

SECURITY AGREEMENT

Account No. 001313
March 31, 1978

THE CAROLINAS DOMESTIC GAS COMPANY, INC.

U.S. 74 (BUSINESS), BOX 949, LAUREN BURG, NORTH CAROLINA 28352 (SCOTLAND)

(hereinafter called "Debtor"), for valuable consideration, receipt of which is hereby acknowledged, hereby grants to AMERICAN LEASE PLANS, INC., 201 South Tryon Street, Charlotte, North Carolina, (hereinafter called "Secured Party"), a security interest in the following property and, in addition, a security interest in all goods, equipment, accounts, contract rights, intangibles, inventory, raw materials, work in process, finished goods, products of goods returned and repossessed goods, chattel paper, leases, franchises, trade names and trademarks now owned by Debtor and any and all additions, accessions, replacements and substitutions thereof or therefor (hereinafter called the "Collateral")

RECORDATION NO. 9385 Filed & Recorded

MAY 18 1978 - 1 42 PM

INTERSTATE COMMERCE COMMISSION

to secure payment of a certain promissory note of even date herewith made by the Debtor, payable to the Secured Party, in the amount of \$ 200,000.00 Dollars

(\$) with interest at per cent from

The principal and interest are payable IN FORTY-FOUR (44) EQUAL MONTHLY PAYMENTS of \$ 3548.00 EACH.

This agreement also secures any and all other obligations or liabilities, direct or indirect, absolute or contingent, now existing or hereafter arising, of Debtor to Secured Party (all hereinafter called the "Obligations"), including, without limitation, any further advances made by Secured Party to Debtor or any extension, revision, deferment or refinancing of the balance owing on the above mentioned note or other Obligations:

The security interest granted and created in the Collateral shall extend and attach to the entire Collateral presently in existence and which is owned by Debtor or in which Debtor has an interest, and to all Collateral which Debtor may purchase or in which Debtor may acquire an interest at any time and from time to time in the future.

The Debtor hereby warrants and covenants that:

1. The Collateral is used primarily for business purposes and will not, at any time, be used for personal, family or household purposes; and if checked here [] the Collateral will be used primarily in farming operations. If checked here [] the Collateral is being acquired with the proceeds of the advance as evidenced by this agreement and the above mentioned note, which the Secured Party may disburse directly to the seller of the Collateral.

2. The Collateral shall be kept at (No. and Street), (City or Town), (County), (State)

until such time as written consent to a change of location is obtained from the Secured Party.

3. The Collateral will be used primarily for business purposes and the Debtor's place of business in said state, if any, is that shown at the beginning of this agreement; and all other places of business of the Debtor in said state outside of the city or town mentioned in the previous clause are located as follows:

4. If the Collateral is used primarily for farming operations, or if the Debtor has no place of business in said state, the Debtor's residence in said state is that shown at the beginning of this agreement.

5. If the Collateral is to be attached to real estate, the name of the record owner of the real estate is, and a description of the real estate is as follows:

and if the Collateral is attached to real estate prior to the perfection of the security interest granted hereby, the Debtor, on demand of the Secured Party, shall furnish the latter with a disclaimer or disclaimers, signed by all persons having an interest in the real estate, of any interest in the Collateral which is prior to the Secured Party's interest. The Debtor agrees to notify the Secured Party in writing of any intended sale, mortgage or conveyance of the realty and to give written notice of the terms and conditions of this contract to any prospective purchaser, mortgagee or grantee of said realty and a copy of such notice to the Secured Party.

6. If the Collateral is of a type normally used in more than one state and the Debtor has a place of business in more than one state, the Debtor's chief place of business is (No. and Street), (City or Town), (County), (State)

or, if left blank, is that shown at the beginning of this agreement, and the Debtor shall immediately notify the Secured Party in writing of any change in the Debtor's chief place of business. If certificates of title are issued or outstanding in respect to any of the Collateral, Debtor shall cause the interest of the Secured Party to be properly noted thereon.

