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RECORDATION NO. 1 5206

APR 9 1987 3:24 PM

April 9, 1987

INTERSTATE COMMERCE COMMISSION

APR 9 9 18 PM '87

HAND DELIVER

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

Attention: Mildred Lee, Office of the Secretary,
Public Records Section, Room 2303

Dear Ms. Lee:

Enclosed for filing in your office are four (4) originally executed and notarized Security Agreements dated April 3, 1987 between Consolidated Rail Corporation and NEMLC Leasing Associates No. 3 and UNUM Life Insurance Corporation of America and this firm's check in the amount of \$10.00 to cover your office's filing fee therefor. The addresses of the parties to the agreement are as follows:

Consolidated Rail Corporation
1310 Six Penn Center Plaza
Philadelphia, PA 19103

NEMLC Leasing Associates No. 3 *Admitted*
28 State Street
Boston, MA 02109

UNUM Life Insurance Corporation
of America
2211 Congress Street
Portland, ME 04122

7-099A072
No. APR 9 1987
Date
Fee \$ 10.00
ICC Washington, D.C.

The collateral secured by the subject agreement is listed on Schedule A attached to the agreements.

David P. Cant
C. [Signature]

PEPPER, HAMILTON & SCHEETZ

Mildred Lee
Interstate Commerce Commission
Page Two
April 8, 1987

Please provide the representative of this office who is delivering this package to you with a receipt of some sort for the documents described in the above.

Thanking you in advance for your attention to this matter, I am

Sincerely,


Amy Y. Coral
Legal Assistant

AYC/dtj
Enclosures
cc: John F. Fansmith, Jr., Esquire
James A. Ounsworth, Esquire

Interstate Commerce Commission

Washington, D.C. 20423

4/9/87

OFFICE OF THE SECRETARY

Amy Y. Coral
Legal Assistant
Pepper, Hamilton & Scheetz
123 South Broad Street
Philadelphia, PA. 19109

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/9/87 at 3:20pm, and assigned re-
recording number(s). 15206

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT is made as of April 3, 1987 between NEMLC Leasing Associates No. 3 (the "Debtor"), a Massachusetts limited partnership, by its general partner, NEMLC Leasing Corporation, a Massachusetts corporation, with its principal place of business at 28 State Street, Boston, Massachusetts 02109, and UNUM Life Insurance Company of America (the "Secured Party"), a Maine corporation, with its principal place of business at 2211 Congress Street, Portland, Maine 04122.

WITNESSETH:

WHEREAS, Secured Party and Debtor have entered into a Note Purchase Agreement dated as of the date hereof providing for the issuance by Debtor and purchase by Secured Party of certain secured notes in aggregate principal amount of \$3,913,669.75, all as more particularly described in said Note Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Secured Party and Debtor hereby agree as follows:

1. Certain Definitions. The following terms shall have the following respective meanings and, except where the context otherwise requires, shall be equally applicable to both the singular and the plural forms of such terms:

(a) "Collateral" shall have the meaning assigned in Section 2 hereof.

(b) "Other Collateral" shall have the meaning assigned in Section 2.2 hereof.

(c) "Equipment" means the equipment defined in the Lease, said equipment being described in Schedule A hereto.

(d) "Equipment Collateral" shall have the meaning assigned in Section 2.1 hereof.

(e) "Event of Default" means any of the events set forth in Section 6.1 hereof.

(f) "Excluded Amounts" means (a) all proceeds of public liability (including third party property damage liability) insurance owing or payable to Debtor for its own account pursuant to any insurance policies maintained under Section 7 of the Lease, and (b) all amounts owing or payable to Debtor for its own account under Sections 6, 9 and 16 of the Lease, and (c) the amount of the rent payable for that portion of term of the Lease up to and including the Closing Date of the Note.

(g) "Excepted Rights" means the right to receive and to demand, collect, sue for or otherwise obtain all of the Excluded Amounts.

(h) "Lease" means that certain Lease of Railroad Equipment dated as of December 15, 1986 between Debtor and Lessee, with respect to the Equipment, as the same may be modified, amended or supplemented from time to time in accordance with its terms.

(i) "Lease Default" means an Event of Default under Section 10 of the Lease.

(j) "Lessee" means Consolidated Rail Corporation, a Pennsylvania corporation, and its permitted successors and assigns.

(k) "Lessee's Consent" means the letter from Lessee to the Secured Party dated as of April 3, 1987 providing for among other things the payment of rent to Secured Party.

(l) "Lien" means any lien, mortgage, encumbrance, pledge, charge and security interest of any kind.

(m) "Notes" means Debtor's 9% Secured Note or Notes (Non-Recourse) to be issued under the Note Purchase Agreement.

(n) "Note Purchase Agreement" means that certain Note Purchase Agreement dated as of the date hereof between Secured Party and Debtor, as the same may be modified, amended or supplemented from time to time in accordance with its terms.

(o) "Notice of Assignment" means that certain Notice of Assignment dated as of April 3, 1987 with respect to the Lease from Debtor to Lessee.

