railways, Inc. to Lender, including, but not limited to, two promissory notes of even date herewith, in the amounts of \$4,200,000, and \$5,850,000 (collectively referred to as the "Notes").

"The Loan Documents" shall mean the documents referred to and defined in the Notes, including this Agreement.

The "Obligations" shall mean (i) any and all indebtedness (principal, interest, premium, fees, late fees and other amounts), liabilities and obligations of Guarantor to Lender, including, without limitation, all of Guarantor's Obligations pursuant to the Guaranty (ii) any and all indebtedness, liabilities and obligations of Guarantor under this Agreement; and (iii) any and all costs of collection, attorneys' fees and expenses incurred by Lender upon the occurrence of an Event of Default under this Agreement, in collecting or enforcing payment of any such indebtedness,

liabilities or obligations or in preserving, protecting or realizing on the Collateral hereunder or in representing Lender in connection with bankruptcy or insolvency proceedings.

The "Rolling Stock" shall mean the railcars, engines and other rolling stock or equipment described on Exhibit A attached hereto and all other Rolling Stock of Guarantor, whether now owned or hereafter acquired and wherever located.

B. Other Terms. Except as otherwise defined herein, all capitalized terms used in this Agreement, which are defined in the Uniform Commercial Code as in effect in the State of Florida ("UCC") shall have the meanings set forth in the UCC.

## II. GRANTING CLAUSE

To secure payment and performance of the Obligations, Guarantor hereby pledges, assigns, transfers and sets over to Lender, and grants to Lender a lien and security interest in and upon all of the Collateral.

Upon recordation of the loan documents by NationsBank, N.A. (South), this Rolling Stock Security Agreement shall be subordinate to (a) that certain loan to be given by NationsBank, N.A. (South) to Guarantor in an amount not to exceed \$8.5 million and (b) any modifications or any replacements thereof the terms of which must be reasonable and customary and approved in writing by Lender which approval shall not be unreasonably withheld, in an amount not to exceed the then existing principal balance of such loan. If Lender does not respond to Guarantor's request for approval of any such modification or replacement within ten (10) business days after Guarantor's receipt of written notice thereof, then Lender's right of approval shall be deemed waived. Lender shall execute all documents reasonably necessary to evidence such subordination.

## III. REPRESENTATIONS AND WARRANTIES

Guarantor hereby represents and warrants to Lender that:

A. To the best of its knowledge, Guarantor is in compliance with all laws of the jurisdictions in which its operations involving the Collateral may extend; Guarantor is not subject to the interchange rules of the Association of American Railroads, the rules of the United States Department of Transportation, the Surface Transportation Board or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Collateral; in the event that such laws and rules affect title, operation, maintenance or use of the Collateral, or such laws or rules require any alteration, replacement or addition of or to any equipment, Guarantor will conform therewith at its own expense.

B. Guarantor is the sole and absolute owner of the Collateral free and clear of any and all liens, claims and encumbrances of every kind and nature except for the lien and encumbrance hereby

granted and created, liens permitted by this Agreement, encumbrances and liens relating to the loan described in Article II above and liens existing on the date hereof.

C. To the best of Guarantor's knowledge, upon appropriate filings with the United States Surface Transportation Board and the Colorado Secretary of State, the security interest contemplated hereby will at all times constitute a valid, perfected and enforceable not less than second priority security interest in favor of Lender, subject to no other security interest, mortgage, lien or encumbrance except as disclosed in Section III. B above.

D. To the best of Guarantor's knowledge, no portion of the Collateral is in the possession of any party (other than Guarantor) asserting any claim thereto or security interest therein. Exhibit A hereto contains a full and complete list and accurate description of all Rolling Stock now owned by Guarantor.

#### IV. COVENANTS AND AGREEMENTS

Guarantor hereby covenants and agrees with Lender that:

A. Operation. Guarantor shall at all times during the term hereof maintain exclusive possession, control and use of the Collateral and shall completely assume all responsibility with respect thereto. Guarantor shall cause the Rolling Stock to be operated only by safe, careful and licensed engineers who are employed by Guarantor or who are leased by Guarantor pursuant to any lease or employment arrangement which has been approved by Lender. Guarantor shall require each such engineer to operate such train with reasonable care and to use every reasonable precaution to prevent any loss or damage thereto from fire, theft, collision, or otherwise, and to prevent injury to persons or damage to property. Guarantor shall further comply with all applicable federal and state inspection, licensing and registration requirements, and all other federal, state and local laws, regulations and other governmental requirements applicable to any portion of the Collateral or the use or operation thereof. Guarantor shall not use the Collateral in any manner which is in violation of any provision of any insurance policy. Guarantor shall not, without the prior written consent of Lender, attach or affix any portion of the Collateral in any manner to or have any portion of the Collateral become a part of any real estate or to any personal property.

