



0-347A040

17139 ^{YH}

RECORDED ON _____ FILED IN _____

DEC 14 1990 -3 45 PM

INTERSTATE COMMERCE COMMISSION

December 11, 1990

Secretary of the Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

Re: Recordation of Note and Security Agreement Between Sovran Leasing Corporation and Laurinburg and Southern Railroad Company

Dear Secretary:

On behalf of Sovran Leasing Corporation, I have enclosed an original and one notarized copy of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code. Such document is a "primary document" as defined in 49 C.F.R. 1177.1 (a).

The document to be recorded is Note and Security Agreement #4793-00706 dated November 19, 1990 (the "Note"), between Laurinburg and Southern Railroad Company, as Debtor, and Sovran Leasing Corporation, as Secured Party.

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

Debtor: Laurinburg and Southern Railroad Company
204 Railroad Street, P.O. Box 1969
Laurinburg, NC 25352

Secured Party: Sovran Leasing Corporation
Three Gateway Center, Suite 300
Pittsburgh, PA 15222

A description of the equipment covered by the Note follows:

One (1) used GP9 Locomotive - Road No. YVRR206; 1750 HP - Serial Number 5524-14. Former Owner - Burlington Northern Railroad. Former Road No. 1736

Also enclosed is a check in the amount of \$15.00 in payment of the filing fee for the Note. Please return the original and any extra copies not needed by the Commission for recordation to the undersigned at Sovran's address as set forth above.

NOV 14 3 40 PM '90
MOTOR OPERATING UNIT

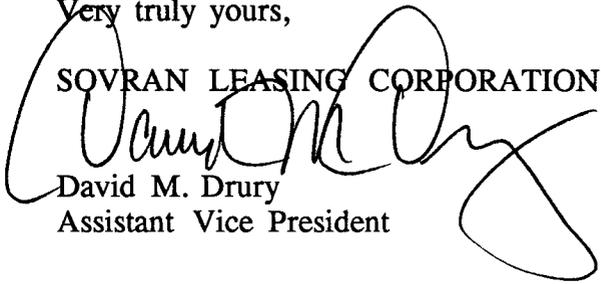
Secretary of the Interstate Commerce Commission
December 11, 1990
Page 2 of 2

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

One (1) used GP9 Locomotive - Road No. YVRR206; 1750 HP - Serial Number 5524-14. Former Owner - Burlington Northern Railroad. Former Road No. 1736

Very truly yours,

SOVRAN LEASING CORPORATION


David M. Drury
Assistant Vice President

DMD/alk

Enclosures

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

AFFIDAVIT

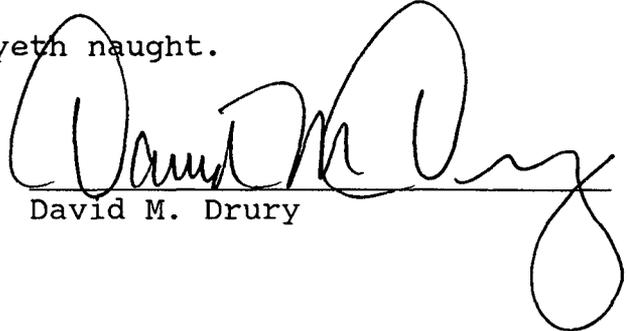
DAVID M. DRURY, having been sworn, deposes and says:

1. He is an Assistant Vice President of Sovran Leasing Corporation and, in such capacity, he is familiar with and involved in the negotiation and consummation from time to time of equipment financing transactions with Laurinburg and Southern Railroad Company.

2. He has custody of and control over Sovran Leasing Corporation's files containing the documentation entered into from time to time between Sovran Leasing Corporation and Laurinburg and Southern Railroad Company, including that certain Note and Security Agreement No. 4793-00705 dated November 19, 1990 between Sovran Leasing Corporation, as Secured Party, and Laurinburg and Southern Railroad Company, as Debtor.

3. He compared an executed original of the Note and Security Agreement with the copy of the Note and Security Agreement attached hereto, and found the copy to be complete and identical in all respects to the original document.

4. Further, the affiant sayeth naught.



David M. Drury

SWORN TO and subscribed before me
this 11th day of December, 1990.



Notary Public

My Commission Expires:

Notarial Seal
Elin S. DeSmore, Notary Public
Pittsburgh, Allegheny County
My Commission Expires Oct 29, 1994
Member, Pennsylvania Association of Notaries

REGISTRATION NO. 17139 ^{1/4} FILED 1/25

DEC 14 1990-3 45 PM

INTERSTATE COMMERCE COMMISSION



COPY

NOTE AND SECURITY AGREEMENT
(Variable Rate, with Option
to Convert to Fixed Rate)

This Note and Security Agreement, made as of the date set forth below, sets forth the terms and conditions governing the repayment of a purchase money loan made by SOVRAN LEASING CORPORATION ("Secured Party") to the party identified below as "Debtor" for the purpose of financing Debtor's purchase of the personal property identified below as the "Equipment," and the granting by Debtor to Secured Party of a security interest in the Equipment and certain related property to secure the repayment of all Debtor's obligations to Secured Party

Date: November 19, 1990

Agreement No.: 4793-00706

Secured Party: Sovran Leasing Corporation, Three Gateway Center, Suite 300, Pittsburgh, Allegheny County, PA 15222

Debtor: Laurinburg and Southern Railroad Company
204 Railroad Street, P.O. Box 1929, Laurinburg, Scotland County, NC 25352

Equipment: [include serial and model numbers]

One (1) used GP9 Locomotive - Road No. YVRR206; HP - Serial Number 5524-14

Domicile:
Equipment location: [insert full mailing address, including county, of the premises where the Equipment is located, and full name and address of the owner of the premises]
204 Railroad Street, P.O. Box 1929, Laurinburg, NC 28353

Principal Amount of Purchase Money Loan: \$75,750.00

Number of Principal Repayment Installments (Including Final Principal Repayment Installment) Sixty (60) Months

Amount of Each Principal Repayment Installment Prior to Final Principal Repayment Installment: \$1,262.50

Amount of Final Principal Repayment Installment: \$1,262.50

Due Date of First Principal Repayment Installment: December 12, 1990

Due Date of Final Principal Repayment Installment: November 12, 1995

Variable Interest Rate. For any calendar month or portion thereof, a rate of interest equal to (i) two and three-quarters percent (2.75 %) above the weekly average rate of interest for certificates of deposit having maturities of three months, as published by the Board of Governors of the Federal Reserve System in its statistical release H 15, entitled "Selected Interest Rates" (or, if such publication is no longer available, any successor publication or data source selected by Secured Party in its reasonable discretion) for the week in which the first day of the prior calendar month occurs, or (ii), if less, the highest rate of interest permitted by applicable law

Conversion Rate. For any period, a rate of interest equal to (i) three and eighty-five one hundredths percent (3.85 %) above the average rate of interest on debt securities of the United States Treasury having maturities of three years, as published by the Board of Governors of the Federal Reserve System in its statistical release H 15, entitled "Selected Interest Rates" (or, if such publication is no longer available, any successor publication or data source selected by Secured Party in its reasonable discretion) for the week in which the first day of the prior calendar month occurs, or (ii), if less, the highest rate permitted by applicable law

Default Rate. A rate of interest equal to (i) two percent (2.00 %) above the applicable Variable Interest Rate or Conversion Rate, as the case may be, or (ii), if less, the highest rate of interest permitted by applicable law