(p) "Overall Transaction" means all of those transactions referred to in, provided for in, or contemplated by, the Principal Documents, including, without limitation, the manufacture, purchase, ownership, financing, leasing, operation and management of the Equipment, but only as expressly provided in the Principal Documents.

(q) "Owner's Cost" means the Purchase Price of each Item of Equipment (as the term "Purchase Price" is defined in the Lease) as shown on the invoice or bill of sale rendered by the seller of such Item of Equipment.

(r) "Owner Lien" means a Lien arising as a result of an independent act of or claim against Debtor which neither results from, arises out of, or relates to the Overall Transaction nor is created by, results from or arises out of any of the Principal Documents.

(s) "Principal Documents" means this Security Agreement, the Note Purchase Agreement, the Notes, the Lease, the Notice of Assignment, and the Lessee's Consent.

(t) "Prime Rate" means the "prime" or "base" rate of interest from time to time announced by Bank of New England, N.A. for corporate borrowers of the highest credit rating.

(u) "Secured Obligations" means the principal amount of and interest on the Notes, and all additional amounts and other sums at any time due and owing under the Notes, this Security Agreement and the Note Purchase Agreement, and all covenants and conditions contained herein or therein to be performed and observed.

All other capitalized terms used herein which are not otherwise defined herein shall have the respective meanings assigned to such terms in the Lease.

2. Assignment and Grant of Security Interest. In consideration of the purchase of the Notes by Secured Party and other good and valuable consideration, receipt of which is hereby acknowledged, and to secure the payment and performance of the Secured Obligations, Debtor hereby assigns to Secured Party, its successors and assigns, the Other Collateral described in Section 2.2 below and grants to Secured Party, its successors and assigns, a security interest in the Equipment Collateral and Other Collateral described in Sections 2.1 and 2.2 below (the Equipment Collateral and Other Collateral being herein collectively referred to as the "Collateral"), subject always to the rights of Lessee under the Lease:

2.1 Equipment Collateral. All Equipment leased or to be leased to Lessee under the Lease, said Equipment being described in Schedule A hereto, whether now owned or hereafter acquired by Debtor, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to, such Equipment, and all proceeds thereof and therefrom, including all sums realized upon the sale or other disposition of such Equipment, all sums due or to become due in connection with the exercise by the Lessee of any option, or in connection with any obligation of the Lessee or any other party, to purchase such Equipment, and all sums (including insurance proceeds) payable in connection with any loss, damage or destruction of any Item or Items of Equipment or any early termination or cancellation of the Lease with respect to such Equipment.

2.2 Other Collateral. The Lease, all rights, title and interests of Debtor as Lessor thereunder, and all rent and other amounts due or to become due under the Lease (excluding the Excepted Rights and Excluded Amounts); all assignments of purchase orders or agreements relating to the Equipment or any Item thereof (and all rights, title and interests of Debtor thereunder); all bills of sale, invoices and other documents (and all rights, title and interests of Debtor thereunder) now or hereafter delivered by the manufacturer or seller with respect to any Item or Items of Equipment, including (without limitation) any documents transferring any interest in any

patent indemnification or any interest in any warranty, together with, in each and every case, all proceeds thereof except for the Excluded Amounts.

3. Covenants, Representations and Warranties of Debtor.

Debtor hereby represents and warrants to Secured Party, and covenants and agrees, as follows:

3.1 Debtor's Authority; No Prior Financing Statements.

Debtor has the right, power and authority to assign the Other Collateral and to grant a security interest in the Collateral to Secured Party for the uses and purposes herein set forth, and there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

3.2 Further Assurances. Debtor will, upon written request from Secured Party, at Debtor's expense, do, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, each and every further act, deed, transfer and assurance reasonably necessary or proper for the better assuring, conveying, granting, confirming and perfecting unto Secured Party its security interest in all of the Collateral, whether now owned or hereafter acquired, and the assignment to Secured Party of the Other Collateral. Without limiting the generality of the foregoing, Debtor will (a) execute and deliver to Secured Party such financing and continuation statements, or assignments thereof, as Secured Party may reasonably request in connection with the perfection and continued perfection of Secured Party's security interest in the Collateral, and (b) notify Lessee of the assignment to Secured Party of the Other Collateral and of the granting to Secured Party of a security interest in the Collateral, and will direct Lessee to make all payments of rent and all other amounts due under the Lease (excepting the Excluded Amounts) directly to Secured Party.

3.3 Recordation and Filing. Debtor will, at its expense (or at the expense of Lessee) and upon the request of Secured Party, cause all financing and continuation statements and similar notices required by applicable law to be kept, recorded and filed, at all times until the Secured Obligations have been fully discharged, in such manner and in such places within the United States as may be required by law in order to preserve and protect the rights of Secured Party hereunder (including, without limitation, the perfection and priority of the security interest of Secured Party herein granted and the assignment to Secured Party of the Other Collateral).

