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MICHELLE "MICKI" UTSLER, COUNTY RECORDER
MADISON IOWA

COMPUTER	<input checked="" type="checkbox"/>
RECORDED	<input checked="" type="checkbox"/>
COMPARED	<input type="checkbox"/>

REAL ESTATE MORTGAGE

Recorder's Cover Sheet

Preparer Information: (Name and complete address)

Krug Law Firm, PLC
401 First Street SE PO Box 186
Cedar Rapids, IA 52406-0186
Phone (319) 297-7515

Taxpayer Information: (Name and complete address)

Iowa Interstate Railroad Ltd.
5900 6th Street S.W.
Cedar Rapids, IA. 52404
Phone (319) 298 5400

Return Document To: (Name and complete Address)

✓ The United States of America
Secretary of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590
Attn: Associate Administrator for
Railroad Development

Grantors:

Iowa Interstate Railroad LTD

Grantees:

The United States of America

**MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT
OF RENTS AND FIXTURE FILING STATEMENT**

THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND FIXTURE FILING STATEMENT, dated as of July 18, 2005, (the "*Mortgage*"), among the Iowa Interstate Railroad, Ltd., a corporation organized and existing under the laws of Delaware, having its principal office at Cedar Rapids, Iowa, (hereafter referred to as the "*Mortgagor*"), and THE UNITED STATES OF AMERICA, REPRESENTED BY THE SECRETARY OF TRANSPORTATION ACTING THROUGH THE ADMINISTRATOR OF THE FEDERAL RAILROAD ADMINISTRATION, (the "*Mortgagee*").

WITNESSETH:

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

WHEREAS, pursuant to the Financing Agreement, the Mortgagor is entering into this Mortgage in order to grant to the Mortgagee a lien on the Mortgaged Property (as hereinafter defined).

WHEREAS, it is a condition precedent to the making of advances under the Financing Agreement that the Mortgagor shall have granted the liens contemplated by this Mortgage.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledge, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS, EXHIBITS AND RULES OF INTERPRETATION

Section 1.1 Definitions. The terms defined in this Article I shall for all purposes of this Mortgage have the meanings herein specified, unless the context clearly otherwise requires:

“Engineer” shall mean any engineer or firm of engineers licensed to practice in the state in which the Mortgaged Property is located, selected by the Mortgagor and acceptable to the Mortgagee.

“Event of Default” shall have the meaning set forth in the Financing Agreement.

“Existing Facilities” shall mean the railroad tracks, roadbed improvements and all other facilities and improvements located on the Land as they exist on the date hereof, exclusive of buildings, structures and personal property other than fixtures.

“Financing Agreement” shall have the meaning set forth in the recitals hereto.

“Fixtures” shall mean any and all items or fixtures now owned or hereafter acquired by the Mortgagor and now or hereafter attached to or installed within or used in connection with the Land and used as a part of the track structure, such as rails, ties, switches, and ballast. Specifically excluded from this definition are buildings, structures, and personal property of the Mortgagor.

“Improvements” shall mean the railroad tracks, roadbed improvements and all other facilities and improvements located on the Land, and all other facilities and improvements hereafter located on the Land, as they may at any time exist, including the Existing Facilities.

“Land” shall mean the real estate described in Exhibit A hereto, and any real estate or undivided interest therein included within the lien of this Mortgage pursuant to Article IV hereof but excluding any real estate released from the lien of this Mortgage pursuant to the terms of this Mortgage.

“Leases” shall mean any lease or sublease arrangements between the Mortgagor and any tenant with regard to the Mortgaged Property or any portion thereof, including any supplements thereto or amendments thereof entered into in accordance with the provisions thereof and of the Mortgage.

“Mortgage” shall mean this Mortgage, as it may be supplemented or amended in accordance with the provisions hereof.

“Mortgaged Property” shall mean the property set forth in Section 2.1 hereof.

"Mortgagee" shall mean the United States of America, represented by the Secretary of Transportation acting through the Administrator of the Federal Railroad Administration.

"Mortgagor" shall mean Iowa Interstate Railroad, Ltd., a Delaware corporation, its permitted successors and assigns.

"Note or Notes" shall mean any or all of the notes, or a final Note in the form of note attached hereto as Exhibit C, issued by Borrower pursuant to this Agreement to evidence each disbursement of funds by the Administrator to pay for Allowable Costs. All such Notes may be replaced by a final Note for the full amount of the loan when the last disbursement is made.

"Permitted Encumbrances" shall mean those encumbrances set forth in Section 3.3 hereof.

"Rents" shall mean any rents, income, profits or proceeds from any lease, license, concession or other arrangement entered into with respect to the Mortgaged Property, including the Leases.

"Registered Land Surveyor" shall mean a Person engaged in the profession of surveying land and licensed in the state in which the Land in question is located, whether or not employed by, or in any way affiliated with, the Mortgagor.