Purchase Money Loan; Terms of Repayment. In consideration of the making of a purchase money loan by Secured Party to Debtor for the purpose of financing Debtor's purchase of the Equipment specified above (the "Purchase Money Loan"), Debtor promises and agrees to pay to the order of Secured Party, at Secured Party's address stated above or at such other place as Secured Party may from time to time designate in writing, the principal amount of the Purchase Money Loan, together with interest calculated as hereinafter provided. Subject to Debtor's right to prepay such principal amount in whole or in part as hereinafter provided, Debtor shall pay such principal amount in consecutive monthly installments of principal, each in the amount set forth above under the heading "Amount of Each Principal Repayment Installment Prior to Final Principal Repayment Installment," due and payable on the "Due Date of First Principal Repayment Installment" set forth above and on a like date of each calendar month thereafter until the Purchase Money Loan is fully repaid, provided, however, that the last such installment shall be in the amount set forth above under the heading "Amount of Final Principal Repayment Installment" or (if greater) the amount of the then outstanding principal balance of the Purchase Money Loan

Interest. Interest shall be calculated on the basis of a year of 360 days and (unless and until Debtor's exercise of its conversion option provided below becomes effective) shall, during each calendar month or portion thereof from and after the date on which funds are disbursed by Secured Party, accrue on unmatured principal balances outstanding during such period at the "Variable Interest Rate" specified above for the week in which the first day of the month prior to such calendar month occurs. All interest accrued through the due date of a principal installment shall be due and payable simultaneously with such installment

*five

Conversion Option. If no event of default (as hereinafter defined) shall have occurred and be continuing, Debtor may, by giving written notice to Secured Party no later than the tenth day of the calendar month in which a principal installment come due, convert the outstanding principal balance of the Purchase Money Loan (determined as of the first day after the due date of such installment) to a fixed-rate loan, as to which interest shall accrue on unmatured principal balances from and after the first day after such due date at the Conversion Rate specified above for the period commencing on the first day after such due date

Post Maturity Interest. Any principal balance not paid when due (whether by acceleration or otherwise) shall accrue interest at the applicable "Default Rate" specified above until such principal balance is paid. Secured Party may, at its option, apply late payments (either full or partial) in the following manner: first to interest, then to principal, and finally to late charges. To the extent permitted by applicable law, Debtor shall pay interest on delinquent principal installments on demand, regardless of whether or not Debtor's failure to pay any such installment when due is or becomes a default hereunder and regardless of whether or not Secured Party proceeds under the "Remedies" provisions hereof or takes any other action, and demand for and collection of interest on such overdue installments at the Default Rate shall not be deemed a waiver of default or of any other remedies or rights

Prepayments. The outstanding principal balance of the Purchase Money Loan may be prepaid in whole or in part at any time, together with all interest and late charges accrued through the date of prepayment and a prepayment charge calculated as follows: (i) if the prepayment is made on or before the first anniversary of the date of this Agreement, the prepayment charge shall be three percent (3%) of the principal amount prepaid, (ii) if the prepayment is made after the first anniversary of the date of this Agreement and on or before the second anniversary thereof, the prepayment charge shall be two percent (2%) of the principal amount prepaid, (iii) if the prepayment is made after the second anniversary of the date of this Agreement and on or before the third anniversary thereof, the prepayment charge shall be one percent (1%) of the principal amount prepaid, and (iv) if the prepayment is made after the third anniversary of the date of this Agreement, there shall be no prepayment charge. Partial prepayments shall be applied against principal installments in their inverse order of maturity

Late Charges. To the extent permitted by applicable law, Debtor will pay on demand, as a late charge, an amount equal to five percent (5%) of each installment or part thereof that is not paid within ten (10) days of the date when due, but nothing in this paragraph alters the definitions of events of default hereunder. Debtor shall pay the late charge, to the extent permitted by applicable law, regardless of whether or not Debtor's failure to pay such installment when due is or becomes a default hereunder and regardless of whether or not Secured Party proceeds under the "Remedies" provisions hereof or takes any other action and demand for and collection of the late charge shall not be deemed a waiver of default or of any other remedies or rights

Security Interest. Debtor hereby grants to Secured Party a security interest in the personal property described above as the "Equipment" together with all parts, additions, accessions, accessories, replacements, and substitutions thereto or therefor, and all proceeds therefrom (including any proceeds of insurance against fire or other casualty whether or not the insurance policy contains an endorsement in favor of Secured Party), all of which is hereinafter called the "Collateral." This security interest is given to secure payment to Secured Party of all present and future obligations of Debtor to Secured Party, including without limitation the obligation of Debtor to repay the Purchase Money Loan and all other liabilities arising under or in connection with this Agreement, future advances, if any made by Secured Party to Debtor, whether or not made pursuant to any commitment of Secured Party (and nothing in this Agreement shall be construed to create or imply the existence of any such commitment), and all other liabilities of Debtor to Secured Party now existing or hereafter incurred, matured or unmatured, direct or contingent whether or not evidenced by a promissory note, and whether owing originally to Secured Party or acquired by Secured Party from any other party and any renewals and extensions thereof and substitutions therefor. (All of the above obligations, including but not limited to obligations in respect of the Purchase Money Loan are hereinafter called the "Indebtedness.")

DEBTOR WARRANTS AND REPRESENTS that

Good Standing. Debtor is organized and existing in good standing under the laws of the jurisdiction of its formation, and has the power to own its property and to carry on its business as now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the character of the property owned by it therein or in which the transaction of its business makes such qualification necessary

Authority. Debtor has full power and authority to enter into this Agreement and make the borrowing hereunder, and to incur the obligations provided for herein all of which have been duly authorized by all proper and necessary action. No consent or approval of stockholders, partners, members or co-owners or of any public authority is required as a condition to the validity of this Agreement

Binding Agreement. This Agreement constitutes the valid and legally binding obligation of Debtor enforceable in accordance with its terms

Litigation. There are no proceedings pending or threatened before any court or administrative agency that will materially adversely affect the financial condition or operation of Debtor

No Conflicting Agreements. There is no charter, by-law, preference stock or partnership agreement provision of Debtor and no provision of any other organizational documents, or existing mortgage, indenture, contract, or agreement binding on Debtor or affecting its property that would conflict with or in any way prevent the execution, delivery, or carrying out of the terms of this Agreement

Ownership Free of Encumbrances. Except for the security interest granted hereby, Debtor now owns, or will use the proceeds hereof to become the owner of, the Collateral free from any prior lien, security interest, or encumbrance. No financing statement covering the Collateral or any proceeds thereof is on file in any public office, except for financing statements showing Secured Party as the sole secured party thereunder. Debtor has a good right to grant a security interest in the Collateral to Secured Party

Fixtures. None of the Collateral is now a part of or affixed to any real property

Collateral Location. Except for items of Collateral that constitute mobile goods and that are in fact in use by Debtor in the ordinary course of its business at other locations, all the Collateral comprising goods heretofore delivered to the Debtor by the seller thereof is located either at (i) Debtor's address set forth above, or (ii) the "Equipment Location" set forth above

DEBTOR COVENANTS AND AGREES that until all the Indebtedness is fully satisfied

Insurance. Debtor will maintain continuously, and pay when due all premiums for, fire and casualty insurance with extended coverage on the Collateral, insuring the same against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the same or similar businesses with a responsible company or companies satisfactory to Secured Party, in an amount not less than the unpaid balance of the Purchase Money Loan. Each of such insurance policies shall have attached thereto a standard loss payable endorsement, without contribution, in favor of Secured Party as its interest may appear, shall provide that it may not be cancelled without thirty (30) days' prior written notice to Secured Party, shall provide that in respect of the Secured Party's interest in such policy the insurance shall not be invalidated by any action or inaction of Debtor or any other person (other than Secured Party), shall insure Secured Party's interest in the Collateral and it may appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policy by Debtor or any other person (other than Secured Party), and shall otherwise be in form and substance acceptable to Secured Party. Debtor will deliver forthwith to Secured Party each such policy (together with the loss payable endorsement), or certificates of insurance or other evidence satisfactory to Secured Party of the existence of all required insurance, its terms and conditions, and the payment of all applicable premiums. Similar evidence of renewal coverage, satisfactory to Secured Party, shall be delivered to Secured Party at least fifteen (15) days before the expiration of any initial insurance coverage. In addition, Debtor will maintain, and pay when due all premiums for, liability and other insurance in such amounts and against such risks as is customarily carried by persons in similar businesses owning similar property. Debtor irrevocably

appoints Secured Party as Debtor's attorney-in-fact, with full power of substitution, to execute loss claims and other applications for payment of benefits under any insurance policy in the name of Debtor or Secured Party, receive all monies, and endorse drafts, checks, and other instruments for the payment of any proceeds of any insurance. This appointment shall be deemed a power coupled with an interest and shall not be terminable by Debtor so long as Debtor remains indebted to Secured Party.

