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June 28, 1988

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RECORDATION NO. 5698

JUN 28 1988-12 50 PM  
INTERSTATE COMMERCE COMMISSION

DELIVERED BY HAND

No. JUN 28 1988

Date .....

Fee \$ 13.00

ICC Washington, D. C.

HARVEY E. WEINER  
R. LAWRENCE McCAFFREY, JR.  
JAMES A. BRODSKY  
PETER E. KAPLAN  
IRVING P. MARGULIES  
MARK M. LEVIN  
PETER A. GILBERTSON  
MARK H. SIDMAN  
L. MARK WINSTON\*\*  
RUGENIA SILVER  
MITCHEL H. KIDER  
KIMBERLY A. MADIGAN  
DEBORAH A. PHILLIPS  
RANDAL D. SHIELDS\*  
LESLIE C. BENDER\* \*\*  
MICHAELA A. ALBON\*  
KAREN C. REED\*  
PAUL H. SCHIEBER\*  
C. A. AVRAKOTOS\* \*\*  
MARK L. HESSEL\*\*  
STEPHEN D. NILES\*  
KEVIN M. SHEYS\*

\*NOT ADMITTED IN D.C.  
\*\*ADMITTED IN MD.

Ms. Noreta R. McGee  
Secretary  
Interstate Commerce Commission  
12th Street and Constitution Avenue, N.W.  
Washington, D.C. 20423

Dear Ms. McGee:

I have enclosed an original and two copies of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

This document is a Security Agreement, a primary document, dated June 28, 1988, and covering the following:

Thirty (30) GP-10 locomotives, bearing serial numbers 8034, 8051, 8100, 8106, 8115, 8133, 8148, 8167, 8187, 8191, 8193, 8195, 8197, 8210, 8212, 8215, 8222, 8223, 8224, 8225, 8226, 8227, 8228, 8230, 8235, 8236, 8247, 8248, 8256 and 8266, respectively; and

One (1) GP-9 locomotive, bearing serial number BN1775.

The names and addresses of the parties to the Security Agreement are as follows:

Secured Party: Deposit Guaranty National Bank  
P.O. Box 1200  
Jackson, MS 39215-1200

Grantor: SouthRail Corporation  
111 E. Capitol Street  
Jackson, MS 39205

JUN 28 12 41 PM '88  
NOTICE

*David W. Fisher*

Ms. Noreta R. McGee

-2-

June 28, 1988

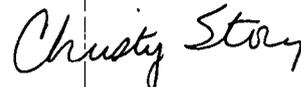
A check made payable to the Commission in the amount of \$13.00 is enclosed for the fee. Please return the original attached to this letter and one copy of the Agreement, both evidencing recordation, to:

Laurence R. Latourette  
Weiner, McCaffrey, Brodsky & Kaplan, P.C.  
1350 New York Avenue, N.W.  
Suite 800  
Washington, D.C. 20005-4797

A short summary to appear in the index follows:

6/28/88 Security Agreement covering 30 GP-10 locomotives, numbers 8034, 8051, 8100, 8106, 8115, 8133, 8148, 8167, 8187, 8191, 8193, 8195, 8197, 8210, 8212, 8215, 8222, 8223, 8224, 8225, 8226, 8227, 8228, 8230, 8235, 8236, 8247, 8248, 8256 and 8266, respectively; and 1 GP-9 locomotive, number BN1775.

Very truly yours,



Christy Story  
Legal Assistant

Enclosures

JCS/lr/4372F/7170-2

SOUTHRAIL CORPORATION LOCOMOTIVES

<u>Number</u>	<u>Type</u>
8034	GP-10
8051	GP-10
8100	GP-10
8106	GP-10
8115	GP-10
8133	GP-10
8148	GP-10
8167	GP-10
8187	GP-10
8191	GP-10
8193	GP-10
8195	GP-10
8197	GP-10
8210	GP-10
8212	GP-10
8215	GP-10
8222	GP-10
8223	GP-10
8225	GP-10
8224	GP-10
8226	GP-10
8227	GP-10
8228	GP-10
8230	GP-10
8235	GP-10
8236	GP-10
8247	GP-10
8248	GP-10
8256	GP-10
8266	GP-10
BN 1775	GP- 9

(All except BN are former ICG locomotives)

RECORDATION NO. 5698  
FILED 1428

JUN 28 1988 - 12 20 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is this day made and entered into by and between SOUTHRAIL CORPORATION, a Delaware corporation, (hereinafter referred to as "Borrower") and DEPOSIT GUARANTY NATIONAL BANK, a banking association organized under the laws of the United States (hereinafter referred to as "Bank").