"Secured Obligations" shall have the meaning set forth in Section 2.2 hereof.

Section 1.2 Exhibit. Attached to and by reference made a part of this Mortgage is Exhibit A: Legal Description of the Land.

Section 1.3 Rules of Interpretation.

- A. This Mortgage shall be interpreted in accordance with and governed by Iowa law.
- B. The words "herein," "hereof," and "hereunder" and words of similar import, without reference to any particular article, section or subdivision, refer to this Mortgage as a whole rather than to any particular article, section or subdivision hereof.
- C. References in this instrument to any particular article, section or subdivision hereof are to the designated article, section or subdivision of this instrument as originally executed.
- D. Any terms not defined herein but defined in the Financing Agreement shall have the same meaning herein unless the context hereof requires otherwise.
- E. The titles of articles and sections herein are for convenience only and are not a part of this Mortgage.

- F. Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine and vice versa.
- G. "Or" is not intended to be exclusive, but is intended to permit one or more or all of the alternatives conjoined.

ARTICLE 2

MORTGAGE AND SECURITY INTEREST

Section 2.1 Mortgage and Security Interest. The Mortgagor, in consideration of the making of the loan under the Financing Agreement and the other good and lawful consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure, and as security for, the Secured Obligations, by these presents does hereby mortgage, grant, assign, pledge and confirm unto the Mortgagee, its successors or their assigns forever, a lien and security interest in all the Land and Existing Facilities and Fixtures thereon.

Section 2.2 Payments and Performances Secured. This Mortgage shall cover and secure the following (herein, the "Secured Obligations"):

- (A) Payment of the principal of and interest on the Notes, including the Final Note;
- (B) Payment of all other sums payable hereunder or under the Financing Agreement, with interest thereon at the rate specified in and to the extent provided in the Notes and the Financing Agreement;
- (C) Payment of all sums payable by Mortgagor under any other document related to the Financing Agreement and the Note or the Final Note; and
- (D) Performance of each covenant, agreement or condition of the Mortgagor set forth in this Mortgage and in the Financing Agreement and in any other document relating thereto.
- (E) Any other obligation arising from the Indebtedness.

Section 2.3 Remedies Upon Event of Default. If one or more Events of Default shall have occurred and be continuing, the Mortgagee shall be entitled to exercise any or all of the remedies set forth or provided herein or in the Financing Agreement and the Mortgagee is hereby authorized and empowered to foreclose this Mortgage by judicial proceedings or by any other method authorized by law, and out of the moneys arising from the sale of the Mortgaged Property pursuant to such foreclosure proceedings the Mortgagee shall be entitled to receive an amount equal to all legal costs and charges of such foreclosure and such reasonable attorney's fees as are permitted by law, which costs, charges and fees the Mortgagor agrees to pay.

Without limitation as to the foregoing, upon an Event of Default, the Mortgagee shall have the right: (1) to proceed to protect and enforce its rights by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained herein or in the Financing Agreement, or in aid of the execution of any power herein or therein granted, or for the foreclosure of this Mortgage, or for the enforcement of any other appropriate legal or equitable remedy, or (2) to sell the Mortgaged Property at public auction and convey the same to the purchaser in fee simple in the manner provided by law. Further, the Mortgagee in exercising its rights hereunder, shall also have, without limitation, all of the rights and remedies provided by the Uniform Commercial Code as adopted in the state in which the Mortgaged Property is located, including the right to proceed under the Uniform Commercial Code provisions governing default as to any fixtures or other personal property which may be included in the Mortgaged Property separately from the real estate included therein, or to proceed as to all of the Mortgaged Property in accordance with its rights and remedies in respect of said real estate. If the Mortgagee should elect to proceed separately as to such fixtures or other personal property, the Mortgagor agrees to make such fixtures or other personal property available to the Mortgagee at a place or places acceptable to the Mortgagee and, if any notification of intended disposition of any of such fixtures or other personal property is required by law, such notification shall be deemed reasonably and properly given if mailed at least 10 business days before such disposition in the manner below provided.

In case of any sale of the Mortgaged Property pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Mortgage, the Mortgagee may become the purchaser and, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the indebtedness evidenced by the Note and any claims for interest matured and unpaid thereon, together with additions to the mortgage debt, if any, accrued as a credit against such settlement or purchase price; and thereupon such purchaser shall be credited on account of such purchase price with the portion of such net proceeds that shall be applicable to the payment of, and shall have been credited upon, the Note, and claims for interest and additions to the mortgage debt so used.

Each and every power or remedy herein specifically given shall be in addition to every other power or remedy, existing or implied, given or now or hereafter existing at law or in equity, and each and every power and remedy herein specifically given or otherwise so existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee and the exercise or the beginning of the exercise of one power or remedy shall not be deemed a waiver of the right to exercise at the same time or thereafter any other power or remedy. No delay or omission of the Mortgagee in the exercise of any right or power accruing hereunder shall impair any such right or power or be construed to be a waiver of any default or acquiescence therein.

