

February 24, 1999

VIA FEDERAL EXPRESS

Secretary Vernon A. Williams  
Surface Transportation Board  
1925 K Street, NW  
Suite 700  
Washington, D. C. 20423

RECORDATION NO. 22069 FILED

MAR 9 '99 1-30PM

Re: Recordation of Memorandum of Security Interest dated February 24, 1999

Dear Mr. Secretary:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) original Memorandum of Security Interest dated February 24, 1999. These are primary documents as defined in the Board's Rules for the Recordation of Documents. The names and addresses of the parties to the enclosed document are:

Debtor:

The Great Smoky Mountains Railway, Inc.  
P. O. Box 397  
Dillsboro, North Carolina 28725

Secured Party:

First Union National Bank  
301 South Tryon Street  
Charlotte, North Carolina 28202

A description of the railroad equipment covered by the enclosed document is set forth on Schedule I attached hereto. Also enclosed is a check in the amount of \$26.00 payable to the order of the Surface Transportation Board covering the recordation fee.

Please return the stamped original document to the undersigned. A Business Reply Mail envelope is enclosed for your convenience. If you have any questions regarding these documents or this matter, please do not hesitate to contact me at 540-857-4554.

Respectfully,

First Union National Bank

By: Jean Dooley  
Jean Dooley, Document Preparation Specialist

Enclosures

## SCHEDULE I

### DESCRIPTION OF EQUIPMENT

1942 Baldwin Locomotive Steam Engine, Type 2-8-0 and Accompanying Tender Numbered 1702.

#### Section I, Locomotives

1954 General Motors/EMD, Model GP-7 Locomotive, No. GSMR 711  
1954 General Motors/EMD, Model GP-7 Locomotive, No. GSMR 777  
1963 General Motors/EMD, Model GP-35 Locomotive, No. GSMR 210  
1964 General Motors/EMD, Model GP-35 Locomotive, No. GSMR 223

#### Section II, Lightweight Passenger Cars

1940 Budd Company built dining car, GSMR 8015, known as the "Silver Meteor"  
1949 Budd Company built tavern-lounge car, GSMR 8806, known as the "Dixie Flyer"  
1949 Budd Company built dormitory-kitchen car, GSMR 8807, known as the "Conductor's Café"  
1940 Budd Company built observation-lounge car, GSMR 3331, known as the "Champion"  
1952 Pullman Company built dining car, GSM 4102, known as the "Panama Limited"  
Circa 1950's Pullman built coach, GSMR 841, known as the "Royal Palm"  
1952 Pullman built coach, GSMR 536, known as the "Powhatan Arrow"

#### Section III, Heavyweight Passenger Cars

1923/1985 Pullman Company built (CONRAIL rebuilt) coach, GSMR 25, known as the "Piedmont Limited"  
1923/1985 Pullman built (CONRAIL rebuilt) coach, GSMR 26, known as the "Southland"  
Circa 1935 Pullman built coach, GSMR 6118, known as the "Crescent Limited"  
1952 Pullman built coach, GSMR 6514, known as the "Dillsboro"  
1921/89 Pullman built coach, GSMR 320, known as the "Sylva"  
1921/89 Pullman built coach, GSMR 322, known as the "Bryson City"  
1921/89 Pullman built coach, GSMR 324, known as the "Pee Wee Watson"  
Circa 1935 Canadian Car & Foundry built Coach, GSMR 522, known as the "Jackson County"  
Circa 1935 Canadian Car & Foundry built coach, GSMR 523, known as the "Cherokee"

#### Section IV, Open-air Sightseeing Cars

1959 Pullman built baggage car (modified by GSM), GSMR 30, known as the "Whittier"  
1959 Pullman built baggage car (modified by GSM), GSMR 31, known as the "Almond"  
1959 Pullman built baggage car (modified by GSM), GSMR 32, known as the "James 'Sarge' Revis"  
1959 Pullman built baggage car (modified by GSM), GSMR 33, known as the "Topton"  
1959 Pullman built baggage car (modified by GSM), GSMR 34, known as the "Olivine Shop"  
1946 Pullman built coach car (modified by GSM), GSMR 35, known as the "Fontana"  
1946 Pullman built baggage car (modified by GSM), GSMR 36, known as the "Wildwater"  
1946 Pullman built baggage car (modified by GSM) known as the "Nantahala" (not currently numbered)  
1965 GSI built flat car (modified by GSM), GSMR 513, known as the "Oconaluftee"  
1965 GSI built flat car (modified by GSM), GSMR 556, known as the "Tuckasegee"  
Page 2 of the Exhibit A to the Security Agreement

#### Section V, Miscellaneous Equipment

1996 Pandrol-Jackson Model 925 Tie Inserter  
1996 Pandrol-Jackson Model 900 Tamper  
1964 International Car Company Side-bay Caboose, C&O 3753

Surface Transportation Board  
Washington, D.C. 20423-0001

March 9, 1999

Jean Dooley  
Document Preparation Specialist  
Attention Quality Control VA7626  
First Union National Bank  
P O Box 13327  
Roanoke VA 24040-0001

Dear Ms. Dooley:

The enclosed document(s) was recorded pursuant to the provisions of 49 U.S.C. 11301 and 49 CFR 1177.3 (c), on March 9, 1999 at 1:30 PM, and assigned recordation number(s) 22069.