THIS AGREEMENT IS SUBJECT TO THE ADDITIONAL PROVISIONS SET FORTH ON THE REVERSE SIDE HEREOF, THE SAME BEING INCORPORATED HEREIN BY REFERENCE.

IN WITNESS WHEREOF, the Debtor and the Secured Party have executed this agreement the year and day above shown, and the Debtor hereby acknowledges receipt of a fully completed copy.

Attest: [Signature] Secretary (Corporate Seal)

THE CAROLINAS DOMESTIC GAS COMPANY, INC. Debtor By [Signature] Pres (Seal) Title AMERICAN LEASE PLANS, INC. Secured Party By [Signature] VP (Seal) Title

ADDITIONAL PROVISIONS

FURTHER WARRANTIES AND COVENANTS OF THE DEBTOR

The Debtor hereby warrants and covenants that:

1. The Debtor shall not sell or offer to sell or otherwise transfer or encumber the Collateral or any interest therein without the prior written consent of the Secured Party.

2. No financing statement covering any of the Collateral or any proceeds thereof is on file in any public office. The Debtor shall immediately notify the Secured Party in writing of any change in address from that shown in this agreement and shall also upon demand furnish to the Secured Party such further information and shall execute and deliver to the Secured Party such financing statements and other papers and shall do all such acts and things as the Secured Party may at any time or from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected security interest in the Collateral as security for the Obligations, subject to no prior liens or encumbrances.

3. The Debtor shall keep the Collateral at all times insured against risks of loss or damage by fire (including so-called extended coverage), theft and such other casualties as the Secured Party may reasonably require, including collision in the case of any motor vehicle, all in such amounts, under such forms of policies, upon such terms, for such periods and written by such companies or underwriters as the Secured Party may approve, losses in all cases to be payable to the Secured Party and the Debtor as their interests may appear. All policies of insurance shall provide for at least ten days prior written notice of cancellation to the Secured Party; and the Debtor shall furnish the Secured Party with certificates of such insurance or other evidence satisfactory to the Secured Party as to compliance with the provisions of this paragraph. It is agreed that the avails of all such insurance, if any loss should occur, may be applied by the Secured Party to the payment of the Obligations hereby secured or to the replacement of any of the Collateral damaged or destroyed, as Secured Party may elect or direct. The Secured Party may act as attorney for the Debtor in making, adjusting and settling claims under and canceling such insurance and endorsing the Debtor's name on any drafts drawn by insurers of the Collateral.

4. The Debtor shall keep the Collateral free from any adverse lien, security interest or encumbrance and in good order and repair, shall not waste or destroy the goods of any part thereof and shall not use the Collateral in violation of any applicable statute, ordinance or policy of insurance thereon. The Secured Party may examine and inspect the Collateral at any reasonable time or times wherever located.

5. The Debtor shall pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement.

Additional Rights of Parties. The Debtor authorizes the Secured Party in its discretion to discharge taxes, liens or security interests, or other encumbrances at any time levied or placed on the Collateral, to place and pay for insurance thereon, to order and pay for the repair, maintenance and preservation thereof, and to pay any necessary filing or recording fees. Any amount so expended by the Secured Party pursuant to the foregoing authorization shall become additional indebtedness secured by this agreement and shall be payable upon the demand of the Secured Party. Until default the Debtor may have possession of the Collateral and use the same in any lawful manner not inconsistent with this agreement.

In the event any installment payment hereunder is not paid when due, Secured Party may charge and collect from Debtor a delinquency charge not to exceed 1% of such delinquent installment payment or \$5, whichever is greater. Secured Party may also collect reasonable expense (including reasonable attorney's fees) incurred in connection with such delinquency.