B. Location/Inspection. Guarantor shall cause all of the Collateral to at all times be located at the Collateral Location, and shall provide to Lender, from time to time, upon request of Lender, a list of the items of Collateral specifying the physical location and condition of each material item. Lender may examine and inspect the Collateral or any part thereof, wherever located, at any reasonable time or times.

C. Identification of Collateral. Guarantor shall, at all times, cause the Collateral to be kept numbered with identification numbers as shall be set forth in this Agreement, or any amendment or supplement hereto. Guarantor will not change the identification, number of any unit of Collateral unless and until (1) a statement of a new number or numbers to be substituted therefore

shall have been filed with Lender and filed, recorded and deposited, by Guarantor and all public offices where this Agreement shall have been filed, recorded and deposited and (2) Guarantor shall have furnished to Lender an opinion of counsel in form and substance reasonably satisfactory to Lender to the effect that such statement has been so filed, recorded and deposited, that such filing, recordation and deposit will protect Lender's interest in such Collateral and that no other filing, recording, deposit or giving of notice with or to any other Federal, State or local government or agency thereof is necessary to protect the interest of Lender in such Collateral.

D. Liens. Guarantor shall not create or permit to exist any lien, encumbrance or security interest upon or with respect to any portion of the Collateral now owned or hereafter acquired, in favor of anyone other than Lender except as disclosed in Article II herein, and Guarantor will defend the Collateral against all claims and demands of all persons at any time otherwise claiming the same or any interest therein. Guarantor shall further perform any and all acts reasonably requested by Lender to establish, perfect, maintain and continue Lender's security interests and liens upon the Collateral, including, but not limited to: (i) executing financing statements, documents or certificates of title and any and all other instruments and documents (including, without limitation, any instruments to be filed with the Surface Transportation Board) when and as reasonably requested by Lender, and (ii) causing the owners and/or mortgagees of the real property on which any Collateral may be located to execute and deliver to Lender waivers or subordinations satisfactory to Lender with respect to any rights in such Collateral.

E. Alterations and Maintenance. Except upon the prior written consent of Lender, Guarantor shall not make or permit any material alterations to any portion of the Collateral which might reduce or impair its market value or utility. Guarantor shall at all times keep the Collateral in at least as good condition, order and repair as on the date hereof, ordinary wear and tear excepted and excepting any loss, damage or destruction which is fully covered by proceeds of insurance (subject to any applicable deductible). Guarantor shall pay or cause to be paid all obligations arising from the repair and maintenance of such Collateral, as well as all obligations with respect to the premises where any portion of the Collateral is or may be located, except for any such obligations being contested by Guarantor in good faith by appropriate proceedings being diligently conducted and for which adequate reserves in form and amount acceptable to Lender have been provided. Without limiting the foregoing, Guarantor shall, at its sole cost and expense, make all repairs and replacements to each item of the Collateral as may be necessary to (A) keep and maintain such item in all respects in first-class mechanical condition and repair, and (B) comply with all applicable federal, state and local laws and other governmental requirements.

F. Taxes. Guarantor shall pay promptly and in every case prior to becoming delinquent all taxes and assessments on or relating to the Collateral, or for its use or operation, or upon this Agreement or any of the Obligations, or with respect to the perfection of any security interest or other lien hereunder (except as otherwise required by law); provided, however, that Guarantor shall not be required to pay any such tax or assessment the payment of which is being contested in good faith and by appropriate proceedings being diligently conducted and for which adequate reserves in form and amount acceptable to Lender have been provided, except that Guarantor shall cause (i) to

be paid all taxes and assessments upon the commencement of proceedings to foreclose upon any lien on the Collateral unless such foreclosure is stayed by the filing of an appropriate bond, and (ii) any arrest, seizure, levy, custody of or other detainer of any portion of the Collateral to be released within ten (10) days by filing an appropriate bond or undertaking or by securing such discharge or release by stipulation or otherwise, and Guarantor shall execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof.

