

CARRINGTON, COLEMAN, SLOMAN & BLUMENTHAL

A REGISTERED LIMITED LIABILITY PARTNERSHIP

ATTORNEYS

200 CRESCENT COURT
SUITE 1500

DALLAS, TEXAS 75201
FAX (214) 855-1333
TEL. (214) 855-3000

RECORDATION NO. 19481-A

FILED

AUG 6 '97

2-10PM

W

ROSHAN SELOD
(214) 855-3023

August 4, 1997

VIA FEDERAL EXPRESS

Vernon A. Williams, Secretary
Surface Transportation Board
Attn: Janice Fort, Chief of Recordations
1925 K Street NW
Washington, DC 20423

RE: San Joaquin Valley Railroad Co.
Surface Transportation Board Filing #19481

Kyle Railroad Company
Surface Transportation Board Filing #'s 18534, 19480

Dear Ms. Fort:

Enclosed for filing are three UCC-3 Termination Statements for the captioned liens along with this firm's check in the amount of \$72.00 to cover the recording fees. Attached to each UCC-3 is the relevant cancelled Note and Security Agreement, as you requested. Please forward to me file marked copies once the terminations have been filed in the enclosed, stamped envelope.

Please give me a call if you have any questions regarding this matter. Thank you for your assistance.

Sincerely,

Roshan Z. Selod
Roshan Z. Selod

RZS/dr
Enclosure

Aug 6 1 53 PM '97
COMM-FED-EXP

SURFACE TRANSPORTATION BOARD
WASHINGTON, D. C. 20423-0001

OFFICE OF THE SECRETARY

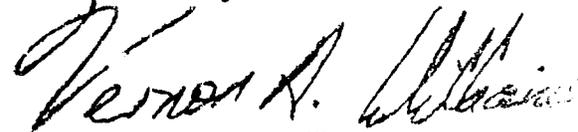
Roshan Z. Salari
Carrington Coleman Sloman & Blumenthal
200 Crescent Court, Ste. 1500
Dallas, Texas 75201

DATE: 8/6/97

Dear Sir;

The enclosed document(s) was recorded pursuant to the provisions of 49 U.S.C. 11301
and 49 CFR 1177.3 (c), on 8/6/97 at 210 PM, and
assigned recordation number(s). 18534-A, 19480-A and 19481-A.

Sincerely Yours,

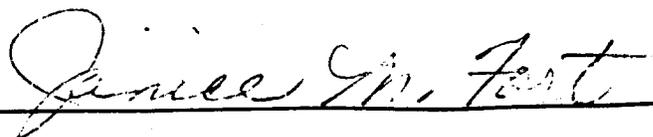


Vernon A. Williams
Secretary

Enclosure(s)

\$ 72.00 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



NationsBank

NationsBanc Leasing Corporation

Note and Security Agreement (Fixed Rate and Level Payments)

This Note and Security Agreement made as of the date set forth below sets forth the terms and conditions governing the repayment of a loan made by NationsBanc Leasing Corporation ("Secured Party") to the party identified below as "Debtor" for the purpose of financing 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: June 15, 1995 Agreement No.: 07887-00704

Secured Party: NationsBanc Leasing Corporation

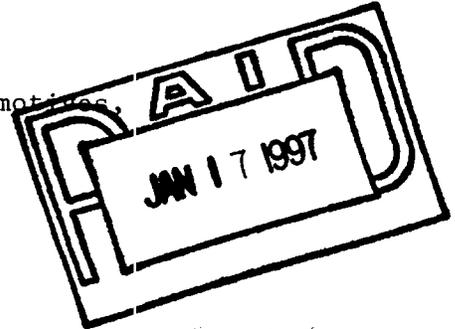
2300 Northlake Centre Drive, Suite 300
Tucker GA 30084

1/2/98

Debtor: San Joaquin Valley Railroad Co.
221 North F Street, Exeter, CA 93221

Equipment: (Include serial and model number):

Three (3) Electro Motive Division/General Motors GP 9 Locomotives



including all accessories and attachments.