Notwithstanding the foregoing, nothing in this Section 2.4 shall be construed as Mortgagor's waiver of its right to cure an Event of Default, as provided for in the Financing Agreement.

Section 2.4 Right of Entry. If the Mortgagee exercises one of the remedies provided for in Section 2.3 hereof, pursuant to a foreclosure of this Mortgage, the Mortgagee may then or at any time thereafter, to the extent permitted by law, take complete and peaceful possession of the Mortgaged Property or any portion thereof, with or without process of law, and may remove all persons therefrom subject, however, to the limitations imposed by valid subordination and non-disturbance clauses of any Lease or contract, or in any separate subordination agreement accepted in writing or entered into by the Mortgagee, and the Mortgagor covenants in any such event peacefully and quietly to yield up and surrender the Mortgaged Property or such portion thereof to said Mortgagee.

Section 2.5 Assignment of and Security Interest in Leases and Rents. As additional security for the performance of the Mortgagor's obligations, agreements and covenants hereunder and for the Secured Obligations, the Mortgagor does hereby grant, transfer and assign to the Mortgagee all of its right, title and interest in and to all existing and future Leases and all extensions, modifications and renewals, if any, thereof and any guarantees of the lessee's obligations under any of the Leases. The Mortgagor does further hereby grant, transfer and assign to the Mortgagee all of the Rents now or hereafter accruing or owing from the Leases or otherwise as a result of any use, possession or occupancy of the Mortgaged Property or any part thereof. This assignment shall constitute a collateral assignment of the Rents and Leases and, prior to the occurrence of an Event of Default, the Mortgagor shall be entitled to collect, but not more than 30 days before due and payable, all of the Rents, and to retain, use and enjoy the same unless and until an Event of Default occurs hereunder.

Upon the occurrence of an Event of Default and upon written notice to the Mortgagor, all Rents payable under the Leases by the lessees to the Mortgagor shall be payable directly to the Mortgagee.

Notwithstanding the foregoing assignment, the Mortgagor will perform and discharge its obligations, covenants and agreements under any and all Leases and will enforce and secure the performance of each and every covenant, obligation and agreement of each lessee thereunder without cost or expense to the Mortgagee. The Mortgagor will exercise, in a prompt and diligent manner and at its own expense, the remedies available to it under any Leases in default, including, without limitation and if available and requested by the Mortgagee, instituting a proceeding for eviction, or to collect delinquent rent or enforce other covenants or obligations of the lessees under the Leases.

The Mortgagee shall not be obligated to collect or attempt to collect any Rents which are not in fact paid to it, further, it shall not be obligated to perform or discharge, nor does the Mortgagee hereby undertake to perform or discharge, any obligation, duty or liability under the Leases, or under or by reason of their assignment.

Section 2.6 Receiver. Upon the happening of any Event of Default and during its continuance, or upon the commencement of any proceedings to foreclose this Mortgage or to enforce the specific performance hereof or in aid thereof or upon the commencement of any other proceeding to enforce any right of the Mortgagee hereunder, the Mortgagee shall be entitled, if it

shall so elect and without regarding to waste, adequacy of security, or solvency of the Mortgagor, forthwith, either before or after declaring all or a portion of indebtedness secured hereby to be due and payable, to petition a court of competent jurisdiction for the appointment of a receiver or receivers pursuant to applicable law.

Upon the happening of any of the events set forth in the preceding paragraph or during any period of redemption after a foreclosure sale and before the appointment of a receiver as hereinbefore provided, the Mortgagee shall have the right to collect the Rents to the extent and apply the same in the manner provided by Section 2.5 hereof. This assignment shall be binding upon the occupants of the Mortgaged Property from the date of service of a copy of a notice of default in the terms and conditions of this Mortgage upon the occupants of the Mortgaged Property. For the purpose aforesaid, the Mortgagee may enter and take possession of the Mortgaged Property and manage and operate the same and take any action which, in the judgment of the Mortgagee, is necessary or proper to conserve the value of the Mortgaged Property.

The expense (including any receiver's fees, attorneys' fees, costs and agent's compensation) incurred pursuant to the powers herein contained shall be deemed to be immediately due and payable by the Mortgagor to the Mortgagee and shall be secured hereby. The Mortgagee shall not be liable to account to the Mortgagor for any action taken pursuant hereto other than to account for any Rents actually received by the Mortgagee.

Section 2.7 Application of Money to Indebtedness. The purchase money proceeds and avails of any sale of the Mortgaged Property or any part thereof, and the proceeds and avails of any other remedy hereunder, shall be applied in the discretion of the Mortgagee in accordance with applicable law, provided that if there is no event of default outstanding, such proceeds shall be applied to the Mortgagor's existing debt and obligations under the Financing Agreement.