Maintenance and Clear Title. Debtor will keep the Collateral in good condition and free from liens and security interests, will not sign or suffer to be filed any financing statements relating to the Collateral except those showing Secured Party as sole secured party, will not sell or lease or offer to sell or lease or otherwise encumber or dispose of any of the Collateral, will defend the Collateral against all claims and demands of all persons at any time claiming any interest or right therein, and will not use the Collateral illegally. Secured Party may examine and inspect the Collateral at any time, wherever located.

Change of Name, Residence, or Place of Business. Debtor will not change its name, residence, or place of business or do business under any assumed or fictitious name without giving Secured Party at least thirty (30) days prior written notice.

Change of Structure. Debtor will maintain its existence, and will not merge or consolidate with or into any other entity or sell substantially all of its assets.

Use of Collateral. Debtor will use the Collateral exclusively for business operations.

Fixtures. Debtor will not permit any of the Collateral to become a part of or affixed to any real property.

Location of Collateral. Except for items of Collateral that constitute mobile goods and that are in fact in use by Debtor in the ordinary course of business at other locations, all the Collateral will, from and after the moment that Debtor acquires possession or control of it, be kept either at (i) Debtor's address set forth above, or (ii) the "Equipment Location" set forth above, and all records relating to the Collateral shall likewise be kept only at such location or locations.

Indemnification. Debtor will indemnify Secured Party against all claims arising out of or connected with the ownership or use of the Collateral.

Motor Vehicles. If the Collateral consists of or includes motor vehicles or other equipment for which there is a certificate of title evidencing ownership thereof, Debtor will forthwith cause each certificate to be endorsed over and the lien of Secured Party to be noted so as to show Secured Party's interest, and Debtor will deliver forthwith each such certificate to Secured Party.

Taxes. Debtor will pay promptly when due all taxes, charges, and assessments that are or may become a lien on the Collateral or any part thereof, except to the extent that they are contested in good faith and by appropriate proceedings.

Financial Statements. Debtor will furnish to Secured Party, not later than ninety (90) days after the end of each of Debtor's fiscal years, an annual financial report of Debtor in reasonable detail, which reports shall include a balance sheet of Debtor as of the end of the fiscal year just ended and a statement of income and retained earnings of Debtor for that fiscal year, accompanied by a certificate of the chief executive officer of Debtor stating whether any event has occurred that constitutes an event of default hereunder or that would constitute such an event of default with the giving of notice or the lapse of time, or both, and, if so, stating the facts with respect thereto, and will furnish to Secured Party, not later than sixty (60) days after the end of the period to which it relates, any interim financial report prepared by or for Debtor, accompanied by a certificate of the chief executive officer of Debtor stating whether any event has occurred that constitutes an event of default hereunder or that would constitute such an event of default with the giving of notice or the lapse of time, or both, and, if so, stating the facts with respect thereto, and will in addition furnish the Secured Party every audited financial report immediately upon the preparation thereof but not later than the times specified above.

Reimbursement for Expenses. At its option, and with no obligation to do so, Secured Party may discharge taxes or other encumbrances on the Collateral and may pay for the repair of any damage to the Collateral and the maintenance and preservation of the Collateral, and may arrange and pay for insurance thereon. Debtor agrees to reimburse Secured Party on demand for any payments so made, Debtor also agrees to reimburse and pay to Secured Party on demand all expenses incurred or paid by Secured Party in perfecting the security interest granted hereunder and in collecting the Indebtedness and in protecting or enforcing its rights under this Agreement, including but not limited to reasonable attorney's fees and legal expenses. Until Debtor makes such reimbursement, the amount of all such payments and expenses, with interest at the rate then applicable to principal installments of the Purchase Money Loan not paid when due, from the date of payment until reimbursement, shall be added to the Indebtedness and shall be secured by the security interest granted by Debtor under this Agreement. Nothing in this paragraph relieves Debtor of the duty to care for, insure, and protect the Collateral and Secured Party's interests therein and to pay taxes on or related to the Collateral, or of any other duty.

Sale or Replacement of Collateral. Debtor will not sell or replace any item or part of the Collateral without the prior written consent of Secured Party.

Events of Default. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions, each of which is an event of default:

1. Default shall be made in the payment of any installment of the Purchase Money Loan, or in the payment of any other Indebtedness, when and as the same becomes due and payable, whether at the stated maturity thereof or by acceleration or otherwise, and such default shall continue unremedied for ten (10) days, or
2. Default shall be made in the due observance or performance of any term, covenant, or agreement contained in this Agreement (other than covenants and agreements to pay Indebtedness), and such default shall continue unremedied for thirty (30) days after written notice thereof is given by Secured Party to Debtor, or
3. Any representation or warranty made by Debtor in this Agreement, or any statement or representation made in any certificate, report, or opinion delivered pursuant hereto, or in connection herewith, shall prove to have been incorrect in any material respect when made, or
4. The Collateral shall be lost, stolen, substantially damaged, destroyed, sold, or encumbered, or Debtor's rights in the Collateral shall be voluntarily or involuntarily transferred, by way of sale, lease, or creation of a security interest, or by way of attachment, levy, garnishment, or other judicial process, or otherwise, or
5. Secured Party shall in good faith believe that the prospect of payment of all or any part of the Indebtedness or the performance of this Agreement is impaired, or
6. Debtor shall become insolvent or be generally unable to meet its obligations as they mature, make an assignment for the benefit of creditors, consent to the appointment of a trustee or a receiver, or admit in writing its inability to pay its debts as they mature, or
7. A trustee, receiver or custodian shall be appointed for Debtor or for a substantial part of its property without the consent of Debtor and not be discharged within thirty (30) days, or
8. Bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings shall be instituted by or against Debtor, and, if instituted against Debtor, be consented to or remain undismissed for a period of thirty (30) days, or
9. Any default shall be made by Debtor in any obligation for the payment of borrowed money, or any such obligation shall become or be declared to be due and payable prior to the original stated maturity thereof.