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):

Domiciled at: 221 North F Street
Exeter, CA 93221

Principal Amount of Loan: One Hundred Fifty Thousand and 00/100 (\$150,000.00)

Number of Repayment Installments (including Final Repayment Installment): Ninety-six (96)

Amount of Each Repayment Installment Prior to Final Repayment Installment: \$2,204.54

Amount of Final Repayment Installment: \$2,204.54

Due Date of First Repayment Installment: on the thirtieth (30th) day following the date Secured Party funds this loan

Due Date of Final Repayment Installment: on the eighth (8th) anniversary of the date Secured Party funded this loan

Interest Rate. A per annum rate of interest equal to (i) nine and 09/100 percent (9.09 %) or (ii), if less, the highest rate of interest permitted by applicable law.

Loan; Terms of Repayment. In consideration of the making of a loan by Secured Party to Debtor for the purpose of financing the Equipment specified above (the "Loan"), Debtor promises and agrees to pay to the order of Secured Party, at Secured Party's address stated above or at such other places as Secured Party may from time to time designate in writing, the principal amount of the 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 together with interest thereon in consecutive monthly installments, each in the amount set forth above under the heading "Amount of Each Repayment Installment Prior to Final Repayment Installment," due and payable on the "Due Date of First Repayment Installment" set forth above and on a like date of each calendar month thereafter until the 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 Repayment Installment" or (if greater) the amount of the then outstanding principal balance of the Loan together with interest thereon.

Interest. Interest shall be calculated on the basis of a year of three hundred sixty (360) days. Each installment shall include all interest accrued through the due date.

Prepayments. After one (1) year from the date of this Agreement, the outstanding principal balance of the 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: one percent (1%) of the principal amount prepaid multiplied by the number of years or fraction thereof remaining under the term of this Agreement. Partial prepayments shall be applied against principal installments in their inverse order of maturity. Except as provided herein, the Loan may not be prepaid.

ATZ

notice thereof to Secured Party within thirty (30) days from the date of such relocation; and (b) either the premises in which such Collateral will be installed will be owned by Debtor free of any liens or encumbrances, or (ii) if not owned by Debtor free of liens or encumbrances, the owner of such premises and/or the holder of any such liens or encumbrances on such premises shall have consented and acknowledge the superiority of Secured Party's interest in such Collateral.

Indemnification. Debtor shall 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 shall 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 shall deliver forthwith each such certificate to Secured Party.

Taxes. Debtor shall 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 the same are contested in good faith and by appropriate proceedings.

Financial Statements. During the term of this Loan, Debtor (i) shall furnish Secured Party annual balance sheets and profit and loss statements of Debtor and of any guarantor of Debtor's obligations hereunder within one hundred twenty (120) days after the end of each of Debtor's (and any guarantor's) fiscal year, and (ii) at Secured Party's request, shall furnish Secured Party all other financial information and reports reasonably requested by Secured Party at any time, including quarterly or other interim balance sheets and profit and loss statements of Debtor and of any such guarantor. Debtor shall furnish such other information as Secured Party may reasonably request at any time concerning the Debtor and its affairs, including without limitation information concerning the Collateral. Debtor represents and warrants that all information furnished and to be furnished by Debtor to Secured Party is accurate and that all financial statements Debtor has furnished and hereafter may furnish to Secured Party, including operating statements and statements of condition, are and will be prepared in accordance with generally accepted accounting principles, consistently applied, and reasonably reflect and will reflect, as of their respective dates, results of the operations and the financial condition of Debtor and of any other entity they purport to cover.