3.4 Actions of Debtor in Respect of the Collateral.

3.4.1 Debtor will perform and observe all covenants and agreements on Debtor's part to be performed and observed under the Lease and the other Principal Documents;

3.4.2 Debtor will, as soon as it has actual knowledge thereof, give Secured Party prompt written notice of any event or condition constituting a Lease Default;

3.4.3 Debtor will, at its own cost and expense, promptly take such action as may be necessary to discharge all Owner Liens on any part of the Collateral;

3.4.4 Debtor will not, without the prior written consent of Secured Party, (a) declare a Lease Default, or waive any Lease Default, or (b) exercise any of the rights or remedies of Lessor under the Lease (except that (i) Debtor may exercise the Excepted Rights solely in connection with the enforcement of the payment by Lessee of any of the Excluded Amounts, provided that the Excepted Rights shall not be deemed to include the right to declare a Lease Default or to exercise any of the remedies of the Lessor under the Lease which are exercisable upon the occurrence of a Lease Default, other than to demand, collect or sue for the Excluded Amounts, and (ii) Debtor may exercise Lessor's rights under the purchase option provisions of the Lease provided that an Event of Default has not then occurred and is continuing and provided further that the unpaid principal amount of the Note(s), together with all accrued and unpaid interest (and any premium) thereon, that relate(s) to the Item(s) of Equipment as to which such rights are being exercised (or if such Note(s) also relate(s) to other Items, the portion of the unpaid principal amount thereof, together with all accrued and unpaid interest (and any premium) thereon, that relates to the Item(s) as to which such rights are being exercised has been or is then being concurrently paid in full), or (c) except as otherwise provided in Section 4.1 hereof, enter into any agreement amending or supplementing, or exercise any waiver or modification of the terms of, any of the Principal Documents, or (d) settle or compromise any claim arising under any of the Principal Documents (except to the extent such claim relates solely to the Excluded Amounts or Excepted Rights) or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any of the Principal Documents (except for disputes, differences or other matters which relate solely to the Excluded Amounts or Excepted Rights), or (e) except to the extent permitted or provided for under the Lease, consent to the sublease of any Item of the Equipment by Lessee, or (f) exercise or grant any consent or approval, whether verbal or in writing, under the Lease or any of the other Principal Documents, except with respect to the Excepted Rights and Excluded Amounts and except as otherwise provided in Section 4.1 hereof, or (g) voluntarily consent to the creation or existence of any Lien (other than the Lien granted by this Security Agreement and the rights of Debtor and Lessee under the Lease) upon

the leasehold estate created by the Lease or any part thereof or upon the Collateral or any part thereof, provided, that Debtor shall not be deemed to have breached the covenant in the foregoing clause (g) by virtue of the creation or existence of any Lien created by, resulting from or arising out of any of the Principal Documents, or any Lien which results from, arises out of, or relates to the Overall Transaction;

3.4.5 Debtor has not mortgaged, pledged or hypothecated, and will not, until the Secured Obligations have been fully paid and performed, mortgage, pledge or hypothecate (other than to Secured Party hereunder) the Collateral or any part thereof or any of its interests therein, or any amount(s) to be received by it from the use or disposition of the Collateral or any part thereof; Debtor has not sold, assigned or otherwise transferred, and, except to the extent permitted under Sections 3.4.4(b) and 9.4 hereof, will not, until the Secured Obligations have been fully paid and performed, sell, assign or otherwise transfer (other than to Secured Party hereunder) the Collateral or any part thereof or any of its interests therein; Debtor has not received or collected, and will not accept or collect, any rent or other amounts from Lessee (except Excluded Amounts), and if so received, shall (except for Excluded Amounts) hold the same in trust for the sole and exclusive benefit of, and shall promptly pay over the same to, Secured Party.

3.4.6 Debtor promptly will forward all notices and other communications received from Lessee pursuant to the Lease to Secured Party;

3.4.7 Debtor promptly will forward to Secured Party any payment due under the Lease paid by Lessee to Debtor which has been assigned hereunder to Secured Party;

3.4.8. Debtor will defend its title to the Equipment against the claims of all persons.

3.5 Insurance.

(a) Insurance Against Loss or Damage to Equipment.

Until the termination of this Security Agreement, Debtor will cause Lessee to maintain in effect insurance policies (with any deductible permitted under the Lease) insuring Secured Party against the risks of loss, damage or destruction of or to the Equipment specified in Section 7 of the Lease, and in an amount not less than the Casualty Loss Value of each Item of Equipment. Such insurance policies shall be in such form, and shall provide such coverages and protection for Secured Party, as is required pursuant to the provisions of Section 7 of the Lease. Proceeds from such insurance policies shall be applied in the manner set forth in Section 5 hereof.

(b) Insurance Against Public Liability and Property.

Until the termination of this Security Agreement, Debtor will cause Lessee to maintain in effect insurance policies with respect to the

Equipment insuring Secured Party against the liability and property damage risks specified in Section 7 of the Lease, and in the amounts specified in said Section 7. Such insurance policies shall be in such form and shall provide such coverages and protection for Secured Party as is required pursuant to the provisions of Section 7 of the Lease.