W I T N E S S E T H:

WHEREAS, certain loans and advances have been made by Bank to Borrower and evidenced by a certain promissory note (the "Term Note") of even date herewith of Borrower to Bank in the original principal amount of \$930,000.00; and

WHEREAS, Bank was induced to commit to make its said loans and advances by the representations by the Borrower that it would grant to Bank the security interest hereinafter described; and

WHEREAS, Borrower desires to provide Bank with collateral security for the payment and performance when due of all indebtednesses and obligations of Borrower to Bank as provided in said Term Note and other security and other documents executed by Borrower pursuant to or in connection with said Term Note, including but not limited to this Security Agreement and Uniform Commercial Code financing statements (the "Security Documents"), all of which documents are incorporated herein by reference, in accordance with the following terms and provisions.

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

1. To secure performance by Borrower of all its obligations under the Term Note, Security Documents and any amendment, modification or renewal of said Term Note or Security Documents, (all of said obligations being hereinafter collectively referred to as "Obligations"), Borrower hereby grants to Bank a security interest in (1) all of Borrower's rights, title and interest in and to the thirty (30) GP10 locomotives and one (1) GP9 locomotive (the "Locomotives"), as more specifically described in Exhibit "A" attached hereto; (2) all proceeds, including any insurance proceeds, of the Locomotives described in subsection 1, together with all accessions to, substitutions for, and all replacements of the Locomotives. All of the foregoing property is hereafter referred to collectively as "Collateral".

2. The Collateral will be used by Borrower primarily in hauling freight and will not be removed from the United States of America without the prior written consent of Bank.

3. Borrower hereby agrees to furnish Bank with a letter of appraisal of the Collateral from an appraiser acceptable to the Bank.

4. Except for the security interest hereby granted and the security interest of General Electric Capital Corporation ("GECC"), MidSouth Rail Corporation ("MSRC") and any Permitted Rehabilitation Debt (as defined in that Loan and Security Agreement dated June 28, 1988, by and between Borrower and Bank), Borrower is the owner of the Collateral, free and clear of all liens and security interests. Borrower authorizes Bank to file in jurisdictions where this authorization will be given effect a financing statement signed only by the Bank describing the Collateral in the same manner as it is described herein. Borrower will defend the Collateral against the claims and demands of all other persons.

5. Borrower will pay Bank all amounts secured hereby as and when the same shall be due and payable, whether at maturity, by acceleration or otherwise, or when Bank reasonably deems the value of the Collateral to be below or less than the amount of the outstanding balance under the Term Note, and will pay all sums, including reasonable attorney's fees and legal expenses, paid or incurred by Bank in pursuing any of its rights and remedies or in remedying any default pursuant to the Security Documents, together with interest thereon at the rate stipulated in the Term Note from the date the same shall have been paid.

6. Borrower will at all times keep the Collateral insured against all insurable hazards in amounts as customarily carried under similar circumstances by corporations of established reputation engaged in same or similar businesses and similarly situated. Such insurance shall be in such companies as may be acceptable to Bank, with provisions satisfactory to Bank for payment of all insurance proceeds thereunder to Bank as its interest may appear, and, if required, to deposit the policies with Bank. Borrower hereby assigns to Bank all right to receive proceeds of insurance not exceeding the amounts secured hereby, directs any insurer to pay all proceeds directly to Bank, and in the Event of Default, as defined hereunder, appoints Bank as Borrower's Attorney in Fact to endorse any draft or check made payable to Borrower in order to collect the benefits of such insurance. If Borrower fails to keep the Collateral insured as required by Bank, Bank shall have the right to obtain such insurance at Borrower's expense and add the cost thereof to the other amounts secured hereby.