Reimbursement for Expenses. At its option, and with no obligation to do so, Secured Party may (i) if an event of default exists, discharge taxes or other encumbrances on the Collateral, or pay for the repair, maintenance and preservation of the Collateral and (ii) ten days after notifying Debtor of Secured Party's intent to do so, arrange and pay for insurance on the Collateral. 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 Secured Party's 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 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 interest therein and to pay tax on or related to the Collateral, or of any other duty.

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

Post Default Interest. Any principal balance not paid when due (whether by acceleration or otherwise) shall accrue interest at the "Default Rate" until such principal balance is paid. "Default Rate" shall be a per annum rate of interest equal to (i) fifteen percent or (ii), if less, the highest rate of interest permitted by applicable law. Secured Party may, at its option, apply late payments (either in 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.

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 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 terms, covenants or agreements to pay Indebtedness, and such default shall continue unremedied for ten (10) 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. A default exists under any other agreement or instrument of Debtor's with or in favor of Secured Party or any direct or indirect affiliate of Secured Party; or
5. The Collateral shall be lost, stolen, substantially damaged, destroyed (unless (i) such occurrence is fully covered by insurance, and (ii) the Loan is fully repaid within 30 days after such occurrence), or shall be 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
6. Debtor shall become insolvent or be generally unable to meet its obligations as they mature, make an assignment for the benefit of creditors, admit in writing its inability to pay its debts as they mature, or suspend the operation of its present business; 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 to 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. An event described in Section 6, 7 or 8 shall occur with respect to any party who is guarantor or surety for the Indebtedness; or
10. Any default shall be made by Debtor in any obligation for the payment of borrowed money or capitalized leases or any such obligation shall become or be declared to be due and payable prior to the original stated maturity thereof; or
11. Liquidation or dissolution of Debtor; or
12. Sale, transfer or exchange, directly or indirectly, in one or more transactions, of a controlling stock interest in Debtor or the suspension of Debtor's present business; or
13. The Pension Benefit Guaranty Corporation shall commence proceedings under Section 4042 of the Employee Retirement Income Security Act of 1974 to terminate any employee pension benefit plan of Debtor; or
14. The attempted repudiation of any guaranties for obligations of Debtor to Secured Party.

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

STATE OF Arizona
COUNTY OF Maricopa

This 15th day of June, 1995, before me, personally appeared Lynn The Civil
personally known, who being by me duly sworn, says that (s)he is the Pres of San Joaquin Railroad Co
and acknowledged that the execution of said instrument was the free act and deed of said corporation.

Evelyn M. Young
Notary Public

(Seal)
My Commission expires:
1/31/96

STATE OF Georgia
COUNTY OF Cobb ss:

This 22 day of June, 1995, before me, personally appeared James R. Bates
personally known, who being by me duly sworn, says that (s)he is the AVP of **NationsBanc Leasing Corporation**, that the foregoing
and Security Agreement Number 4 was signed on behalf of said corporation and (s)he acknowledged that the execution of said instrument
was the free act and deed of said corporation.

Theresa C. Coker
Notary Public

(Seal)
My Commission expires:
Notary Public, Cobb County, Georgia
My Commission Expires January 26, 1999

This Annex A is made this 15th day of June, 1995, and constitutes an integral part of that certain Note and Security Agreement Number 07887-00704 dated June 15, 1995 (the "Note"), between San Joaquin Valley Railroad Co. ("Debtor") and NationsBanc Leasing Corporation ("Secured Party"). Terms used herein and otherwise undefined shall have the meanings ascribed them in the Note.

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 recordings 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: "NATIONSBANC LEASING CORPORATION, SECURED PARTY", or other appropriate words designated by Secured Party, with appropriate changes hereof and additions thereto as from time to time may be required by law in order to protect the rights of 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 hereof 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.

(g) 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 Assignment to be duly executed as of the day and year first above written.

NationsBanc Leasing Corporation (Secured Party)

By: _____
Printed Name: James R. Bates
Title: Assistant Vice President

(Debtor) San Joaquin Valley Railroad Co.