Section 2.8 Termination of Proceedings. In case the Mortgagee shall have proceeded to enforce any right under this Mortgage by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Mortgagor and the Mortgagee shall be restored, subject to any final determination in such proceedings, to their former positions and rights hereunder with respect to the property subject to the lien hereof.

Section 2.9 Waiver. The Mortgagor hereby waives, to the extent it lawfully may, all rights to have the Mortgaged Property marshalled upon any foreclosure hereof and agree that any court having jurisdiction to foreclose this Mortgage may order the sale of the Mortgaged Property or any portion thereof as an entirety.

Section 2.10 Attorneys' Fees. In the event an Event of Default should occur and the Mortgagee should employ attorneys or incur other expenses for the foreclosure of this Mortgage or the enforcement or performance of any obligation of the Mortgagor hereunder, whether or not in a bankruptcy case or an adversary proceeding, the Mortgagor will, on demand of the

Mortgagee and receipt of an accounting therefor, pay to the Mortgagee the reasonable fee of such attorneys and such other expenses so incurred, to the extent then permitted by applicable law.

Section 2.11 Fixture Filing Statement. This instrument shall be deemed to be a Fixture Filing Statement within the meaning of the Uniform Commercial Code as adopted by the state in which the Mortgaged Property is located, and for such purpose the following information is being furnished:

- (a) Name and Address and County of Residence of Debtor and record owner of real estate: Iowa Interstate Railroad Ltd., 5900 6th Street S.W., Cedar Rapids, Iowa 52404
- (b) Name and Address and County of Residence of Debtor and record owner of real estate: Iowa Interstate Railroad Ltd. , 5900 6th Street S.W., Cedar Rapids, Iowa 52404
- (c) Taxpayer Identification No.:
Name and Address of Secured Party: The United States Of America
Secretary of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590
Attn: Associate Administrator for Railroad Development
- (d) Description of the types (or items) of property covered by this Financing Statement: See definition of "Fixtures" in Section 1.1 hereof
- (e) Description of real estate to which collateral is attached or upon which it is located: See Exhibit A hereto.

Some or all of the above-described collateral is or is to become fixtures upon the real estate described in Exhibit A hereto, and this Financing Statement is to be filed for record in the real estate records of the State of Iowa.

The Mortgagor will execute and deliver to the Mortgagee, upon the request of the Mortgagee, any financing statements or amendments thereof or continuation statements thereto that the Mortgagee may require to perfect a security interest in said items or types of property. The Mortgagor shall pay all costs of filing such instruments.

Section 2.12 Right to Redemption. Pursuant to Iowa Code Chapter 628, the Mortgagor shall have the right to redemption and nothing in this Mortgage shall be deemed to waive or otherwise extinguish such right.

ARTICLE 3

REPRESENTATIONS, COVENANTS, PERMITTED ENCUMBRANCES

Section 3.1 Warranty of Title. The Mortgagor hereby covenants and warrants that it is well and truly seized of Good Title to the Mortgaged Property and that it has good right and lawful authority to convey and grant a lien and security interest in the same to the Mortgagee and that the title, lien and security interest hereby conveyed is and will forever be free, clear and unencumbered subject, however, only to the Permitted Encumbrances. The Mortgagor covenants and agrees to warrant and defend its Good Title to the Mortgaged Property (subject to Permitted Encumbrances) and its good right and lawful authority to grant a lien and security interest in the same to the Mortgagee. "Good Title," as used herein, means lawful possession of such real property interests in all of the Mortgaged Property so as to permit the Mortgagor to operate a continuous railroad over such properties without material disturbance from parties claiming interests in such property.

The Mortgagor further covenants and agrees that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Mortgagee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Mortgagee all and singular the property herein described and the revenues assigned and pledged hereby to the payment of the principal of, premium, if any, and interest on the Notes and to secure the other obligations secured hereby.

Section 3.2 Performance of and Authority for Covenants. The Mortgagor covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Mortgage, that it is duly authorized and has the power and has taken all necessary and proper action to authorize the execution of this Mortgage, to convey and to grant a security interest in the property described and secured herein and to assign and pledge the Rents and Leases in the manner and to the extent herein set forth, and that all necessary action on its part for the execution and delivery of this Mortgage has been duly and effectively taken. The Mortgagor covenants that it will faithfully perform at all times any and all covenants, obligations, and agreements on its part to be performed under the Financing Agreement, and hereby warrants the representations made by it and contained in the Financing Agreement, as if made herein.

Section 3.3 Permitted Encumbrances. The Permitted Encumbrances are this Mortgage, the Leases and, as of any particular time,

- (A) liens for taxes and special assessments not then delinquent, or delinquent but being contested by the Mortgagor in accordance with Section 3.5 hereof;
- (B) utility, access and other easements and rights-of-way, restrictions and exceptions that an independent Engineer certifies will not interfere with or impair the operation of the Mortgaged Property (or, if it is not being operated, the operations for which it is designed or last modified);
- (C) any mechanic's, laborer's or materialman's lien or right in respect thereof if payment is not yet due under the contract in question or if the lien or right is being contested by the Mortgagor in accordance with Section 3.4 hereof;

- (D) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Mortgaged Property and do not materially impair the property affected thereby for the purpose for which it is intended;
- (E) exceptions, easements, restrictions and encumbrances shown as of the date of execution of this Mortgage on Exhibit A hereto;
- (F) zoning laws;
- (G) other liens permitted by Section 5.8 of the Financing Agreement.