3.6 Advances by Secured Party. If Debtor shall fail to perform any of Debtor's covenants contained in this Section 3 or in the Lease, or Lessee shall fail to perform any of the covenants and agreements contained in the Lease, Secured Party may make advances to perform and observe the same in its behalf (giving notice thereof to Debtor prior to or concurrently with the making of any such advance), but shall be under no obligation so to do; and all sums so advanced shall be forthwith repaid by Debtor, and shall bear interest (to the extent lawful) at the rate of the greater of the Prime Rate or 10% per annum until paid, and any such sums advanced shall constitute part of the Secured Obligations; but no such advance shall be deemed to relieve Debtor from any default hereunder, or Lessee from any default under the Lease.

3.7 Amortization Schedules. Promptly after each full or partial prepayment of any Note pursuant to Sections 5.2 or 5.3 hereof, Debtor shall upon the request of Secured Party, provide Secured Party (or any other holder of such Note) with a revised amortization schedule for such Note, giving effect to such prepayment.

4. Use and Release of Collateral.

4.1 Debtor's Shared Rights. So long as any obligations of Lessee remain outstanding under the Lease (a) Debtor shall be entitled to receive, and Secured Party agrees to send to Debtor, copies of all notices, demands, consents, approvals and waivers which may, from time to time, be given or granted by Secured Party to Lessee pursuant to the provisions of the Lease, (b) if no Event of Default has occurred and is continuing, Secured Party agrees that it will not agree to any amendment or modification of, or grant any consent, approval or waiver with respect to, any of the terms, conditions or provisions of any of the Principal Documents to which Lessee is or may become a party without also obtaining the agreement of Debtor to such amendment, modification, consent, approval or waiver, and (c) if a Lease Default has occurred and is continuing, Secured Party agrees that it will not, without also obtaining the agreement of Debtor (i) agree to any amendment, modification or waiver of any of the provisions of Sections 6, 9 or 16 of the Lease, the effect of which is to reduce, modify or amend any indemnities payable by Lessee to Debtor (except to add additional indemnities by Lessee), or (ii) amend the definition of a Lease Default; provided however, that the exercise by Secured Party of any of its remedies under Section 6.2 hereof, after the occurrence of an Event of Default, shall not be deemed to constitute any such amendment, modification or waiver referred to in sub-clause (i) of this clause (c), and provided further, that if an Event of Default (other than a Lease Default or another Event of Default directly

resulting from a Lease Default) has occurred and is continuing, Secured Party shall have no obligation to obtain Debtor's agreement to any such amendment, modification or waiver under this clause (c).

4.2 Possession of Equipment; Lessee's Quiet Enjoyment.

Subject to Lessee's rights under the Lease, so long as no Event of Default shall have occurred and be continuing hereunder, Debtor shall be permitted to remain in full possession, enjoyment and control of the Equipment and each Item thereof and to manage, operate and use the same with the rights and franchises appertaining thereto; provided always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by Lessee under and in accordance with the Lease, and the performance by Debtor of its obligations under the Lease, shall not constitute a violation of this Section 4.2. Secured Party agrees that so long as no Lease Default has occurred and is continuing under the Lease, Secured Party will take no action to interfere with Lessee's use and quiet enjoyment of the Equipment.

4.3 Releases of Security Interest. So long as no Event of Default has occurred and is continuing, then upon the payment in full of the principal of any Note and any and all interest and premium (if any) payable thereon, or upon any prepayment specified in Section 5.2 or 5.3 hereof, and upon payment of all other Secured Obligations, Secured Party shall execute and deliver to Debtor such instrument or instruments as shall be appropriate (including partial releases of Uniform Commercial Code financing statements) to release from the lien of this Security Agreement that portion of the Equipment Collateral consisting of the Item or Items of Equipment (including the proceeds thereof) to which such payment or prepayment was attributable, and that portion of the Other Collateral consisting of documents relating to the title to, and patent indemnification and warranty rights with respect to, such Item or Items of Equipment and Debtor's rights thereunder, including proceeds. Upon the payment in full of the principal of all the Notes and any and all interest and premium (if any) payable thereon (or, if there is only one Note, then upon such payment with respect to such Note), and the payment and performance in full of all other Secured Obligations, the security interest of Secured Party in that portion of the Collateral not theretofore released shall terminate and Secured Party shall execute and deliver such instrument or instruments as shall be appropriate to terminate and evidence such termination, including Uniform Commercial Code termination statements. Upon any prepayment or payment in full of any Note, Secured Party (and each subsequent holder of a Note by its acceptance thereof) shall cancel and surrender such Note to Debtor.

4.4 Payments Received by Debtor Released. Any portion of any payment made in accordance with the provisions of the Lease and paid over by Secured Party to Debtor pursuant to the provisions of Section 5 hereof shall be released from the security interest created

hereby at the time of such payment to Debtor without the necessity for the execution of any release or the performance of any other act by Secured Party, and Debtor shall be entitled to retain such amount free and clear of the security interest created hereby.