G. Insurance. Guarantor shall, at all times, keep all of the Collateral insured against loss, damage, theft and other risks, by maintaining policies in such amounts and with companies and under such policies and in such form, all as shall be acceptable to Lender. Guarantor shall maintain single limit public liability and property damage insurance of not less than \$10,000,000.00 per occurrence, or such greater or lesser amount as Lender may from time to time request on notice to Guarantor, but in any event not more than required by the Lender under the terms of the loan referred to in Article II, hereof. Guarantor shall cause such insurance policies to be written with loss payable clauses providing in effect that the proceeds of any property insurance policy paid on account of any loss shall be paid to Lender, which proceeds shall be disbursed by Lender to Guarantor for repair, restoration or replacement of the damaged or lost property or applied by Lender as provided in Section IV.H below. Guarantor shall maintain such other insurance as may be required by law. Guarantor shall furnish Lender with a copy or certificate of each such policy or policies and, prior to any expiration or cancellation, each renewal or replacement thereof.

H. Event of Loss. Proceeds of insurance received by Guarantor on account of any partial loss shall be used by Guarantor for the purpose of making repairs to such Collateral, provided, however, that Guarantor shall provide certification to Lender of the repairs made on completion of such repairs. So long as no Default or Event of Default under this Agreement has occurred and is continuing, all insurance proceeds received by Lender on account of any loss of or damage to any portion of the Collateral may, at the option of Guarantor, either (i) be used and applied for the sole purpose of paying the cost of repair, restoration or replacement of the Collateral damaged or destroyed, and Guarantor shall provide Lender with an appropriate certification by a qualified engineer that any such repair, restoration or replacement which exceeds \$50,000.00 in cost has been completed, or (ii) be applied to the payment of the Obligations in such order and manner as Lender may elect. If any Default or Event of Default under Article V of this Agreement has occurred and is continuing, unless Lender otherwise consents in writing all insurance proceeds received or held by Lender on account of any loss of or damage to any portion of the Collateral, after deducting therefrom the reasonable charges and expenses paid or incurred in connection with the collection and disbursement of said proceeds, shall be applied to the payment of the Obligations and/or the indebtedness guaranteed by Guarantor, in such order and manner as Lender may elect unless otherwise consented to in writing by Lender.

I. Notice of Certain Events. Guarantor shall give Lender immediate notice of any attachment, lien, judicial process, encumbrance or claim affecting, or any other event which may adversely impact, any Collateral and any casualty to or accident involving any portion of the Collateral, whether or not constituting an insurable loss provided for in Section IV.G or IV.H above.

J. Hazardous Cargo. Borrower shall not use the Collateral, or permit it to be used, for the transportation or storage of any substance which is categorized as or required to be labeled as, "Poison" or "Poisonous", "Explosive" or "Radioactive" (or any categories or labels substituted for such categories or labels as in effect on the day hereof) or under 49 C.F.R. 171 or other applicable Federal rules or regulations in effect from time to time regulating the transportation of hazardous materials.

K. General Indemnity. In addition to the payment of expenses pursuant to Section VI.H, Guarantor hereby agrees to indemnify, pay and hold Lender and any obligee of the Obligations herein or the obligations guaranteed by Guarantor in the Guaranty (including any holder of a promissory note requiring the payment of indebtedness comprising part of the Obligations of Guarantor or such guaranteed obligations), and the officers, directors, employees, agents and affiliates of Lender and any such obligee (collectively, the "Indemnitees") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable attorneys' fees, costs, expenses and disbursements of such attorneys for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitees shall be designated a party thereto), that may be imposed on, incurred by or asserted against the Indemnitees, in any manner relating to or arising out of this Agreement, the Guaranty, the Notes, the Loan Documents or any other agreement, document or instrument executed and delivered by Guarantor in connection herewith or therewith, (collectively, the "indemnified liabilities"); provided that Guarantor shall have no obligation to an Indemnitee hereunder with respect to indemnified liabilities arising from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction in a final, non-appealable order. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, Guarantor shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all indemnified liabilities incurred by the Indemnitees or any of them. The provisions of the undertakings and indemnification set out in this Section IV.K shall survive satisfaction and payment of, the Obligations and the termination of this Agreement.