7. Borrower will keep the Collateral in good condition and repair and will pay and discharge all taxes, levies and other impositions levied thereon as well as the cost of repairs to or maintenance of same, will not permit anything to be done that may impair the value of any of the Collateral, and will permit Bank to inspect the Collateral at any time. If Borrower fails to pay such sums, Bank may do so for Borrower's account and add the amount thereof to the other amounts secured hereby.

8. Borrower will pay all costs of lien perfection and all costs of filing financing, continuation and termination statements with respect to the security interest created hereby, and Bank is authorized to do all things which it deems necessary to perfect and continue perfected the security interest created hereby and to protect the Collateral.

9. Borrower will not sell, exchange, lease or otherwise dispose of any of the Collateral without the prior written consent of Bank; permit the use of any of the Collateral in violation of any law or ordinance, federal, state or municipal; permit any liens or security interests to attach to any of the Collateral except those created by this Agreement, by a prior agreement with GECC and MSRC or by a future agreement to secure the Permitted Rehabilitation Debt; permit any of the Collateral to be levied upon under any legal process; or permit anything to be done that may impair the security intended to be afforded by this Agreement. The inclusion of proceeds in this Agreement does not authorize Borrower to sell, dispose of or otherwise use the Collateral in any manner not specifically authorized by this Agreement.

10. Borrower hereby agrees to pay all legal fees in connection with the preparation of all Security Documents and the Term Note. The Borrower further agrees to pay the Bank a one-time commitment fee in connection with the Term Note in the amount of one-half of one percent payable upon the execution hereof.

11. Borrower hereby agrees to cause all debt of every kind and character owed by Borrower to Midsouth Rail Corporation to be subordinate to the rights of the Bank hereunder and under the Security Documents.

12. Borrower covenants and agrees that, so long as any amount of the Term Note remains outstanding and unpaid, Borrower shall:

(i) furnish to Bank, on or before the thirtieth (30th) day after the end of the previous month, monthly unaudited financial statements in form and substance satisfactory to Bank and certified by Borrower's chief financial officer;

(ii) furnish to Bank annually on or before the ninetieth (90th) day after the end of Borrower's fiscal year, financial statements of Borrower, in form and substance satisfactory to Bank, prepared and reported on by independent public accountants acceptable to Bank; and

(iii) furnish to Bank annually on or before the ninetieth (90th) day after the end of Borrower's fiscal year, financial statements of each guarantor of the Term Note, in form and substance satisfactory to Bank.

13. The occurrence of any one or more of the following events will constitute an Event of Default of Borrower under this Agreement:

(a) Failure of Borrower punctually to make payment of any amount payable, whether principal or interest, on any of the Obligations within ten (10) days after the same becomes due and payable, whether at maturity, or by acceleration or otherwise;

(b) If any statement, representation, or warranty of Borrower made in this Agreement or in any other document furnished in connection herewith to Bank proves to have been untrue, incorrect, misleading or incomplete in any material respect on the date made;

(c) Failure of Borrower punctually and fully to perform, observe, discharge or comply with any of the covenants set forth in Paragraph 12 of this Agreement, which failure is not cured within ten (10) days of the giving by Bank to Borrower of written notice of same;

(d) Failure of Borrower punctually and fully to perform, observe, discharge or comply with any of the other covenants set forth in this Agreement within thirty (30) days after Bank shall have mailed Borrower notice of such default;

(e) If Borrower becomes insolvent as defined in Section 75-1-201(23) of Mississippi Code Annotated (1972) or makes an assignment for the benefit of creditors, or if any action is brought by Borrower seeking its dissolution or liquidation of its assets or seeking the appointment of a trustee, interim trustee, receiver or other custodian for any of its property, or if Borrower commences a voluntary case under the Bankruptcy Code, as amended, or if any reorganization or arrangement proceeding is instituted by Borrower for the settlement, readjustment, composition or extension of any of its debts upon any terms, or if any

action or petition is otherwise brought by Borrower seeking similar relief or alleging that it is insolvent or unable to pay its debts as they mature;