Sincerely Yours,

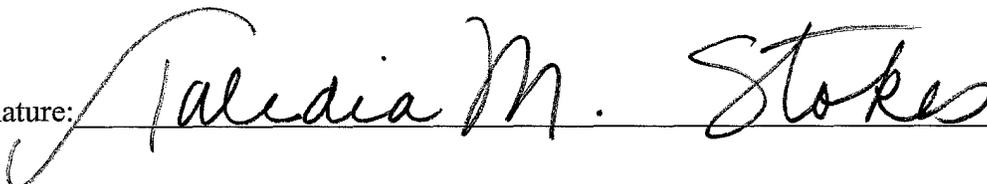


Vernon A. Williams  
Secretary

Enclosure(s)

\$ 26.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid. In the event of an error or any questions concerning this fee, you will receive a notification after the Surface Transportation Board has an opportunity to examine your document.

Signature: \_\_\_\_\_



## MEMORANDUM OF SECURITY INTEREST

MAR 9 '99

1-30 PM

THIS MEMORANDUM OF SECURITY INTEREST dated as of February 24, 1999, is between FIRST UNION NATIONAL BANK, a national banking association, as secured party ("Secured Party"), and THE GREAT SMOKY MOUNTAINS RAILWAY, INC., a North Carolina corporation, as debtor (the "Debtor").

WHEREAS, the Debtor has executed that certain Promissory Note dated February 24, 1999 (the "Note") in the original principal amount of \$2,065,000.00 in favor of the Secured Party;

WHEREAS, the Secured Party and the Debtor have entered into that certain Security Agreement dated as of February 24, 1999 (the "Security Agreement");

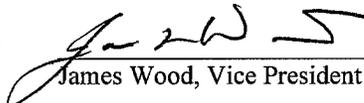
WHEREAS, to secure the obligations of the Debtor to the Secured Party under the Note, the Debtor under the Security Agreement grants to Secured Party a security interest in all items of Equipment set forth on Schedule I attached hereto, all replacements and substitutions therefor and all proceeds thereof;

NOW, THEREFORE, to secure the payment when and as due, and the performance when required, of the obligations of the Debtor to Secured Party under the Note, the Debtor does hereby grant to the Secured Party a security interest in the locomotives and railcars bearing the car numbers as set forth on Schedule I attached hereto, all replacements and substitutions therefor and all proceeds thereof.

IN WITNESS WHEREOF, the parties wish to show for the public record the aforesaid Security Agreement and grant of a security interest in the railcars bearing the car numbers as set forth on Schedule I attached hereto, all replacements and substitutions therefor and all proceeds thereof and accordingly have caused this Memorandum of Security Interest to be executed by their officers thereunto duly authorized, as of the date first above written. This memorandum may be executed in counterparts, each such counterpart shall be binding on both parties hereto, notwithstanding that both parties are not signatories to the same counterpart.

FIRST UNION NATIONAL BANK, as Secured Party

By:

  
James Wood, Vice President

THE GREAT SMOKY MOUNTAINS RAILWAY, INC., as Debtor

By:

  
Joan G. MacNeill, President

STATE OF NORTH CAROLINA)  
COUNTY OF JACKSON) ss:

The foregoing Memorandum of Security Interest was acknowledged before me, the undersigned Notary Public, in the County of JACKSON this 24 day of February, 1999 by James Wood, as Vice President of FIRST UNION NATIONAL BANK, a national banking association, on behalf of the association.

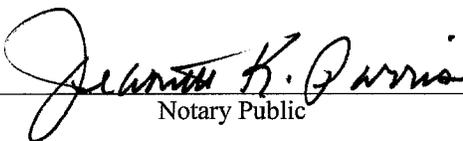
  
Notary Public

My commission expires: 2-9-2002

[Notarial Seal]

STATE OF NORTH CAROLINA)  
COUNTY OF JACKSON) ss:

The foregoing Memorandum of Security Interest was acknowledged before me, the undersigned Notary Public, in the County of JACKSON this 24 day of February, 1999 by Joan G. MacNeill, as President of THE GREAT SMOKY MOUNTAINS RAILWAY, INC., a North Carolina corporation, on behalf of the corporation.

  
Notary Public

My commission expires: 2-9-2002

[Notarial Seal]

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