Remedies. Upon any event of default and at any time thereafter Secured Party may declare all the Indebtedness immediately due and payable in full (unless such event of default comprises one or more of the events described in paragraphs 7 or 8 above, in which case all the Indebtedness shall become immediately due and payable in full without any declaration, notice, or other action on the part of Secured Party), and may proceed to enforce payment thereof and exercise any and all of the rights and remedies provided by the Uniform Commercial Code as well as all other rights and remedies of Secured Party hereunder or under other applicable law. Upon the occurrence of an event of default, Debtor, upon demand by Secured Party, shall assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Secured Party may, at its election, enforce its rights under this Agreement by a suit in equity for specific performance. Debtor grants Secured Party the right to enter upon any premises of Debtor for the purpose of recovering possession

of the Collateral or any part thereof after the occurrence of an event of default, or for the preservation or enforcement of Secured Party's other rights hereunder, all without demand or notice to Debtor and without judicial hearing or proceedings, which Debtor hereby expressly waives. The requirements of reasonable notice shall be deemed met if such notice is mailed to an address of Debtor shown at the beginning of this Agreement at least ten (10) days before the time of the sale or disposition, but nothing contained herein shall be construed to mean that other notice or a shorter period of time does not constitute reasonable notice of the sale or other disposition of the Collateral. Debtor shall reimburse Secured Party for all Secured Party's expenses of retaking, holding, preparing for sale, selling, or otherwise dealing with or disposing of the Collateral, including attorney's fees in the amount of fifteen percent (15%) of the outstanding principal balance of the Indebtedness. Subject to applicable law, Debtor shall pay any Indebtedness remaining unpaid after sale or other disposition of any or all of the Collateral. Any surplus proceeds from the sale or other disposition of the Collateral remaining after full satisfaction of the Indebtedness shall be paid to the Debtor or to such other persons as may be entitled thereto under applicable law.

Cumulative Rights and No Waiver. Each and every right granted to Secured Party hereunder or under any document delivered hereunder or in connection herewith or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of Secured Party to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by Secured Party of any right preclude any other or future exercise thereof or the exercise of any other right.

Financing Statements. Debtor will sign and deliver to Secured Party such financing statements and other documents as Secured Party shall deem necessary to perfect, protect, and continue its security interest in the Collateral, in form satisfactory to Secured Party. Debtor will reimburse Secured Party for all expenses incurred in the filing of financing statements, continuation statements, termination statements, and any other documents relating to the perfection of Secured Party's security interest in the Collateral. A carbon, photographic, or other reproduction of this Agreement or of a financing statement relating to the security interest herein granted is sufficient as a financing statement. Debtor authorizes Secured Party to file financing statements as to the Collateral signed only by Secured Party and not by Debtor.

Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Assignability. Debtor acknowledges that the rights of Secured Party may be assigned to any person in whole or in part at the sole discretion of Secured Party, and Debtor agrees that any defense it may have against Secured Party shall not be asserted, and shall be void, against any assignee of the rights of Secured Party. Debtor will not assign any of its rights or obligations under this Agreement to any person without the prior written consent of Secured Party, and, in the absence of such prior written consent, no such assignment of any right or obligation of Debtor hereunder shall be binding on Secured Party. Subject to the foregoing limitations, the terms and conditions of this Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

Warranty Disclaimer. Secured Party is not a manufacturer or seller of the Collateral and makes no warranties whatsoever including without limitation warranties of title, merchantability, or fitness for any particular purpose, with respect to the Collateral. Debtor will not assert any breach of any such warranty as a defense to any of its obligations to Secured Party under this Agreement, however, nothing in this Agreement shall be construed to impair any of Debtor's remedies for breach of warranty against any seller or manufacturer of the Collateral.

Governing Law, Consent to Venue and Personal Jurisdiction. This Agreement shall be construed and enforced in accordance with and governed by the laws of Pennsylvania. If the address of Debtor's residence or principal place of business shown herein is not in Pennsylvania, Debtor consents to the exercise of personal jurisdiction over Debtor by any court of record sitting in Pennsylvania in connection with any action arising out of this Agreement, and waives all objections to service of process on Debtor at such address in accordance with the Pennsylvania Uniform Interstate and International Procedure Act or any successor statute in connection with any such action.

Waiver of Jury Trial. Secured Party and Debtor each waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this Agreement.

Confession of Judgement. If the amount of the Purchase Money Loan is in excess of Fifty Thousand Dollars (\$50,000.00) and if any event of default shall have occurred and be continuing, Debtor hereby empowers any attorney to appear for Debtor in any court of record in Pennsylvania or (if the local laws of such jurisdiction permit the entry of judgement by confession) any other jurisdiction and confess judgement in favor of Secured Party or any subsequent holder of this Agreement for either or both of the following: (i) the aggregate outstanding amount of the Indebtedness together with costs of suit and an attorney's fee in the amount of fifteen percent (15%) of the outstanding principal amount of the Indebtedness, and (ii) possession of all or any part of the Collateral in an amicable action of replevin with release of all errors and without stay of execution. The entry of any such judgement shall not exhaust this warrant of attorney to confess judgement, which may be exercised by the holder of this Agreement as often as such holder deems necessary.

IN WITNESS WHEREOF, the parties have caused their names to be signed as of the date first above written. By execution hereof, each party intends and agrees to be legally bound by all the provisions of this Agreement.

ATTEST (Witness)

By [Signature]
Title Asst Sec/Treas.

(SEAL)

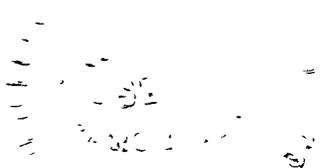
LAURINBURG AND SOUTHERN RAILROAD COMPANY

Debtor

By [Signature]
Title President

SOVRAN LEASING CORPORATION
Secured Party

By [Signature]
Title Senior Vice President



COPY

**ANNEX A
TO NOTE AND SECURITY AGREEMENT**

This Annex A constitutes an integral part of Note and Security Agreement #4793-00706 dated November 19, 1990, (the "Note"), between LAURINBURG AND SOUTHERN RAILROAD COMPANY (the "Debtor") and SOVRAN LEASING CORPORATION (the "Secured Party") Words and terms which are defined in the Note shall have the same meanings herein as therein provided.

The following provisions are hereby made a part of and incorporated in the Note:

- (a) Debtor agrees to comply in all respects with all laws of the jurisdictions in which the Collateral may be operated, with all applicable rules of the Association of American Railroads, and with all laws, rules, regulations and orders of the Department of Transportation and the Interstate Commerce Commission and any other federal, state or local legislative, executive, administrative or judicial body exercising any power of jurisdiction over the Collateral (collectively, "Applicable Laws"). In the event that any Applicable Law requires the alteration of any Collateral, or in case any Collateral or accessory or attachment thereto shall be required to be changed or replaced, or in case any additional or other accessory or attachment is required to be installed on any Collateral in order to comply with Applicable Laws, Debtor agrees to make such alterations, changes, additions and replacements at its own expense, and Debtor agrees at its own expense to use, store, maintain and operate the Collateral in full compliance with the Applicable Laws throughout the term of this Note.
- (b) In addition to its covenants and agreements under the Note regarding the location of the Collateral, Debtor agrees that the Collateral will be used primarily in the continental United States and that Debtor will use its best efforts to cause any Collateral which is used outside of the continental United States to remain outside of the continental United States for the shortest possible time.
- (c) In addition to its covenants and agreements under the Note regarding financing statements, Debtor agrees that it will, at its expense prior to the delivery and acceptance of any Collateral under the Note, cause the Note to be filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Revised Interstate Commerce Act and the regulations promulgated thereunder. All references in the Note to "financing statements" shall be deemed to include filings and recordations with the Interstate Commerce Commission
- (d) Debtor shall maintain on each side of each item of Collateral the following identification in block letters not less than two inches high. "SOVRAN LEASING CORPORATION, SECURED PARTY", or other appropriate words designated by Secured Party, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the rights of the Secured Party under this Note. Debtor will not place any Collateral in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such markings which may be removed, defaced or destroyed

- (e) Debtor shall maintain on each unit of Collateral the serial and other identifying numbers set forth on page one of the Note under the heading "Equipment", and Debtor will not change the identifying number of any Collateral except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been delivered to Secured Party by Debtor and filed, recorded or deposited by Debtor in all public offices where this Note or any notice thereof shall have been filed, recorded or deposited

- (f) Except as provided in the preceding clauses (d) and (e), Debtor will not allow the name of any person, corporation or other entity to be placed on any Collateral that might be interpreted as a claim of ownership; provided, however, that Debtor may cause Collateral to be lettered with the names or initials or other insignia customarily used by Debtor on railroad equipment used by Debtor of the same or a similar type.