L. Lender's Performance. Guarantor will allow Lender, at its option, from time to time, to perform any agreement of Guarantor hereunder which Guarantor shall fail to perform and take any other action which Lender deems necessary for the maintenance or preservation of any portion of the Collateral or its interest therein (including, without limitation, the discharge of taxes, except as such taxes are being contested in good faith as permitted by Section IV.F above, or liens, encumbrances or claims of any kind upon or against any of the Collateral or the procurement of insurance or the payment of warehousing charges, landlord's bills or other charges), and Guarantor agrees to forthwith reimburse Lender for all costs and expenses incurred by Lender in connection with the foregoing, together with interest thereon at a rate per annum equal to the lesser of 18% per annum or the highest rate allowed by law from the date incurred until reimbursed by Guarantor. Lender may for the foregoing purposes act in its own name or that of Guarantor and may also so act

for the purposes of adjusting, settling or, upon the occurrence and continuation of an Event of Default, canceling any policy of insurance on the Collateral or endorsing any draft received in connection therewith in payment of a loss or otherwise, for all of which purposes Guarantor hereby grants to Lender its power of attorney, which is coupled with an interest and irrevocable during the term of this Agreement. In the event Lender, in its sole discretion, undertakes any action under this Section IV.L at any time or from time to time, Lender shall be under no obligation to undertake any such action on any subsequent occasion, and Lender shall not be required to provide Guarantor or any other Person with any notice in order for Lender to take any action hereunder or Notice of Lender's intent not to take any action hereunder at any time or from time to time.

## V. DEFAULTS AND REMEDIES

Upon the occurrence of any one of the following defaults, which are herein referred to as Events of Default:

A. Guarantor shall fail to make any payment of any of the Obligations as and when the same shall become due and payable within any applicable grace period whether by reason of demand, maturity, acceleration or otherwise; or

B. Any representation, warranty, certification or statement of Guarantor made in this Agreement, in the Guaranty, in the Loan Documents or in any certificate, financial statement, other agreement, instrument or statement furnished or made or delivered pursuant hereto or thereto or in connection herewith or therewith, is false or misleading in any material respect as of the date when made, effected, affirmed or reaffirmed; provided, however, that Lender acknowledges that he was the prior owner of 100% of the stock of Guarantor and that if Lender knew that any representation, warranty, certification or statement made by Guarantor was false, misleading or erroneous, then such statement shall not be deemed a default hereunder; or

C. Borrower shall fail to perform or observe any term, covenant or provision contained in this Agreement or in the Guaranty; or in any of the Loan Documents; unless such failure is cured as provided in Section 4.01(e) of the Security Agreement between Guarantor and Lender of even date herewith;

D. Any "Event of Default" (as defined therein) shall occur under or within the meaning of any of the other Loan Documents.

then and in each such event:

(i) Lender may declare all the principal of, all of the interest on and all other amounts included in or payable pursuant to the Obligations of Guarantor to Lender to be forthwith due and payable, whereupon all such indebtedness, liabilities and other obligations shall become forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Guarantor;

(ii) Whether or not such indebtedness, liabilities or other obligations are declared to be forthwith due and payable, Lender shall have the right to take immediate possession of all or any part of the Collateral covered hereby, and, for that purpose Lender may reasonably require Guarantor to assemble the Collateral at a time and location specified by Lender, may pursue the Collateral wherever it may be found, and may enter upon any of the premises of Guarantor with or without force or process of law, wherever the Collateral may be or is expected or supposed to be, and search for the same, and, if found, take possession of and remove and sell, transfer, assign and dispose of said Collateral, or any part thereof; and

(iii) Lender may exercise any one or more of the rights and remedies accruing to a secured party under the UCC, as defined herein, or the Uniform Commercial Code of any other relevant state or states and any other applicable law upon default by a debtor.

E. Foreclosure. Foreclosure on the Collateral covered hereby may be had at public or private sale or sales, disposing of such portion or portions of the Collateral at each such sale, for cash or on credit, on such terms, at such place or places, and with or without the Collateral being present at such sale, all as Lender in its sole and absolute discretion shall determine from time to time. In the case of public sale, notice thereof shall be deemed and held to be adequate and reasonable if such notice shall appear three (3) times in a newspaper of general circulation in the city or county wherein the sale is to be held, the first such publication being at least ten (10) days before such sale and the last such publication being not more than three (3) days before such sale. In the case of a private sale, notice thereof shall be deemed and held to be adequate and reasonable if such notice shall be mailed to Guarantor at its last known address at least ten (10) days before such sale. The enumeration of these methods of notice shall not be deemed or construed to render unreasonable any other method of notice which would otherwise be reasonable under the circumstances.