By: _____
Printed Name: LYNW T. CERIL
Title: PRESIDENT

(Corporate Seal)

ADDENDUM A

**SAN JOAQUIN VALLEY RAILROAD CO.
NOTE AND SECURITY AGREEMENT # 07887-00704**

PREPAYMENTS: During years one (1) and two (2) from the date of this Agreement, the outstanding principal balance of the 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: two percent (2%) of the amount prepaid; and no prepayment penalty after the second year under the term of this Agreement. Partial prepayments shall be applied against principal installments in their inverse order of maturity. Except as provided herein, the Loan may not be prepaid.

San Joaquin Valley Railroad Co.

By: 

Title: President

Date: 6-15-95

**UNIFORM COMMERCIAL CODE - STANDARD FORM
STATEMENTS OF CONTINUATION, PARTIAL RELEASE, ASSIGNMENT, ETC. - FORM UCC-3**

REORDER FROM
Registré, Inc.
514 PIERCE ST.
ANOKA, MN, 55303
(612) 421-1713

INSTRUCTIONS:

1. PLEASE TYPE this form. Fold only along perforation for mailing.
2. Remove Secured Party and Debtor copies and send other 3 copies with interleaved carbon paper to the filing officer.
3. Enclose filing fee(s), and fill in original Financing Statement number and date filed.
4. If the space provided for any item(s) on the form is inadequate the item(s) should be continued on additional sheets, preferably 5" x 8" or 8" x 10". Only one copy of such additional sheets need be presented to the filing officer with a set of three copies of Form UCC-3. Long schedules of collateral, etc., may be on any size paper that is convenient for the secured party. Indicate the number of additional sheets attached.
5. If collateral is crops or goods which are or are to become fixtures, describe generally the real estate and give name of record owner.
6. At the time of filing, filing officer will return third copy as an acknowledgement.

This STATEMENT is presented to a filing officer for filing pursuant to the Uniform Commercial Code:

3. Maturity date (if any):

1. Debtor(s) (Last Name First) and address(es)

2. Secured Party(ies) and address(es)

For Filing Officer (Date, Time and Filing Office)

San Joaquin Valley Railroad Co.
221 North F Street
Exeter, DA 93221

NationsBanc Leasing Corporation
2300 Northlake Centre Dr., Suite 300
Tucker, GA 30084

19481-A
RECORDATION NO. _____ FILED

AUG 6 '97 2-10PM

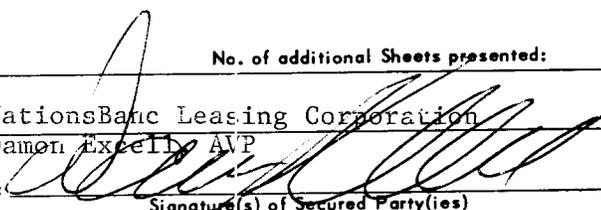
4. This statement refers to original Financing Statement bearing File No. 19481

Filed with Surface Transportation Board Date Filed 12/23 19 95

5. Continuation. The original financing statement between the foregoing Debtor and Secured Party, bearing file number shown above, is still effective.
6. Termination. Secured party no longer claims a security interest under the financing statement bearing file number shown above.
7. Assignment. The secured party's right under the financing statement bearing file number shown above to the property described in Item 10 have been assigned to the assignee whose name and address appears in Item 10.
8. Amendment. Financing Statement bearing file number shown above is amended as set forth in Item 10.
9. Release. Secured Party releases the collateral described in Item 10 from the financing statement bearing file number shown above.
- 10.

No. of additional Sheets presented:

NationsBanc Leasing Corporation
Damon Excell AVP

By:  Signature(s) of Secured Party(ies)

By: _____ Signature(s) of Debtor(s) (necessary only if Item 8 is applicable).

(1) Filing Officer Copy - Alphabetical

STANDARD FORM - FORM UCC-3