Section 3.4 Liens and Encumbrances. The Mortgagor represents and warrants that, as of the date of execution of Mortgage, there exists no lien, charge or encumbrance, other than Permitted Encumbrances, on the Mortgaged Property, prior to this Mortgage. Except as otherwise permitted by the provisions of this Mortgage, the Mortgagor will not create or suffer to be created any lien, encumbrance or charge upon the Mortgaged Property other than Permitted Encumbrances and, subject to the provisions of Section 3.5 hereof relating to permitted contests, will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a lien upon the Mortgaged Property; provided that liens for labor or materials arising by operation of statutory law shall not be within the purview of this Section 3.4 if, when such liens shall be perfected, the Mortgagor shall cause them to be promptly discharged. If any such lien shall be filed or asserted against the Mortgaged Property by reason of work, labor, services or materials supplied or claimed to have been supplied, the Mortgagor shall, subject to the provisions of Section 3.5 hereof relating to permitted contests, forthwith cause the same to be discharged of record, or effectively prevent the enforcement and collection thereof against the Mortgaged Property or other payments to be made hereunder or under the Financing Agreement by contest, payment, deposit, bond, order of court or otherwise. Nothing contained in this Section 3.4 shall be construed as modifying or affecting the rights of the Mortgagor granted in Section 3.5 hereof.

Section 3.5 Permitted Contests. The Mortgagor shall not be required to pay any tax, charge, assessment or imposition nor to remove any lien, charge or encumbrance required to be removed under Section 3.4 hereof, so long as the Mortgagor shall contest, in good faith and at its own cost and expense, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, assessment, levy, fee, rent, charge, lien or encumbrance so contested and to further prevent the sale, forfeiture or loss of the Mortgaged Property or any part thereof to satisfy the same; provided that no such contest shall subject the Mortgagee to the risk of any liability. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of the Mortgagor to settle any such contest), and in any event the Mortgagor will save the Mortgagee harmless against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) and will, promptly after the final determination of such

contest or settlement thereof, pay and discharge the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interest, costs and expenses thereon or in connection therewith. The Mortgagor shall give the Mortgagee prompt written notice of any such contest.

If the Mortgagee shall notify the Mortgagor that, in an opinion of counsel, by nonpayment of any of the foregoing items the lien of this Mortgage as to any substantial part of the Mortgaged Property will be materially endangered or any substantial part thereof will be subject to imminent loss or forfeiture or the obligations of the Mortgagor under this Mortgage shall be materially impaired, then the Mortgagor shall promptly pay all such unpaid items and cause them to be satisfied and discharged.

Section 3.6 Environmental Representations and Covenants. To the best knowledge of the Mortgagor, after due inquiry, and except as disclosed in writing by Mortgagor to Mortgagee, no violation of any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating thereto (collectively, "Environmental Regulations"), now exists relating to the Mortgaged Property, no notice of any such violation or any alleged violation thereof has been issued or given by any governmental entity or agency, and there is not now any investigation or report involving the Mortgaged Property by any governmental entity or agency which in any way relates to Hazardous Substances (as such term is defined in the Environmental Regulations).

The Mortgagor shall comply with all Environmental Regulations which are applicable to the Mortgaged Property. The Mortgagor shall indemnify the Mortgagee against, shall hold the Mortgagee harmless from, and shall reimburse the Mortgagee for, any and all claims, demands, judgments, penalties, liabilities, costs, damages and expenses, including court costs and attorneys' fees directly or indirectly incurred by the Mortgagee (prior to trial, at trial and on appeal) in any action against or involving the Mortgagee, resulting from any breach of the foregoing covenants during its ownership of the Mortgaged Property, or from the discovery of any Hazardous Substance, in, upon, under or over, or emanating from, the Mortgaged Property for which the Mortgagor is responsible.