F. Application of Proceeds and Deficiency. Lender may apply the net proceeds of any sale, lease or other disposition of the Collateral, after deducting all costs and expenses of every kind incurred therein or incidental to the retaking, holding, preparing for sale, selling, leasing or the like of the Collateral on Guarantor's premises, or elsewhere, or in any way related to Lender's rights thereunder (including, without limitation, attorneys' fees and expenses, court costs, bonds and other legal expenses, insurance, security guard and alarm expenses incurred in connection with the holding of the Collateral, advertisements of sale of the Collateral, and rental and utilities expense on the premises or elsewhere in connection with storage and sale of the Collateral) to the payment, in whole or in part, of the Obligations of Guarantor to Lender, whether due or not due, absolute or contingent, and only after payment of the foregoing amounts and payments by Lender of any other amounts required by any existing or future provision of law (including Section 9-504(1)(c) of the UCC or any comparable statutory provision of any jurisdiction in which any of the Collateral may at the time be located) need Lender account to Guarantor for the surplus, if any. Guarantor shall remain liable to Lender for the payment of any deficiency, with interest.

G. Lender's Care of Collateral. Lender shall be deemed to have exercised reasonable care in the custody and preservation of any portion of the Collateral in its possession if it takes such action for that purpose as Guarantor requests in writing, but failure of Lender to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of Lender to preserve or protect any rights with respect to such portion of the Collateral against prior parties, or to do any act with respect to the preservation of such portion of the Collateral not so requested by Guarantor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

## VI. MISCELLANEOUS

A. Amendments: Waivers: Remedies Cumulative. No delay or failure on the part of Lender in the exercise of, and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof and no single or partial exercise by Lender of any right shall preclude other or further exercise thereof or the exercise of any other right hereunder, under any of the Notes or any of the other Loan Documents or applicable law. A waiver by Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Lender would have on any future occasion. Each and every right granted to Lender hereunder, under the Notes and other Loan Documents or any other instrument, document or agreement, or at law or in equity, shall be deemed cumulative and may be exercised from time to time. Neither this Agreement, nor any provision hereof, may be waived, modified, supplemented, amended, rescinded, discharged or terminated except by a writing duly signed by Lender, and then only to the extent therein set forth.

B. Durable Power of Attorney. Guarantor hereby makes, constitutes and appoints Lender the true and lawful agent and attorney-in-fact of Guarantor with full power of substitution to do any and all things necessary and take such action in the name and on behalf of Guarantor to carry out the intent of this Agreement, including, without limitation, the grant of the security interest granted under this Agreement, to perfect and protect the security interest granted to Lender in respect to the Collateral and Lender's rights created under this Agreement and to act on behalf of Guarantor for the purposes set forth in Section IV.L., which power of attorney is irrevocable during the term of this Agreement. Guarantor agrees that neither Lender nor any of his employees, agents, designees or attorneys-in-fact will be liable for any acts or omissions to act, or for any error of judgment or mistake of fact or law in respect to the exercise of the power of attorney granted under this Section or the exercise of any power of attorney provided for under this Agreement. This power of attorney shall not be affected by the subsequent dissolution of Guarantor and shall in all respects constitute a durable power of attorney.

C. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including prepaid overnight courier, telex, facsimile transmission or similar writing) and shall be given to such party at its address set forth below, or at such other address as such party may hereafter specify for the purpose of notice to Lender and Guarantor. Each such notice, request or other communication shall be effective if given by mail, prepaid overnight courier or any other

may hereafter specify for the purpose of notice to Lender and Guarantor Each such notice, request or other communication shall be effective if given by mail, prepaid overnight courier or any other means, when received at the address specified in this Section or when delivery at such address is refused

If to Guarantor

Durango & Silverton Narrow  
Gauge Railroad Company  
c/o First American Railways, Inc  
3700 N 29th Ave  
Suite 202  
Hollywood, FL 33020  
Attention President