Events of Defaults — Remedies. Upon the occurrence of any of the following events or conditions, namely (I) default in the payment or performance of any of the Obligations or of any covenant or liability contained or referred to herein; (II) any warranty, representation or statement made or furnished to the Secured Party by or on behalf of the Debtor in connection with this agreement proving to have been false in any material respect when made or furnished; (III) loss, theft, substantial damage, destruction, sale or encumbrance to or of any of the goods, or the making of any levy, seizure or attachment thereof or thereon; (IV) if the Secured Party deems itself insecure; (V) death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the Debtor or any guarantor or surety for the Debtor; thereupon, or at any time thereafter (such default not having previously been cured) the Secured Party at its option may declare all of the Obligations to be immediately due and payable and shall then have the remedies of a Secured Party under the Uniform Commercial Code, including without limitation thereto the right to take possession of the Collateral and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and take possession of, assemble and remove the same therefrom. The Secured Party may require the Debtor to assemble and make the Collateral available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party shall give the Debtor at least five days prior written notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. Expenses of retaking, holding, preparing for sale, selling or the like shall include the Secured Party's reasonable attorney's fees and legal expense (15% of the balance, if permitted by law). If Secured Party uses legal process contractual remedy, or other legal remedy to obtain possession of the Collateral, Debtor waives any right to any notice of hearing and or hearing to which he might otherwise be entitled prior to recovery of the Collateral by Secured Party.

General. This agreement and the security interest in the Collateral created hereby shall terminate when the Obligations have been paid in full. No waiver by the Secured Party of any default shall be effective unless in writing nor operate as a waiver of any other default or of the same default on a future occasion. All rights of the Secured Party hereunder shall inure to the benefit of its successors and assigns; and all Obligations of the Debtor shall bind the heirs, legal representatives, successors and assign of the Debtor. If there be more than one Debtor, their Obligations hereunder shall be joint and several. This agreement shall take effect as a sealed instrument.

If and to the extent that applicable laws confer any rights or impose any duties inconsistent with or in addition to any of the provisions of this agreement, the affected provisions shall be considered amended to conform thereto, but all other provisions hereof shall remain in full force and effect. This agreement shall be governed by the laws of North Carolina.

CORPORATE FORM OF ACKNOWLEDGEMENT

STATE OF North Carolina

COUNTY of Scotland ss:

On this 5th day of May, 19 78, before me personally appeared E. Henry Evans, Jr., to me personally known, who being by me duly sworn, says that he is the President of The Carolinas Domestic Gas Co., Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[SEAL]

E. Henry Evans, Jr.
Title of Officer

My Commission expires 3-23-82

CORPORATE FORM OF ACKNOWLEDGEMENT

STATE OF North Carolina

COUNTY of Mecklenburg ss:

On this 8th day of May, 19 78, before me personally appeared Don Howell, to me personally known, who being by me duly sworn, says that he is the Vice President of American Lease Plans, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[SEAL]

Don Howell V.P.
Title of Officer

My Commission Expires 11-18-80

for ICE



AMERICAN LEASE PLANS, INC.

AMERICAN BUILDING

201 SOUTH TRYON STREET

P. O. BOX 10817

CHARLOTTE, NORTH CAROLINA 28234

704/372-5211

8-128AC77

RECORDATION NO. 9389 Filed & Recorded

MAY 18 1978 - 1 40 PM

INTERSTATE COMMERCE COMMISSION

MAY 18 1978
Fee \$ 50.00
ICC Washington, D. C.

April 10, 1978

Don Howell, Vice President of American Lease Plans, Inc. has compared the copy with the original document and it is a true and correct copy in all respects.

AMERICAN LEASE PLANS, INC.

by Donald Howell V.P.

(Title)

RECEIVED
MAY 18 1 06 PM '78
CERTIFICATION UNIT

Sworn to and subscribed to before me this 11th day of April 19 78.

Lillian M. Hulen

Notary Public

Charlotte, N.C.

Address

My Commission Expires 11-13-79

Interstate Commerce Commission
Washington, D.C. 20423

5/18/78

OFFICE OF THE SECRETARY

American Lease Plans, Inc.
P.O.Box 10817
Charlotte, N.C. 28234

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act,

49 U.S.C. 20(c), on **5/18/78** at **1:40pm**

and assigned recordation number(s) **9388 & 9389**

Sincerely yours,



H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

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(6/77)