(f) If any action is brought against Borrower seeking its dissolution or liquidation of any of its assets, or seeking the appointment of a trustee, interim trustee, receiver or other custodian for any of its property, and such action is consented to or acquiesced in by Borrower or is not dismissed within thirty (30) days of the date upon which it was instituted; or if any proceeding under the Bankruptcy Code, as amended, is instituted against Borrower, and (i) an order for relief is entered in such proceeding or (ii) such proceeding is consented to or acquiesced in by Borrower or is not dismissed within thirty (30) days of the date upon which it was instituted; or if any reorganization or arrangement proceeding is instituted against Borrower for the settlement, readjustment, composition or extension of any of its debts upon any terms, and such proceeding is consented to or acquiesced in by Borrower or is not dismissed within thirty (30) days of the date upon which it was instituted; or if any action or petition is otherwise brought against Borrower seeking similar relief or alleging that it is insolvent, unable to pay its debts as they mature or generally not paying its debts as they become due, and such action or petition is consented or acquiesced in by Borrower or is not dismissed within thirty (30) days of the date upon which it was brought;

(g) If Collateral is seized or levied upon or a receiver or other custodian is appointed for it.

14. It is understood and agreed that an Event of Default under this Agreement shall also constitute an Event of Default under the aforesaid Term Note and shall entitle Bank to all rights and remedies resulting therefrom. Furthermore, it is also understood and agreed that any breach of or default in any of the provisions of said Term Note and other Security Documents executed in connection therewith in favor of Bank shall also constitute defaults under this Agreement. Until default, Borrower shall be entitled to possession of the Collateral and to use the same in any lawful manner, provided that such use does not cause excessive wear and tear to the Collateral, cause it to decline in value at an excessive rate, or violate the terms of any policy of insurance thereon.

15. Upon default, Bank shall be entitled to exercise any and all rights and remedies provided in said Term Note, Security Documents, the Uniform Commercial Code of Mississippi or other applicable law, all of which shall be cumulative. Whenever Borrower is in default hereunder, and upon demand by Bank,

Borrower shall assemble the Collateral and make it available to Bank at a place reasonably convenient to Bank and Borrower. Any notice of sale, lease or other intended disposition of the Collateral by Bank sent to Borrower, c/o MidSouth Corporation, 111 East Capitol Street, Jackson, Mississippi 39201, at least seven (7) days prior to such action, shall constitute reasonable notice to Borrower. Bank may waive any default before or after same has been declared without impairing its right to declare a subsequent default hereunder, this right being a continuing one.

16. If any provision of this Agreement is held invalid, such invalidity shall not affect the validity or enforceability of the remaining provisions hereof. This Agreement and all of its provisions shall be binding upon and shall inure to the benefit of both parties hereto and their respective successors and assigns, and shall be construed in accordance with and governed by the laws of the State of Mississippi.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement on this the 28th day of June, 1988.

SOUTHRAIL CORPORATION  
BORROWER

By: Mark M. Lewis  
Title: General Counsel

DEPOSIT GUARANTY NATIONAL BANK

By: Kenneth R. Hall  
Title: ASSISTANT VICE PRESIDENT

210/AC110

STATE OF Washington  
COUNTY OF District of Columbia

Personally appeared before me, the undersigned authority in and for the said County and State, within my jurisdiction, the within named Mark M. Lewis, who acknowledged that he is General Counsel of SouthRail Corporation, a Delaware corporation, and that for and on behalf of the said corporation, and as its act and deed, he signed, executed and delivered the above and foregoing Security Agreement for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said corporation so to do.

Given under my hand and official seal, this the 28<sup>th</sup> day of June, 1988.

Mark A. Miner  
NOTARY PUBLIC

My Commission Expires:

May 14, 1990

STATE OF Mississippi

COUNTY OF Hinds

Personally appeared before me, the undersigned authority in and for the said County and State, within my jurisdiction, the within named Kenneth R. Hall, who acknowledged that he is Assistant Vice President of Deposit Guaranty National Bank, a national banking association, and that for and on behalf of the said association, and as its act and deed, he signed, executed and delivered the above and foregoing Security Agreement for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said association so to do.

Given under my hand and official seal, this the 27<sup>th</sup> day of June, 1988.

Margaret A. Cleveland  
NOTARY PUBLIC

My Commission Expires:  
My Commission Expires March 18, 1992