In the event of any inconsistency between any provision of this Annex A and any other provision(s) of the Note, the provisions of this Annex A shall be controlling, but only to the extent of such inconsistency

IN WITNESS WHEREOF, the parties hereto have caused this Annex A to be executed on the 19th day of November, 1990.

ATTEST:
(Corporate Seal)

R. H. Harrison
First Secy Treas

ATTEST:
John E. ...
First Vice President

LAURINBURG AND SOUTHERN
RAILROAD COMPANY

By *W. G. ...*, President

SOVRAN LEASING CORPORATION

By *[Signature]*
(Senior Vice President)

STATE OF North Carolina)
)
COUNTY OF Scotland) ss:

On this 14th day of November, 1990, before me, personally appeared Murphy Evans, to me personally known, who being by me duly sworn, says that (s)he is the President of LAURINBURG AND SOUTHERN RAILROAD COMPANY, that the seal affixed to the foregoing Note and Security Agreement # 4793-00706 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 (s)he acknowledged that the execution of said instrument was the free act and deed of said corporation.

Pauline Caudle
Notary Public

(Seal)

My Commission expires:

4-13-93



COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF ALLEGHENY) ss:

On this 22nd day of November, 1990, before me, personally appeared Paul L. Frihse, to me personally known, who being by me duly sworn, says that (s)he is the Senior Vice President of SOVRAN LEASING CORPORATION, that the seal affixed to the foregoing Note and Security Agreement # 4793-00706 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 (s)he acknowledged that the execution of said instrument was the free act and deed of said corporation

Donald T. Campbell
Notary Public

(Seal)

My Commission expires:

NOTARIAL SEAL
DONALD T. CAMPBELL, NOTARY PUBLIC
PENNSYLVANIA, RESIDES IN SCOTLAND COUNTY
MY COMMISSION EXPIRES MAY 22, 1991

Member, Pennsylvania Association of Notaries

17139
DEC 14 1990 - 3 45 PM
INTERSTATE COMMERCE COMMISSION



COPY

NOTE AND SECURITY AGREEMENT
(Variable Rate, with Option
to Convert to Fixed Rate)

This Note and Security Agreement, made as of the date set forth below, sets forth the terms and conditions governing the repayment of a purchase money loan made by SOVRAN LEASING CORPORATION ("Secured Party") to the party identified below as "Debtor" for the purpose of financing Debtor's purchase of the personal property identified below as the "Equipment," and the granting by Debtor to Secured Party of a security interest in the Equipment and certain related property to secure the repayment of all Debtor's obligations to Secured Party

Date: November 19, 1990 Agreement No.: 4793-00706

Secured Party: Sovran Leasing Corporation, Three Gateway Center, Suite 300, Pittsburgh, Allegheny County, PA 15222

Debtor: Laurinburg and Southern Railroad Company
204 Railroad Street, P.O. Box 1929, Laurinburg, Scotland County, NC 25352

Equipment: [include serial and model numbers]

One (1) used GP9 Locomotive - Road No. YVRR206; HP - Serial Number 5524-14

Domicile:
Equipment location [insert full mailing address, including county, of the premises where the Equipment is located, and full name and address of the owner of the premises]
204 Railroad Street, P.O. Box 1929, Laurinburg, NC 28353

Principal Amount of Purchase Money Loan: \$75,750.00

Number of Principal Repayment Installments (Including Final Principal Repayment Installment) Sixty (60) Months

Amount of Each Principal Repayment Installment Prior to Final Principal Repayment Installment: \$1,262.50

Amount of Final Principal Repayment Installment: \$1,262.50

Due Date of First Principal Repayment Installment: December 12, 1990

Due Date of Final Principal Repayment Installment: November 12, 1995

Variable Interest Rate. For any calendar month or portion thereof, a rate of interest equal to (i) two and three-quarters percent (2.75%) above the weekly average rate of interest for certificates of deposit having maturities of three months, as published by the Board of Governors of the Federal Reserve System in its statistical release H 15, entitled "Selected Interest Rates" (or, if such publication is no longer available, any successor publication or data source selected by Secured Party in its reasonable discretion) for the week in which the first day of the prior calendar month occurs, or (ii), if less, the highest rate of interest permitted by applicable law

Conversion Rate. For any period, a rate of interest equal to (i) three and eighty-five one hundredths percent (3.85%) above the average rate of interest on debt securities of the United States Treasury having maturities of three years, as published by the Board of Governors of the Federal Reserve System in its statistical release H 15, entitled "Selected Interest Rates" (or, if such publication is no longer available, any successor publication or data source selected by Secured Party in its reasonable discretion) for the week in which the first day of the prior calendar month occurs, or (ii), if less, the highest rate permitted by applicable law

Default Rate. A rate of interest equal to (i) two percent (2.00%) above the applicable Variable Interest Rate or Conversion Rate, as the case may be, or (ii), if less, the highest rate of interest permitted by applicable law

Purchase Money Loan; Terms of Repayment. In consideration of the making of a purchase money loan by Secured Party to Debtor for the purpose of financing Debtor's purchase of the Equipment specified above (the "Purchase Money Loan"), Debtor promises and agrees to pay to the order of Secured Party, at Secured Party's address stated above or at such other place as Secured Party may from time to time designate in writing, the principal amount of the Purchase Money Loan, together with interest calculated as hereinafter provided. Subject to Debtor's right to prepay such principal amount in whole or in part as hereinafter provided, Debtor shall pay such principal amount in consecutive monthly installments of principal, each in the amount set forth above under the heading "Amount of Each Principal Repayment Installment Prior to Final Principal Repayment Installment," due and payable on the "Due Date of First Principal Repayment Installment" set forth above and on a like date of each calendar month thereafter until the Purchase Money Loan is fully repaid, provided, however, that the last such installment shall be in the amount set forth above under the heading "Amount of Final Principal Repayment Installment" or (if greater) the amount of the then outstanding principal balance of the Purchase Money Loan

Interest. Interest shall be calculated on the basis of a year of 360 days and (unless and until Debtor's exercise of its conversion option provided below becomes effective) shall, during each calendar month or portion thereof from and after the date on which funds are disbursed by Secured Party, accrue on unmatured principal balances outstanding during such period at the "Variable Interest Rate" specified above for the week in which the first day of the month prior to such calendar month occurs. All interest accrued through the due date of a principal installment shall be due and payable simultaneously with such installment

*Five

Conversion Option. If no event of default (as hereinafter defined) shall have occurred and be continuing, Debtor may, by giving written notice to Secured Party no later than the tenth day of the calendar month in which a principal installment come due, convert the outstanding principal balance of the Purchase Money Loan (determined as of the first day after the due date of such installment) to a fixed-rate loan, as to which interest shall accrue on unmatured principal balances from and after the first day after such due date at the Conversion Rate specified above for the period commencing on the first day after such due date.

Post Maturity Interest. Any principal balance not paid when due (whether by acceleration or otherwise) shall accrue interest at the applicable "Default Rate" specified above until such principal balance is paid. Secured Party may, at its option, apply late payments (either full or partial) in the following manner: first to interest, then to principal, and finally to late charges. To the extent permitted by applicable law, Debtor shall pay interest on delinquent principal installments on demand, regardless of whether or not Debtor's failure to pay any such installment when due is or becomes a default hereunder and regardless of whether or not Secured Party proceeds under the "Remedies" provisions hereof or takes any other action, and demand for and collection of interest on such overdue installments at the Default Rate shall not be deemed a waiver of default or of any other remedies or rights.