ARTICLE 4

RELEASE OF MORTGAGED PROPERTY, EASEMENTS, REMOVAL OF IMPROVEMENTS, ADDITION OF IMPROVEMENTS TO LIEN OF MORTGAGE, INSTALLATION OF EQUIPMENT

Section 4.1 Release of Land. In addition to the rights granted to the Mortgagor elsewhere in this Article IV, the Mortgagor shall have the right, at any time and from time to time, to obtain a release from the lien of this Mortgage of any part of the Land not containing any permanent structure necessary for the total operating unity and efficiency of the Mortgaged Property (as determined by an independent Engineer, which determination shall be binding on the Mortgagee and the Mortgagor) and the Mortgagee shall, from time to time, release from the lien of this Mortgage such real property, but only upon receipt by the Mortgagee of the following:

(A) A written request by the Mortgagor for such release;

(B) A certificate of the Mortgagor, signed also as to clause (1) of this subsection by a Registered Land Surveyor and as to clause (4) of this subsection by an independent Engineer, stating or setting forth in substance as follows:

- (1) the quantity of the Land to be released;
- (2) the calculation of the release price;
- (3) that the property to be released is not necessary for the total operating unity and efficiency of the Mortgaged Property;
- (4) that the release will not impair the structural integrity or the usefulness of the Mortgaged Property for these purposes and will not inhibit adequate means of ingress to or egress from the Mortgaged Property or limit or inhibit adequate parking for the Mortgaged Property;
- (5) that no default under this Mortgage or the Financing Agreement has occurred which has not been cured; and
- (6) that all conditions precedent herein provided for relating to such release have been complied with;

(C) A survey prepared by a Registered Land Surveyor describing and showing the Land, after giving effect to such release;

(D) Cash equal to the release price as certified pursuant to Subsection (B)(2) of this Section 4.1; and

(E) A written statement of the Mortgagor stating that the certificates, opinions and other instruments and cash which have been or are therewith delivered to and deposited with the Mortgagee conform to the requirements of this Section 4.1 and that, upon the basis of such application, the property may be lawfully released from the lien of this Mortgage and that all conditions precedent herein provided for relating to such release have been complied with.

Simultaneously with the release of any real property as provided in this Section 4.1, the cash, in the amount specified in Subsection (D) of this Section 4.1, shall be deposited by the Mortgagor with the Mortgagee to be applied as a prepayment on the Note.

Section 4.2 Grant of Easements, Licenses, Etc. The Mortgagor may at any time or times grant to itself or others easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Land, free from the lien of this Mortgage or the Mortgagee may release existing easements, licenses, rights-of-way and other rights or privileges

with or without consideration, and the Mortgagee will execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or privilege; provided, however, that prior to any such grant or release, there shall have been supplied to the Mortgagee a certificate of the Mortgagor to the effect:

(A) that such grant or release is not detrimental to the property operation of the Mortgaged Property; and

(B) that such grant or release will not impair the operating unity or the efficiency of the Mortgaged Property on such Land or materially and adversely affect the character thereof.

Section 4.3 Removal of Improvements. The Mortgagor will not remove or permit the removal of any items of Improvements except in accordance with the provisions of this Section 4.3:

(1) In any instance where the Mortgagor in its sound discretion determines that any item of Improvements has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the operation of the Mortgaged Property, the Mortgagor may, at its expense, remove and dispose of it and substitute and install other items, not necessarily having the same function; provided that such removal and substitution shall not impair the operating utility of the Mortgaged Property. All substituted items shall be installed free of all liens and encumbrances, other than Permitted Encumbrances, and shall become a part of the Mortgaged Property as Improvements. The Mortgagor will cooperate with the Mortgagee and will pay all costs, including counsel's fees, incurred in subjecting to the lien of this Mortgage all items so substituted, and the Mortgagee will cooperate with the Mortgagor in securing, if necessary, release of the property for which the substitution is made and in providing such bills of sale or other documents as may be required to facilitate the removal and substitution. In the event the market value of the substituted items is less than the market value of the Improvements disposed of as reasonably determined by the Mortgagor, except as provided in Subsection (3) hereof, the Mortgagor shall pay to the Mortgagee an amount equal to the difference.

(2) Upon removal of items of Improvements of the type described in Subsection (1) above, and provided the operating utility and unity of the Mortgaged Property are not impaired, the Mortgagor may decide not to make any substitution and installation of other items; provided, and subject to the provisions of Subsection (3), (i) that in the case of the sale of any Improvements, the Mortgagor shall pay to the Mortgagee an amount equal to the entire sale proceeds, (ii) that in the case of trade-in of any such Improvements for items not to be utilized as a part of the Mortgaged Property, the Mortgagor shall pay to the Mortgagee an amount equal to the credit received by it in the trade-in, (iii) that in the case of any other disposition of such Improvements, the Mortgagor shall pay to the Mortgagee an amount equal to the market value of the property as reasonably determined by the Mortgagor. The Mortgagee will cooperate with the Mortgagor in securing a release of the property to be removed and in providing such bills of sale or other documents as may be required to facilitate the removal and disposition.

(3) The Mortgagor shall promptly report to the Mortgagee by certificate of the Mortgagor the removal of any Improvements pursuant to Subsections (1) and (2) above, and amounts required to be accounted for by the Mortgagor, if any, shall promptly be paid to the Mortgagee, after any substitution, sale, trade-in or other disposition; provided that no certificate need be given or payment made more often than once in any fiscal year of Mortgagor. The Mortgagor's certificate submitted shall specify the items of Improvements removed, the items or property substituted therefor, if any, and the amount, if any, required to be paid to the Mortgagee pursuant to the provisions of this Section 4.3.