With a copy to

Olle, Macaulay & Zorrilla, P A  
1402 Miami Center  
201 South Biscayne Blvd  
Miami, Florida 33131  
Attention Dennis J Olle, Esq

If to Lender

Charles E Bradshaw, Jr  
22051 N O'Brien Road  
Howey-in-the-Hills, Florida 34737

With a copy to

Zimmerman Shuffield Kiser & Sutcliffe, P A  
315 E Robinson, Suite 600  
Orlando, Florida 32802  
Attention Stephen B Hatcher, Esq

D Applicable Law and Severability It is the intention of the parties hereto that this Agreement is entered into pursuant to the provisions of the UCC Any applicable provisions of the UCC, not

invalidate another. In all respects this Agreement and all transactions, assignments and transfers hereunder, and all the rights of the parties shall be governed as to the validity, construction, enforcement and in all other respects by the laws of the State of Colorado as applied to agreements made, executed and performed within the State of Colorado. To the extent any provision of this Agreement is not enforceable under applicable law, such provision shall be deemed null and void and shall have no effect on the remaining portions of this Agreement. The headings of the paragraphs hereof shall not be considered in the construction or interpretation of this Agreement.

E. Successors and Assigns. This Agreement shall be binding upon Guarantor and its successors and permitted assigns, and shall inure to the benefit of Lender and his successors and assigns. Guarantor may not assign or delegate any of its rights or obligations under this Agreement without the prior written consent of Lender.

F. Other Obligations. Nothing contained in this Agreement shall be deemed or held to impair or limit in any way the enforcement of the terms of any instrument evidencing any indebtedness, liability or other obligation of Guarantor to Lender.

G. Duration of Security Interest. This Agreement shall continue in full force and effect, and the security interest granted hereby and the representations, warranties, covenants, agreements, and liabilities of Guarantor hereunder and all the terms, conditions, and provisions hereof relating thereto shall continue to be fully operative until Guarantor shall pay or cause to be paid or otherwise discharge all of the Obligations of Guarantor to Lender. Guarantor expressly agrees that to the extent any payments to Lender, are subsequently in whole or in part invalidated, declared to be void or voidable, set aside and are required to be repaid to a trustee, custodian, receiver, or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied by any such payments with all applicable portions of this Agreement (if this Agreement shall have terminated) shall be revived and continued in full force and effect as if such payments had not been made.

H. Costs, Expenses and Taxes. Guarantor agrees to pay all reasonable fees and out-of-pocket expenses of Lender (including, but not limited to, fees and expenses of counsel and auditors) in connection with the administration and enforcement of this Agreement. In addition, Guarantor shall pay or reimburse Lender for any and all costs and expenses incidental to or incurred in connection with the execution, delivery and/or recording of this Agreement or any financing statement in connection herewith and the perfection, maintenance or termination of the security interest granted hereby, including any filing and recording fees, fees for obtaining and transferring certificates of ownership or title and all taxes and legal and clerical fees and expenses paid or incurred by Lender in connection with any of the foregoing. If any suit or proceeding arising from any of the foregoing is brought against Lender, then in such case Guarantor to the extent and in such manner as directed by Lender, shall resist and defend such suit or proceeding with counsel approved by Lender. The obligations of Guarantor under this paragraph shall survive the expiration or termination of this Agreement and the discharge of the Obligations and any other obligations of Guarantor to Lender or otherwise in connection therewith.

I. Further Assurances. Guarantor agrees to do such further acts and things and to execute and deliver to Lender such additional agreements, instruments and documents as Lender may reasonably require or deem advisable to carry into effect the purposes of this Agreement, or to confirm unto Lender its rights, powers and remedies under this Agreement.