Prepayments. The outstanding principal balance of the Purchase Money Loan may be prepaid in whole or in part at any time, together with all interest and late charges accrued through the date of prepayment and a prepayment charge calculated as follows: (i) if the prepayment is made on or before the first anniversary of the date of this Agreement, the prepayment charge shall be three percent (3%) of the principal amount prepaid; (ii) if the prepayment is made after the first anniversary of the date of this Agreement and on or before the second anniversary thereof, the prepayment charge shall be two percent (2%) of the principal amount prepaid; (iii) if the prepayment is made after the second anniversary of the date of this Agreement and on or before the third anniversary thereof, the prepayment charge shall be one percent (1%) of the principal amount prepaid; and (iv) if the prepayment is made after the third anniversary of the date of this Agreement, there shall be no prepayment charge. Partial prepayments shall be applied against principal installments in their inverse order of maturity.

Late Charges. To the extent permitted by applicable law, Debtor will pay on demand, as a late charge, an amount equal to five percent (5%) of each installment or part thereof that is not paid within ten (10) days of the date when due, but nothing in this paragraph alters the definitions of events of default hereunder. Debtor shall pay the late charge, to the extent permitted by applicable law, regardless of whether or not Debtor's failure to pay such installment when due is or becomes a default hereunder and regardless of whether or not Secured Party proceeds under the "Remedies" provisions hereof or takes any other action, and demand for and collection of the late charge shall not be deemed a waiver of default or of any other remedies or rights.

Security Interest. Debtor hereby grants to Secured Party a security interest in the personal property described above as the "Equipment," together with all parts, additions, accessions, accessories, replacements, and substitutions thereto or therefor, and all proceeds therefrom (including any proceeds of insurance against fire or other casualty whether or not the insurance policy contains an endorsement in favor of Secured Party), all of which is hereinafter called the "Collateral." This security interest is given to secure payment to Secured Party of all present and future obligations of Debtor to Secured Party, including without limitation the obligation of Debtor to repay the Purchase Money Loan and all other liabilities arising under or in connection with this Agreement; future advances, if any, made by Secured Party to Debtor, whether or not made pursuant to any commitment of Secured Party (and nothing in this Agreement shall be construed to create or imply the existence of any such commitment); and all other liabilities of Debtor to Secured Party now existing or hereafter incurred, matured or unmatured, direct or contingent, whether or not evidenced by a promissory note, and whether owing originally to Secured Party or acquired by Secured Party from any other party, and any renewals and extensions thereof and substitutions therefor. (All of the above obligations, including but not limited to obligations in respect of the Purchase Money Loan, are hereinafter called the "Indebtedness.")

DEBTOR WARRANTS AND REPRESENTS that:

Good Standing. Debtor is organized and existing in good standing under the laws of the jurisdiction of its formation, and has the power to own its property and to carry on its business as now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the character of the property owned by it therein or in which the transaction of its business makes such qualification necessary.

Authority. Debtor has full power and authority to enter into this Agreement and make the borrowing hereunder, and to incur the obligations provided for herein, all of which have been duly authorized by all proper and necessary action. No consent or approval of stockholders, partners, members, or co-owners or of any public authority is required as a condition to the validity of this Agreement.

Binding Agreement. This Agreement constitutes the valid and legally binding obligation of Debtor enforceable in accordance with its terms.

Litigation. There are no proceedings pending or threatened before any court or administrative agency that will materially adversely affect the financial condition or operation of Debtor.

No Conflicting Agreements. There is no charter, by-law, preference stock, or partnership agreement provision of Debtor and no provision of any other organizational documents, or existing mortgage, indenture, contract, or agreement binding on Debtor or affecting its property that would conflict with or in any way prevent the execution, delivery, or carrying out of the terms of this Agreement.

Ownership Free of Encumbrances. Except for the security interest granted hereby, Debtor now owns, or will use the proceeds hereof to become the owner of, the Collateral free from any prior lien, security interest, or encumbrance. No financing statement covering the Collateral or any proceeds thereof is on file in any public office, except for financing statements showing Secured Party as the sole secured party thereunder. Debtor has a good right to grant a security interest in the Collateral to Secured Party.

Fixtures. None of the Collateral is now a part of or affixed to any real property.

Collateral Location. Except for items of Collateral that constitute mobile goods and that are in fact in use by Debtor in the ordinary course of its business at other locations, all the Collateral comprising goods heretofore delivered to the Debtor by the seller thereof is located either at (i) Debtor's address set forth above, or (ii) the "Equipment Location" set forth above.

DEBTOR COVENANTS AND AGREES that until all the Indebtedness is fully satisfied:

Insurance. Debtor will maintain continuously, and pay when due all premiums for, fire and casualty insurance with extended coverage on the Collateral, insuring the same against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the same or similar businesses with a responsible company or companies satisfactory to Secured Party, in an amount not less than the unpaid balance of the Purchase Money Loan. Each of such insurance policies shall have attached thereto a standard loss payable endorsement, without contribution, in favor of Secured Party as its interest may appear, shall provide that it may not be cancelled without thirty (30) days' prior written notice to Secured Party, shall provide that in respect of the Secured Party's interest in such policy the insurance shall not be invalidated by any action or inaction of Debtor or any other person (other than Secured Party), shall insure Secured Party's interest in the Collateral and it may appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policy by Debtor or any other person (other than Secured Party), and shall otherwise be in form and substance acceptable to Secured Party. Debtor will deliver forthwith to Secured Party each such policy (together with the loss payable endorsement), or certificates of insurance or other evidence satisfactory to Secured Party of the existence of all required insurance, its terms and conditions, and the payment of all applicable premiums. Similar evidence of renewal coverage, satisfactory to Secured Party, shall be delivered to Secured Party at least fifteen (15) days before the expiration of any initial insurance coverage. In addition, Debtor will maintain, and pay when due all premiums for, liability and other insurance in such amounts and against such risks as is customarily carried by persons in similar businesses owning similar property. Debtor irrevocably

appoints Secured Party as Debtor's attorney-in-fact, with full power of substitution, to execute loss claims and other applications for payment of benefits under any insurance policy in the name of Debtor or Secured Party, receive all monies, and endorse drafts, checks, and other instruments for the payment of any proceeds of any insurance. This appointment shall be deemed a power coupled with an interest and shall not be terminable by Debtor so long as Debtor remains indebted to Secured Party.

Maintenance and Clear Title. Debtor will keep the Collateral in good condition and free from liens and security interests, will not sign or suffer to be filed any financing statements relating to the Collateral except those showing Secured Party as sole secured party, will not sell or lease or offer to sell or lease or otherwise encumber or dispose of any of the Collateral, will defend the Collateral against all claims and demands of all persons at any time claiming any interest or right therein, and will not use the Collateral illegally. Secured Party may examine and inspect the Collateral at any time, wherever located.

Change of Name, Residence, or Place of Business. Debtor will not change its name, residence, or place of business or do business under any assumed or fictitious name without giving Secured Party at least thirty (30) days prior written notice.

Change of Structure. Debtor will maintain its existence, and will not merge or consolidate with or into any other entity or sell substantially all of its assets.

Use of Collateral. Debtor will use the Collateral exclusively for business operations.

Fixtures. Debtor will not permit any of the Collateral to become a part of or affixed to any real property.