5. Application of Rent and other Amounts; Prepayment of Notes.

5.1 Application of Rent If No Event of Default. So long as no Event of Default or an event which with the passage of time or the giving of notice or both would become an Event of Default (herein a "Potential Default") has occurred and is continuing amounts received by Secured Party which constitute payment of any installment of rent under the Lease (as well as any interest on overdue installments of such rent) shall be applied first, to the payment in full of the interest (including default interest), then due under all outstanding Notes, ratably, in the proportion that the amount of such interest then due under each Note bears to the amount of interest then due under all Notes, and second, to the payment in full of the aggregate principal amount then due under all outstanding Notes, ratably, in the proportion that the principal amount then due under each Note bears to the aggregate principal amount then due under all Notes, and third the balance, if any, of such payment remaining thereafter shall be paid with reasonable promptness after final collection thereof by wire transfer of funds to or upon the order of Debtor.

5.2 Mandatory Prepayment of Notes.

(a) On each date under the Lease on which Lessee makes a payment of Casualty Value for any Item of Equipment as to which a Casualty Occurrence has occurred, the Debtor will prepay and apply, and there shall become due and payable, a principal amount of the outstanding Note issued with respect to such Item of Equipment that is equal to the Loan Value (hereinafter defined) of such Item of Equipment, together with accrued and unpaid interest on the amount so prepaid. For purposes of this Section 5.2, the "Loan Value" in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Owner's Cost of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Owner's Cost of all Items of Equipment to which said Note relates and which are then subject to the Lease (including the Owner's Cost of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Note being prepaid immediately prior to such prepayment (after giving effect to all payments of principal made with respect to such Note on such date pursuant to Section 5.2(b) hereof).

(b) So long as no Event of Default or Potential Default has occurred hereunder and is continuing, the amounts received by Secured Party which constitute payments of the Casualty Value of any Item of Equipment pursuant to Section 7 of the Lease shall be paid and

applied first, to the payment of an amount equal to the accrued and unpaid interest on that portion of the principal amount of the Note to be prepaid pursuant to paragraph (a) of this Section 5.2, second, to the principal prepayment required by paragraph (a) of this Section 5.2, third, to the payment in full of all other unpaid Secured Obligations with respect to such Item of Equipment, and fourth, the balance, if any, of such amounts shall be paid, with reasonable promptness after final collection thereof, by wire transfer of funds to or upon the order of Debtor.

(c) If no Event of Default or Potential Default has occurred and is continuing, amounts received by Secured Party as payment for loss or damage not constituting an Event of Loss under the Lease with respect to any Item of Equipment under any policy of insurance shall be paid to Lessee (or to Debtor for payment to Lessee) to the extent required under the Lease.

(d) In the event of any prepayment of any Note pursuant to paragraph (b) of this Section 5.2, the amount of each of the remaining installments of principal and interest on such Note shall be reduced in the proportion that the principal amount of such prepayment bears to the unpaid principal amount of such Note immediately prior to such prepayment.

(e) If more than one Note is outstanding with respect to the same Item of Equipment at the time any prepayment relating to such Item is to be made pursuant to this Section 5.2, such prepayment shall be made on all such outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

5.3 Optional Prepayment of Notes.

(a) Prepayment in Event of Lease Default. In addition to the prepayments required by Section 5.2 hereof, and notwithstanding anything in Sections 5.5, 5.6 or 6.2 hereof to the contrary, if a Lease Default has occurred and is continuing, and provided no other Event of Default or Potential Default (other than an Event of Default directly resulting from a Lease Default) has occurred and is continuing, Secured Party (and each subsequent holder of a Note by its acceptance thereof) agrees that Debtor may, but shall not be obligated to, prepay all of the then outstanding Notes, (i) if a default exists under Section 1^(a)(D) or (E) of the Lease, at a price equal to 100% of the outstanding principal amount of the Notes together with interest accrued and unpaid thereon to the date fixed for prepayment, (ii) otherwise at a price equal to 100% of the outstanding principal amount of the Notes to be paid, together with interest accrued and unpaid thereon to the date fixed for prepayment together with a premium equal to a percentage of such unpaid principal amount to be so prepaid applicable during each annual period commencing with April 9, such percentage to be 9% during the annual period commencing April 9, 1987 and shall decline at a rate of .56% per annum for each annual period thereafter. Any prepayment pursuant to this section shall be made

within thirty (30) days from the date of Debtor's receipt of a copy of the written notice from Secured Party to Lessee declaring the Lease to be in default (and during said thirty (30) day period Secured Party will not exercise any of its remedies under Section 6.2 hereof). The foregoing right of prepayment is without prejudice to Debtor's rights to cure a Lease Default as set forth in Section 6.1(b) hereof.

(b) Other Optional Prepayments. Except as specifically permitted under paragraph (a) of this Section 5.3, Debtor shall not have the option of prepaying the Notes (or any Note) in whole or in part.