Section 4.4 Addition of Improvements to Lien of Mortgage. All railroad tracks, roadbed improvements, structures or improvements which may be acquired or constructed by the Mortgagor subsequent to the date hereof and which are located on the Land, all property of every kind or nature added to or installed in any building, structure or improvement located on the Land constituting Improvements, and all replacement or substitute items of Improvements, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further conveyance or assignment, become subject to the mortgage lien and security interest of this Mortgage. Nevertheless, the Mortgagor, in accordance with the provisions of Section 3.1 hereof, will do, execute, acknowledge and deliver, all and every such further acts, conveyances and assurances as the Mortgagee shall require for accomplishing the purposes of this Section 4.4.

Section 4.5 Installation of Equipment. The Mortgagor may at any time and from time to time, in its sole discretion and at its expense, install items of machinery, equipment or other personal property in or upon the Land and the Improvement. All such items shall remain the sole property of the Mortgagor, in which the Mortgagee shall have no interest, and may be modified or removed by the Mortgagor at any time while such items are not, in the reasonable judgment of the Mortgagor, needed for the continuation of the operation of the Mortgaged Property; provided that the Mortgagor shall repair and restore any and all damage to the Mortgaged Property resulting from the installation, modification or removal of any such items. Nothing in this Mortgage shall prevent the Mortgagor after delivery of this Mortgage from purchasing items to be installed pursuant to this Section 4.5 under a conditional sale or lease-purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof; provided that no such lien or security interest shall attach to any part of the Mortgaged Property.

ARTICLE 5

MISCELLANEOUS

Section 5.1 Right of Inspection. With reasonable prior notice, the Mortgagee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right to inspect fully any and all of the property herein conveyed, including all books, papers and records of the Mortgagor pertaining to the Mortgaged Property, and to take such memoranda from and in regard thereto as may be desired. Upon the occurrence and during the continuation of an Event of Default, Mortgagee in its discretion may elect to conduct such an inspection

without prior notice to Mortgagor. Mortgagor agrees to cooperate with Mortgagee in connection with any such inspections.

Section 5.2 Right of Mortgagee To Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the Mortgaged Property or any insurance premium with respect thereto is not paid, to the extent, if any, that the same is legally payable, the Mortgagee may pay such tax, assessment, governmental charge or premium, without prejudice, however, to any rights of the Mortgagee hereunder arising in consequence of such failure. Any amount at any time so paid under this Section, with interest thereon from the date of payment at the annual rate set forth in the Final Note, shall be repaid to the Mortgagee upon demand, and shall become so much additional indebtedness secured by this Mortgage.

Section 5.3 Mortgagee Protected in Relying Upon Resolutions, Etc. The resolutions, orders, requisitions, opinions, certificates and other instruments provided for in this Mortgage may be accepted by the Mortgagee as conclusive evidence of the facts and conclusions stated therein.

Section 5.4 Reimbursement of Mortgagee. If any action or proceeding be commenced (except an action to foreclose this Mortgage), to which action or proceeding the Mortgagee is made a party, or in which it becomes necessary, in the Mortgagee's reasonable opinion, to defend or uphold the lien of this Mortgage or to protect the Mortgaged Property or any part thereof, all reasonable sums paid by the Mortgagee to establish or defend the rights and lien of this Mortgage or to protect the Mortgaged Property or any part thereof (including reasonable attorneys' fees, and costs and allowances), and whether suit be brought or not, shall be paid, upon demand, to the Mortgagee by the Mortgagor, together with interest at the annual rate set forth in the Final Note, and any such sum or sums and the interest thereon shall be secured hereby.

Section 5.5 Recording. The Mortgagor will cause this Mortgage and all supplements hereto and any other instruments of further assurances, to be promptly recorded, filed and registered, and at all times to be recorded, filed and registered, in such manner and in such places as may be required by law to preserve and protect fully the rights of the Mortgagee hereunder as to all of the Mortgaged Property.

Section 5.6 Binding Effect. All terms, covenants, conditions and agreements of the Mortgagor contained herein shall be binding upon the Mortgagor, its successors and assigns.

Section 5.7 Amendments. This Mortgage may be amended or modified only by written consent of the parties hereto.

Section 5.8 Use of Mortgaged Property. It is recognized by the parties hereto that unless and until an Event of Default shall have occurred under the Financing Agreement and the Mortgagee shall have exercised one of its remedies under Section 2.3 hereof, the Mortgagor shall have the unencumbered right to the use of the Mortgaged Property in the ordinary course of its business, subject only to the covenants, conditions and agreements contained in the Financing Agreement.

Section 5.9 Severability. In the event any provision of this Mortgage shall be held invalid, illegal or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof, and the remaining provisions shall not in any way be affected or impaired thereby.