Location of Collateral. Except for items of Collateral that constitute mobile goods and that are in fact in use by Debtor in the ordinary course of business at other locations, all the Collateral will, from and after the moment that Debtor acquires possession or control of it, be kept either at (i) Debtor's address set forth above or (ii) the Equipment Location set forth above, and all records relating to the Collateral shall likewise be kept only at such location or locations.

Indemnification. Debtor will indemnify Secured Party against all claims arising out of or connected with the ownership or use of the Collateral.

Motor Vehicles. If the Collateral consists of or includes motor vehicles or other equipment for which there is a certificate of title evidencing ownership thereof, Debtor will forthwith cause each certificate to be endorsed over and the lien of Secured Party to be noted so as to show Secured Party's interest, and Debtor will deliver forthwith each such certificate to Secured Party.

Taxes. Debtor will pay promptly when due all taxes, charges, and assessments that are or may become a lien on the Collateral or any part thereof, except to the extent that they are contested in good faith and by appropriate proceedings.

Financial Statements. Debtor will furnish to Secured Party, not later than ninety (90) days after the end of each of Debtor's fiscal years, an annual financial report of Debtor in reasonable detail which reports shall include a balance sheet of Debtor as of the end of the fiscal year just ended and a statement of income and retained earnings of Debtor for that fiscal year, accompanied by a certificate of the chief executive officer of Debtor stating whether any event has occurred that constitutes an event of default hereunder or that would constitute such an event of default with the giving of notice or the lapse of time, or both, and, if so, stating the facts with respect thereto, and will furnish to Secured Party, not later than sixty (60) days after the end of the period to which it relates, any interim financial report prepared by or for Debtor, accompanied by a certificate of the chief executive officer of Debtor stating whether any event has occurred that constitutes an event of default hereunder or that would constitute such an event of default with the giving of notice or the lapse of time, or both, and, if so, stating the facts with respect thereto, and will in addition furnish the Secured Party every audited financial report immediately upon the preparation thereof but not later than the times specified above.

Reimbursement for Expenses. At its option, and with no obligation to do so, Secured Party may discharge taxes or other encumbrances on the Collateral and may pay for the repair of any damage to the Collateral and the maintenance and preservation of the Collateral, and may arrange and pay for insurance thereon. Debtor agrees to reimburse Secured Party on demand for any payments so made. Debtor also agrees to reimburse and pay to Secured Party on demand all expenses incurred or paid by Secured Party in perfecting the security interest granted hereunder and in collecting the Indebtedness and in protecting or enforcing its rights under this Agreement, including but not limited to reasonable attorney's fees and legal expenses. Until Debtor makes such reimbursement, the amount of all such payments and expenses, with interest at the rate then applicable to principal installments of the Purchase Money Loan not paid when due, from the date of payment until reimbursement, shall be added to the Indebtedness and shall be secured by the security interest granted by Debtor under this Agreement. Nothing in this paragraph relieves Debtor of the duty to care for, insure, and protect the Collateral and Secured Party's interests therein and to pay taxes on or related to the Collateral, or of any other duty.

Sale or Replacement of Collateral. Debtor will not sell or replace any item or part of the Collateral without the prior written consent of Secured Party.

Events of Default. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions, each of which is an event of default:

1. Default shall be made in the payment of any installment of the Purchase Money Loan, or in the payment of any other Indebtedness, when and as the same becomes due and payable, whether at the stated maturity thereof or by acceleration or otherwise, and such default shall continue unremedied for ten (10) days, or
2. Default shall be made in the due observance or performance of any term, covenant, or agreement contained in this Agreement (other than covenants and agreements to pay Indebtedness) and such default shall continue unremedied for thirty (30) days after written notice thereof is given by Secured Party to Debtor, or
3. Any representation or warranty made by Debtor in this Agreement, or any statement or representation made in any certificate, report, or opinion delivered pursuant hereto or in connection herewith, shall prove to have been incorrect in any material respect when made, or
4. The Collateral shall be lost, stolen, substantially damaged, destroyed, sold, or encumbered, or Debtor's rights in the Collateral shall be voluntarily or involuntarily transferred, by way of sale, lease, or creation of a security interest, or by way of attachment, levy, garnishment, or other judicial process, or otherwise, or
5. Secured Party shall in good faith believe that the prospect of payment of all or any part of the Indebtedness or the performance of this Agreement is impaired, or
6. Debtor shall become insolvent or be generally unable to meet its obligations as they mature, make an assignment for the benefit of creditors, consent to the appointment of a trustee or a receiver, or admit in writing its inability to pay its debts as they mature, or
7. A trustee, receiver or custodian shall be appointed for Debtor or for a substantial part of its property without the consent of Debtor and not be discharged within thirty (30) days, or
8. Bankruptcy reorganization arrangement, insolvency, or liquidation proceedings shall be instituted by or against Debtor, and, if instituted against Debtor, be consented to or remain undismissed for a period of thirty (30) days, or
9. Any default shall be made by Debtor in any obligation for the payment of borrowed money, or any such obligation shall become or be declared to be due and payable prior to the original stated maturity thereof.

Remedies. Upon any event of default and at any time thereafter Secured Party may declare all the Indebtedness immediately due and payable in full (unless such event of default comprises one or more of the events described in paragraphs 7 or 8 above, in which case all the Indebtedness shall become immediately due and payable in full without any declaration, notice, or other action on the part of Secured Party), and may proceed to enforce payment thereof and exercise any and all of the rights and remedies provided by the Uniform Commercial Code as well as all other rights and remedies of Secured Party hereunder or under other applicable law. Upon the occurrence of an event of default, Debtor, upon demand by Secured Party, shall assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Secured Party may, at its election, enforce its rights under this Agreement by a suit in equity for specific performance. Debtor grants Secured Party the right to enter upon any premises of Debtor for the purpose of recovering possession

of the Collateral or any part thereof after the occurrence of an event of default, or for the preservation or enforcement of Secured Party's other rights hereunder, all without demand or notice to Debtor and without judicial hearing or proceedings, which Debtor hereby expressly waives. The requirements of reasonable notice shall be deemed met if such notice is mailed to an address of Debtor shown at the beginning of this Agreement at least ten (10) days before the time of the sale or disposition, but nothing contained herein shall be construed to mean that other notice or a shorter period of time does not constitute reasonable notice of the sale or other disposition of the Collateral. Debtor shall reimburse Secured Party for all Secured Party's expenses of retaking, holding, preparing for sale, selling, or otherwise dealing with or disposing of the Collateral, including attorney's fees in the amount of fifteen percent (15%) of the outstanding principal balance of the Indebtedness. Subject to applicable law, Debtor shall pay any Indebtedness remaining unpaid after sale or other disposition of any or all of the Collateral. Any surplus proceeds from the sale or other disposition of the Collateral remaining after full satisfaction of the Indebtedness shall be paid to the Debtor or to such other persons as may be entitled thereto under applicable law.

Cumulative Rights and No Waiver. Each and every right granted to Secured Party hereunder or under any document delivered hereunder or in connection herewith or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of Secured Party to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by Secured Party of any right preclude any other or future exercise thereof or the exercise of any other right.

Financing Statements. Debtor will sign and deliver to Secured Party such financing statements and other documents as Secured Party shall deem necessary to perfect, protect, and continue its security interest in the Collateral, in form satisfactory to Secured Party. Debtor will reimburse Secured Party for all expenses incurred in the filing of financing statements, continuation statements, termination statements, and any other documents relating to the perfection of Secured Party's security interest in the Collateral. A carbon, photographic, or other reproduction of this Agreement or of a financing statement relating to the security interest herein granted is sufficient as a financing statement. Debtor authorizes Secured Party to file financing statements as to the Collateral signed only by Secured Party and not by Debtor.

Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Assignability. Debtor acknowledges that the rights of Secured Party may be assigned to any person in whole or in part at the sole discretion of Secured Party, and Debtor agrees that any defense it may have against Secured Party shall not be asserted, and shall be void, against any assignee of the rights of Secured Party. Debtor will not assign any of its rights or obligations under this Agreement to any person without the prior written consent of Secured Party, and, in the absence of such prior written consent, no such assignment of any right or obligation of Debtor hereunder shall be binding on Secured Party. Subject to the foregoing limitations, the terms and conditions of this Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

Warranty Disclaimer. Secured Party is not a manufacturer or seller of the Collateral and makes no warranties whatsoever including without limitation warranties of title, merchantability, or fitness for any particular purpose, with respect to the Collateral. Debtor will not assert any breach of any such warranty as a defense to any of its obligations to Secured Party under this Agreement, however, nothing in this Agreement shall be construed to impair any of Debtor's remedies for breach of warranty against any seller or manufacturer of the Collateral.

Governing Law; Consent to Venue and Personal Jurisdiction. This Agreement shall be construed and enforced in accordance with and governed by the laws of Pennsylvania. If the address of Debtor's residence or principal place of business shown herein is not in Pennsylvania, Debtor consents to the exercise of personal jurisdiction over Debtor by any court of record sitting in Pennsylvania in connection with any action arising out of this Agreement, and waives all objections to service of process on Debtor at such address in accordance with the Pennsylvania Uniform Interstate and International Procedure Act or any successor statute in connection with any such action.

Waiver of Jury Trial. Secured Party and Debtor each waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter whatsoever arising out of or in any way connected with this Agreement.

Confession of Judgment. If the amount of the Purchase Money Loan is in excess of Fifty Thousand Dollars (\$50,000.00) and if any event of default shall have occurred and be continuing, Debtor hereby empowers any attorney to appear for Debtor in any court of record in Pennsylvania or (if the local laws of such jurisdiction permit the entry of judgement by confession) any other jurisdiction and confess judgement in favor of Secured Party or any subsequent holder of this Agreement for either or both of the following: (i) the aggregate outstanding amount of the Indebtedness, together with costs of suit and an attorney's fee in the amount of fifteen percent (15%) of the outstanding principal amount of the Indebtedness, and (ii) possession of all or any part of the Collateral in an amicable action of replevin with release of all errors and without stay of execution. The entry of any such judgement shall not exhaust this warrant of attorney to confess judgement which may be exercised by the holder of this Agreement as often as such holder deems necessary.

IN WITNESS WHEREOF, the parties have caused their names to be signed as of the date first above written. By execution hereof, each party intends and agrees to be legally bound by all the provisions of this Agreement.

ATTEST (Witness)

LAURINBURG AND SOUTHERN RAILROAD COMPANY

Debtor

By [Signature]
Title Asst Sec/Treas.

By [Signature]
Title President

(SEAL)

SOVRAN LEASING CORPORATION
Secured Party

By [Signature]
Title Senior Vice President

COPY

ANNEX A
TO NOTE AND SECURITY AGREEMENT

This Annex A constitutes an integral part of Note and Security Agreement #4793-00706 dated November 19, 1990, (the "Note"), between LAURINBURG AND SOUTHERN RAILROAD COMPANY (the "Debtor") and SOVRAN LEASING CORPORATION (the "Secured Party"). Words and terms which are defined in the Note shall have the same meanings herein as therein provided.

The following provisions are hereby made a part of and incorporated in the Note:

- (a) Debtor agrees to comply in all respects with all laws of the jurisdictions in which the Collateral may be operated, with all applicable rules of the Association of American Railroads, and with all laws, rules, regulations and orders of the Department of Transportation and the Interstate Commerce Commission and any other federal, state or local legislative, executive, administrative or judicial body exercising any power of jurisdiction over the Collateral (collectively, "Applicable Laws"). In the event that any Applicable Law requires the alteration of any Collateral, or in case any Collateral or accessory or attachment thereto shall be required to be changed or replaced, or in case any additional or other accessory or attachment is required to be installed on any Collateral in order to comply with Applicable Laws, Debtor agrees to make such alterations, changes, additions and replacements at its own expense; and Debtor agrees at its own expense to use, store, maintain and operate the Collateral in full compliance with the Applicable Laws throughout the term of this Note.
- (b) In addition to its covenants and agreements under the Note regarding the location of the Collateral, Debtor agrees that the Collateral will be used primarily in the continental United States and that Debtor will use its best efforts to cause any Collateral which is used outside of the continental United States to remain outside of the continental United States for the shortest possible time
- (c) In addition to its covenants and agreements under the Note regarding financing statements, Debtor agrees that it will, at its expense prior to the delivery and acceptance of any Collateral under the Note, cause the Note to be filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Revised Interstate Commerce Act and the regulations promulgated thereunder. All references in the Note to "financing statements" shall be deemed to include filings and recordations with the Interstate Commerce Commission.
- (d) Debtor shall maintain on each side of each item of Collateral the following identification in block letters not less than two inches high "SOVRAN LEASING CORPORATION, SECURED PARTY", or other appropriate words designated by Secured Party, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the rights of the Secured Party under this Note. Debtor will not place any Collateral in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such markings which may be removed, defaced or destroyed

- (e) Debtor shall maintain on each unit of Collateral the serial and other identifying numbers set forth on page one of the Note under the heading "Equipment", and Debtor will not change the identifying number of any Collateral except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been delivered to Secured Party by Debtor and filed, recorded or deposited by Debtor in all public offices where this Note or any notice thereof shall have been filed, recorded or deposited

- (f) Except as provided in the preceding clauses (d) and (e), Debtor will not allow the name of any person, corporation or other entity to be placed on any Collateral that might be interpreted as a claim of ownership; provided, however, that Debtor may cause Collateral to be lettered with the names or initials or other insignia customarily used by Debtor on railroad equipment used by Debtor of the same or a similar type.

In the event of any inconsistency between any provision of this Annex A and any other provision(s) of the Note, the provisions of this Annex A shall be controlling, but only to the extent of such inconsistency.

IN WITNESS WHEREOF, the parties hereto have caused this Annex A to be executed on the 19th day of November, 1990.

ATTEST:
(Corporate Seal)

R. Pearson
Asst Secy Treas

ATTEST:
John Baul
First Vice President

LAURINBURG AND SOUTHERN
RAILROAD COMPANY

By W. J. ...

SOVRAN LEASING CORPORATION
By ...
(Senior Vice President)

STATE OF North Carolina)
)
COUNTY OF Scotland) ss:

On this 14th day of November, 1990, before me, personally appeared Murphy Evans, to me personally known, who being by me duly sworn, says that (s)he is the President of LAURINBURG AND SOUTHERN RAILROAD COMPANY, that the seal affixed to the foregoing Note and Security Agreement # 4793-00706 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 (s)he acknowledged that the execution of said instrument was the free act and deed of said corporation.

Pauline Caudle
Notary Public

(Seal)

My Commission expires:
4-13-93

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF ALLEGHENY) ss:

On this 22nd day of November, 1990, before me, personally appeared Paul L. Frihse, to me personally known, who being by me duly sworn, says that (s)he is the Senior Vice President of SOVRAN LEASING CORPORATION, that the seal affixed to the foregoing Note and Security Agreement # 4793-00706 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 (s)he acknowledged that the execution of said instrument was the free act and deed of said corporation

Donald J. Frihse
Notary Public

(Seal)

My Commission expires:

NOTARIAL SEAL
DONALD J. FRIHSE, NOTARY PUBLIC
My Commission Expires January 20, 1991
Member, Pennsylvania Association of Notaries