5.4 Other Payments. Provided no Event of Default or Potential Default has occurred and is continuing, any payments received by Secured Party for which no provision as to the application thereof is made in Section 5.1, 5.2 and 5.3 hereof, and all payments received and amounts realized by Secured Party under the Lease or otherwise with respect to the Equipment or any Item or Items thereof (including, without limitation, all amounts realized upon the sale of the Equipment or any Item or Items thereof after the expiration or termination of the Term thereof) to the extent received or realized at any time after payment in full of the principal of, and interest on, the Note(s) issued by Debtor with respect to such Equipment or such Item or Items has been made or duly provided for, shall be distributed by Secured Party to the parties entitled as their interests may appear pursuant to the Principal Documents.

5.5 Application of amounts after Event of Default. All payments received and amounts realized by Secured Party (other than Excluded Amounts) after an Event of Default or Potential Default shall have occurred and be continuing, but prior to the declaration of the Lease to be in default or the acceleration of the Notes (including, without limitation, any such payments received and amounts realized pursuant to Sections 5.1 through 5.4 hereof), which funds would, but for the provisions of this Section 5.5, be paid to Debtor, shall be held by Secured Party as part of the Collateral until such time as either no Event of Default shall be continuing hereunder (at which time such funds shall be paid to Debtor provided that any costs and expenses incurred in connection with such Default or Potential Default shall first be reimbursed to Secured Party out of such funds) or such funds shall become distributable under Section 6. hereof.

5.6 Application after Declaration. All payments received and amounts realized by Secured Party (other than Excluded Amounts) after an Event of Default or Potential Default shall have occurred and after Secured Party has either declared the Lease to be in default or has declared the Notes to be due and payable pursuant to Section 6.2(a) hereof (including, without limitation, any such payments received and amounts realized pursuant to Sections 5.1 through 5.4 hereof), as well as all payments or amounts then held by Secured Party as part of the Collateral, shall be applied pursuant to Section 6.3 hereof.

6. Defaults and Remedies.

6.1 Events of Default. Any of the following events or conditions shall constitute an Event of Default hereunder:

(a) default in payment of any installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date therefor or at the date fixed for prepayment or by acceleration or otherwise, and such default shall continue unremedied for ten (10) business days after written notice of non-payment from Secured Party to Debtor; or

(b) the occurrence and continuance of any Lease Default (other than a Lease Default relating solely to Lessee's failure to pay any of the Excluded Amounts); provided, however, that Debtor may, at its option, and at its sole risk and expense, cure any curable Lease Default including any default under Section 10(A) of the Lease so long as such action does not materially impair the Collateral or the security interest and other rights of Secured Party therein; and, provided further, that Debtor shall not make more than two consecutive rent payments nor more than a total of three rent payments hereunder during the term of the Lease while any of Debtor's obligations hereunder are still outstanding; or

(c) default in the due observance or performance by Debtor of any covenant or agreement to be observed or performed by Debtor under this Security Agreement, the Lease, or the Note Purchase Agreement, and such default shall continue unremedied for ten (10) business days after receipt by Debtor of written notice thereof from Secured Party; or

(d) any representation or warranty made by Debtor herein or in any of the other Principal Documents or any certificates delivered in connection therewith, shall prove to be untrue in any material respect as of the date of the issuance or making thereof; or

(e) Debtor or its parent corporation (if any) shall (i) be adjudicated insolvent or a bankrupt, or cease, be unable, or admit in writing its inability to pay its debts as they mature, or make a general assignment for the benefit of, or enter into any composition or arrangement with, creditors; (ii) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of it or of a substantial part of its property, or authorize such application or consent or authorize or file a voluntary petition in bankruptcy, reorganization in bankruptcy, arrangement, readjustment of debt, insolvency, dissolution, moratorium or other similar law of any jurisdiction; or (iii) a petition for the appointment of a receiver, trustee, custodian or liquidator of Debtor or for a substantial part of its property, or a petition in bankruptcy, reorganization in bankruptcy, arrangement, readjustment of debt, insolvency, dissolution, moratorium or other similar law of any jurisdiction, shall be filed or instituted against Debtor without such

authorization, application or consent and shall continue undismissed or undischarged for a period of sixty (60) calendar days.

6.2 Remedies. Debtor agrees that when an Event of Default has occurred and is continuing, Secured Party shall have the rights, options, duties and remedies of a secured party, and Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code in effect in each jurisdiction where the Collateral or any part thereof is located and, without limiting the foregoing, Secured Party may (but subject always to the provisions of Sections 5.3(a), 6.1(b) and 7 hereof) exercise one or more or all, and in any order, of the remedies hereinafter set forth:

(a) Secured Party may, by notice in writing to Debtor, declare the entire unpaid principal balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued and unpaid interest thereon, shall be immediately due and payable;

(b) subject always to the then existing rights, if any, of Lessee under the Lease, Secured Party personally, or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral or any portion thereof and for that purpose may pursue the same wherever it may be found and may enter any of the premises of the Debtor and Lessee (to the extent not prohibited by the Lease), with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate, or lease the same until sold and may otherwise exercise any and all of the rights and powers of Debtor in respect thereof;

(c) subject always to the then existing rights, if any, of Lessee under the Lease, Secured Party may, if at the time such action may be lawful (and always subject to compliance with any mandatory legal requirements), either with or without taking possession, either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by certified mail or overnight courier, or otherwise, to Debtor once at least ten (10) calendar days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral or any part thereof at public auction(s) to the highest bidder, or at a private sale(s), in one lot as an entirety or in several lots, and either for cash or for credit and on such terms as Secured Party may determine, and at any place (whether or not it is the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales without further notice, and Secured Party or the holder or holders of the Notes, or any interest therein, may bid and become the purchaser at any such sale;

(d) Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained, or execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral, or any part thereof, or for the enforcement of any proper legal or equitable remedy available under applicable law.