J. Jurisdiction: Waiver: Acknowledgment. (i) GUARANTOR ACKNOWLEDGES THAT THIS AGREEMENT IS BEING ACCEPTED BY LENDER IN PARTIAL CONSIDERATION OF LENDER'S RIGHT AND OPTION, IN ITS SOLE DISCRETION, TO ENFORCE THIS AGREEMENT IN EITHER THE STATE OF COLORADO OR IN ANY OTHER JURISDICTION WHERE GUARANTOR OR ANY COLLATERAL MAY BE LOCATED. IF SO ELECTED BY LENDER, GUARANTOR CONSENTS TO JURISDICTION IN THE STATE OF COLORADO AND VENUE IN ANY STATE OR FEDERAL COURT IN THE STATE OF COLORADO FOR SUCH PURPOSES, AND GUARANTOR WAIVES ANY AND ALL RIGHTS TO CONTEST SAID JURISDICTION AND VENUE. GUARANTOR WAIVES ANY RIGHTS TO COMMENCE ANY ACTION AGAINST LENDER IN ANY JURISDICTION EXCEPT IN THE STATE OF COLORADO (ii) LENDER AND GUARANTOR HEREBY EACH EXPRESSLY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES AGAINST THE OTHER PARTY WITH RESPECT TO ANY MATTER WHATSOEVER RELATING TO, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE GUARANTY, THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND/OR ANY OF THE TRANSACTIONS WHICH ARE THE SUBJECT OF THE GUARANTY OR THIS AGREEMENT. (iii) GUARANTOR ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT, UNDERSTANDS ITS TERMS AND CONDITIONS AND CONSENTS AND AGREES TO ALL OF THEM.

K. Conflict. In the event Guarantor's compliance with any provision contained herein should cause Guarantor to not be in compliance with any provision of the NationsBank, N.A. (South) loan described in Article II hereof, the provision in the NationsBank, N.A. (South) loan shall prevail.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

THE DURANGO & SILVERTON NARROW  
GAUGE RAILROAD COMPANY

By: 

Name: RAYMOND MUNKELIEVE

Title: President

STATE OF Florida )  
 ) ss:  
COUNTY OF Broward )

On this 13<sup>th</sup> day of March, before me personally came Robert Monteleone to me personally known, who, being by me duly sworn, did depose and say that he is President of The Durango & Silverton Narrow Gauge Railroad Company, a Colorado corporation, that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County and State the day and year last above written.

My term expires \_\_\_\_\_



MARIE CATHERINE SANTORO  
My Commission CC345221  
Expires Feb 03, 1998  
Bonded by ANB  
800-852-5878

(SEAL)

Marie Catherine Santoro  
Notary Public

Charles E. Bradshaw, Jr.  
Charles E. Bradshaw, Jr.

STATE OF Florida )  
 ) ss:  
COUNTY OF Orange )

On this 12<sup>th</sup> day of March, 1997, before me personally came Charles E. Bradshaw, Jr. to me personally known, who, being by me duly sworn, acknowledged said instrument to be his free and voluntary act.

My term expires:

(SEAL)

Stephen B. Hatcher  
Notary Public

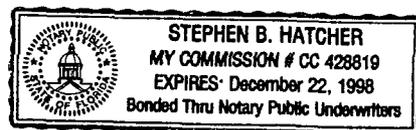


EXHIBIT A

DURANGO & SILVERTON NARROW GAUGE EQUIPMENT ROSTER

<u>CAR NO.</u>	<u>TYPE</u>	<u>NAME</u>
213	PASS/BAG	DURANGO & SILVERTON
291	COACH/PASS	" "
270	" "	" "
257	" "	" "
311	" "	" "
630	" "	" "
631	" "	" "
632	" "	" "
330	" "	" "
331	" "	" "
332	" "	" "
333	" "	" "
334	" "	" "
335	" "	" "
336	" "	" "
337	" "	" "
350	PASS/PARLOR	" "
64	CONCESSION	" "
566	" "	" "
126	" "	" "
212	" "	" "
312	COACH/PASS	" "
319	" "	" "
327	" "	" "
323	" "	" "
400	OPEN/PASS	" "
401	" "	" "
402	" "	" "
403	" "	" "
404	" "	" "
405	" "	" "
406	" "	" "
407	" "	" "
408	" "	" "
409	" "	" "
410	" "	" "
411	" "	" "
412	" "	" "

413	"	"	"	"
414	"	"	"	"
415	"	"	"	"
416	"	"	"	"
B-2	PRIVATE		CINCO ANIMAS	
B-7	"		NOMAD	

LOCOMOTIVES #

473	2-8-2 MIKADO	DURANGO & SILVERTON
476	"	"
478	"	"
480	"	"
481	"	"
482	"	"

INACTIVE LOCOMOTIVES      TYPE

420	2-8-0
493	2-8-2
498	2-8-2
499	2-8-2

**TOTAL:      44 PASSENGER CARS      /      10 LOCOMOTIVES**

BLANKET REMAINDER OF EQUIPMENT