Section 5.10 Notices. All notices, certificates or other communications hereunder shall be given in accordance with the Financing Agreement.

Section 5.11 Execution Counterparts. This Mortgage may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused these presents to be signed in their respective name and on their behalf by its officers, all as of the day and year first written above.

IOWA INTERSTATE RAILROAD, LTD.

By Dennis H. Miller

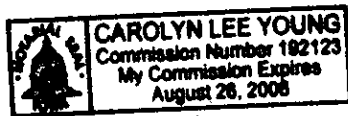
Dennis H. Miller

Its _____

President & CEO

STATE OF Iowa)
 : SS
COUNTY OF Linn)

On this, the 28 day of July, 2005, before me, the undersigned officer, personally appeared Dennis H. Miller, who acknowledged himself to be the President & CEO of Iowa Interstate Railroad, Ltd., a corporation, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.



Carolyn Lee Young
Notary Public, State of Iowa

EXHIBIT "A"
LEGAL DESCRIPTION

Being a description of land and strips of land of varying widths constituting a continuous line of property:

Dallas and Madison Counties, Iowa

Thence westerly through Section 25, 26, 27, 28, 29 and 30, Township 78 North, Range 26 West of the 5th P.M., Dallas County; thence westerly through Sections 25, 26, 27, 22, 21 20, 29 and 30, Township 78 North, Range 28 West of the 5th P.M., Dallas County; thence westerly through Sections 1, 2, 3, 4, 5 and 6 (Excluding all that part of the Southwest Quarter of said Section 4 lying southerly of a line fifty feet southerly of and parallel to said main track centerline), Township 77 North, Range 28 West of the 5th P.M., Madison County; thence westerly through Section 1, 2, 3 and 4, Township 77 North, Range 29 West of the 5th P.M., Madison County; thence westerly through Sections 33, 32 and 31, Township 78 North, Range 29 West of the 5th P.M., Dallas County.

AND, INCLUDING THE FOLLOWING PARCELS:

Being particular descriptions of certain parcels already described in general terms above and not within any exclusion to the property:

DALLAS COUNTY, IOWA

DeSoto, Iowa

Parcel 1: All of Grantor's interest in the East Half of the northwest Quarter of Section 30 lying northerly of a line fifty feet northerly of and parallel to the centerline of Grantor's main track; Township 78 North, Range 27 West of the Fifth Principal Meridian.

Parcel 2: All of Grantor's interest in the East Half of the Northwest Quarter of Section 30 lying southerly of a line fifty feet southerly of and parallel to the centerline of Grantor's main track; Township 78 North, Range 27 West of the Fifth Principal Meridian.

MADISON COUNTY, IOWA

Earlham, Iowa

Parcel 3: The Point of Beginning being on the west line of Section 6 and on a line twenty feet southerly of and parallel to the centerline of Grantor's main track; thence southeasterly along said line southerly of said main track centerline to the westerly line of Chestnut Street extended northerly; thence southerly along said street line to a line fifty

feet southerly of and parallel to said main track centerline; thence northwesterly along the last line intersected to a line fifty-three feet easterly of and parallel to the easterly line of Locust Street; thence southerly along the last line intersected approximately one hundred fifty feet to the northerly line of Lot 11, Block 16; thence westerly along said lot line to said easterly line of Locust Street; thence northerly along said street line to a line one hundred fifty feet southerly of and parallel to said main track centerline; thence westerly along the last line intersected to the westerly line of Locust Street; thence northerly along said street line to said line fifty feet southerly of said track centerline; thence westerly along the last line intersected to said west line of Section 6; thence northerly along said west line to the Point of Beginning; all in the Southwest Quarter of the Southwest Quarter of Section 6, Township 77 North, Range 28 West of the Fifth Principal Meridian.

Parcel 4: All of Grantor's interest in the South Half of the Southeast Quarter of the Southwest Quarter lying northerly of a line twenty-five feet northerly of and parallel to the centerline of Grantor's main track, lying easterly of the easterly line of Sycamore Street and westerly of the westerly line of Maple Street; Township 77 North, Range 28 West of the Fifth Principal Meridian.

DALLAS COUNTY, IOWA

Dexter, Iowa

Parcel 5: All of Grantor's interest in the Northeast Quarter of Section 31 lying southerly of a line twenty-five feet southerly of and parallel to the centerline of Grantor's main track, lying easterly of the westerly line of Clark Street extended southerly and lying westerly of the westerly line of Lyon Street, extended southerly; Township 78 North, Range 29 West of the Fifth Principal Meridian.

Parcel 6: All of Grantor's interest in the East Half of the East Half of the Northeast Quarter of Section 31 lying northerly of a line twenty-five feet northerly of and parallel to the centerline of Grantor's main track, lying westerly of the westerly line of Warren Street and lying easterly of a line one hundred twenty feet westerly of said westerly line of Warren Street; Township 78 North, Range 29 West of the Fifth Principal Meridian.