Notwithstanding any of the provisions of this Security Agreement to the contrary (and subject always, in the case of Debtor, to the restrictions of Section 3.4.4 hereof), neither Debtor nor Secured Party shall, in the absence of any Lease Default, take any action contrary to Lessee's rights under the Lease, including the right to possession and use of the Equipment, except in accordance with the provisions of the Lease.

6.3 Application of Sale and other Proceeds. The proceeds of any sale or other disposition of the Collateral, or any part thereof, and all other payments, proceeds and amounts received or realized by Secured Party pursuant to the provisions of Sections 5.5, 5.6 or 6.2 hereof, shall be paid to and applied as follows:

(a) First, to the payment of the costs and expenses of foreclosure or suit, if any, and of such sale, and of all costs, expenses, liabilities and advances, including reasonable legal expenses and attorney's fees, incurred or made hereunder, or in connection herewith or with the collection of the Notes, by Secured Party, or by the holder or holders of the Notes, and to the payment of all taxes, assessments, liens or security interests superior to the lien of these presents, except any taxes, assessments or other superior liens or security interests subject to which said sale may have been made;

(b) Second, to the payment or discharge of any unpaid Secured Obligations, other than those specified in (c) below, which arise under or are related to this Security Agreement or the Note Purchase Agreement;

(c) Third, to the payment to the holder or holders of the Notes outstanding of the aggregate unpaid principal balance thereof and the accrued and unpaid interest thereon; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes outstanding, then ratably according to the aggregate of such unpaid principal and accrued and unpaid interest, with application on each Note outstanding to be made, first, to the accrued and unpaid interest thereon (including default interest), and second, to the unpaid principal thereof;

(d) Fourth, to the payment or discharge of all other unpaid Secured Obligations; and

(e) Fifth, to the payment of the balance remaining, if any, to Debtor.

6.4 Discontinuance of Remedies. In case Secured Party shall have proceeded to enforce any right or power under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case Debtor, Secured Party and the holders of the Notes shall be restored to their former positions, rights and powers hereunder with respect to the Collateral.

6.5 Exercise of Rights. No delay or omission of Secured Party or the holder of any Note to exercise any right or power arising from any default or Event of Default hereunder shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default or Event of Default. No waiver by Secured Party or the holder of any Note of any such default or Event of Default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default or Event of Default, or to impair the rights resulting therefrom except as may be otherwise provided therein. The giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the Secured Obligations shall not operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, and neither Secured Party nor the holder of any of the Notes shall be required to look first to, enforce or exhaust such other additional security, collateral or guaranties.

7. Limitations of Liability. Except as expressly set forth below, neither the Secured Party nor the holder of any Note nor the successors or assigns of any of said persons, shall have any claim, remedy or right to proceed against Debtor in its individual limited partnership capacity or any general or limited partner of the Debtor or any past, present or future subscriber to the capital stock of any general or limited partner of the Debtor or of any general or limited partnership interest, or stockholder, officer or director of any general or limited partner of the Debtor, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by any Note or for the payment of any other unpaid Secured Obligations or, except as otherwise provided in this Section 7 and in the Note Purchase Agreement, for the payment of any liability resulting from the breach of any representation, covenant, agreement or warranty of any nature whatsoever in this Security Agreement, or in the Note Purchase Agreement, any Note, the Lease, or in any instrument or certificate executed by Debtor in connection herewith or therewith, from any source other than the Collateral and the income and proceeds thereof; and the Secured Party by the execution of this Security Agreement, and the holder of each Note by its acceptance thereof, agrees to look solely to the Collateral and the income and proceeds

thereof, and waives and releases any personal liability of Debtor in its individual limited partnership capacity and any general or limited partner of the Debtor or any past, present or future subscriber to the capital stock of any general or limited partner or any general or limited partnership interest, or stockholder, officer or director of any general or limited partner of the Debtor, for and on account of any such deficiency, indebtedness, unpaid Secured Obligations or, except as otherwise provided in this Section 7 and in the Note Purchase Agreement, any such liability, and the Secured Party and the holder of each Note by its acceptance thereof agrees that Debtor shall have no liability to return any sums properly distributed to Debtor in accordance with the terms of this Security Agreement; provided, however, that (A) nothing herein contained shall limit, restrict or impair the rights of the Secured Party and the holder of each Note to accelerate the maturity thereof upon an Event of Default under this Security Agreement, to bring suit and obtain a judgment against Debtor (provided execution thereof shall be limited to the Collateral and any income and proceeds in respect thereof) on each Note, or to exercise all rights and remedies provided under this Security Agreement or otherwise realize upon the Collateral, and (B) Debtor and any general partner only shall be personally liable hereunder for, and to the extent of, any monetary damages actually incurred or sustained by Secured Party or by any other holder of a Note solely and directly as a result of the breach of any covenant, representation or warranty made by Debtor in Section 3.1 hereof, in Section 3.2 hereof, in Sections 3.4.2 through 3.4.5 and Section 3.4.7 hereof, and in Section 9.4 hereof; or solely and directly as the result of the breach of any representation or warranty made by the Debtor in Section 2 of the Note Purchase Agreement, the breach of the covenants of the Debtor contained in Section 4.1, Section 4.2, Section 4.4 or Section 4.5 of the Note Purchase Agreement, and a breach of the provisions of the first sentence of Section 7(h) or Section 7(i) of the Note Purchase Agreement.

8. Power of Attorney in Respect of the Collateral. Debtor does hereby irrevocably constitute Secured Party the true and lawful attorney of Debtor, with full power (in the name of Debtor or otherwise) to ask, require, demand, receive and compound any and all monies and claims for monies due and to become due under or arising out of the Lease and other Principal Documents (to the extent such monies and claims constitute part of the Collateral and are not Excluded Amounts or Excepted Rights) to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which Secured Party may deem necessary or advisable to protect and preserve its rights and interests in and to the Collateral.

9. Miscellaneous.

9.1 Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such parties, and all the covenants,

promises and agreements in this Security Agreement contained by or on behalf of Debtor or Secured Party shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

9.2 Partial Invalidity. The unenforceability or invalidity of any provision of this Security Agreement shall not render any other provision herein contained unenforceable or invalid; provided, however, that nothing contained in this Section 9.2 shall be construed to be in derogation of any rights or immunities of Debtor under Section 7 or to amend or modify any limitations or restrictions of Secured Party or the holder of any Note under Section 7.

9.3 Notices. All communications and notices provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when addressed and delivered personally by overnight courier, or otherwise, or when deposited in the United States mail, certified, postage prepaid, and addressed to the parties at their respective addresses set forth in the first paragraph hereof.

9.4 Transfer of Debtor's Interest. So long as the principal amount of and interest payable on the Notes and any of the other Secured Obligations remain unpaid and this Security Agreement remains in full force and effect, Debtor shall not, without Secured Party's prior written consent, sell, assign or otherwise transfer any of Debtor's rights, title or interests as owner of the Equipment or as Lessor under the Lease, nor any of Debtor's rights or obligations hereunder or under the Notes or under any of the other Principal Documents; provided, however, such consent shall be granted by Secured Party at any time, at Debtor's sole expense, for the sale, assignment or transfer of all (but not less than all) of Debtor's said rights, title, interests and obligations (a) to any Permitted Transferee (hereinafter defined), whose Net Worth (hereinafter defined) on the Permitted Transferee's Net Worth Determination Date (hereinafter defined) is not less than the Net Worth of Debtor on Debtor's Net Worth Determination Date (hereinafter defined), and whose Debt to Equity Ratio (hereinafter defined) on the Permitted Transferee's Net Worth Determination Date is not greater than the Debt to Equity Ratio of Debtor on Debtor's Net Worth Determination Date, or (b) to any Permitted Transferee whose Net Worth on the Permitted Transferee's Net Worth Determination Date is less than the Net Worth of Debtor on Debtor's Net Worth Determination Date, and/or whose Debt to Equity Ratio on the Permitted Transferee's Net Worth Determination Date is greater than the Debt to Equity Ratio of Debtor on Debtor's Net Worth Determination Date, if the obligations of the Permitted Transferee with respect to the Overall Transaction (including, without limitation, all unpaid Secured Obligations) are unconditionally guaranteed by Debtor; provided, nevertheless, that any such sale, assignment or transfer shall be subject and subordinate to the provisions of this Security Agreement and to the assignment made and security interest

granted to Secured Party hereunder; and provided, further, that it shall also be a condition to any such sale, assignment or transfer that,

(i) Debtor shall give written notice of any such proposed sale, assignment or transfer to Secured Party within 10 days prior to the date such sale, assignment or transfer is to occur;

(ii) such sale, assignment or transfer will not violate any provision of, or create a relationship which would be in violation of, the Securities Act of 1933, as amended, or of any other applicable provision of law; and

(iii) (A) the Permitted Transferee to whom such sale, assignment or transfer is to be made shall execute an instrument, in form and substance reasonably satisfactory to Secured Party, whereby such Permitted Transferee confirms for the benefit of Secured Party and each other holder of the Notes that it has the requisite power and authority to enter into and to carry out the provisions of the Principal Documents and that it shall be deemed a party to each Principal Document to which Debtor is then a party, and agrees to be bound by all the terms of, and assumes all of the liabilities and obligations of Debtor contained in, each of such Principal Documents, and (B) Debtor shall deliver to Secured Party and each other holder of the Notes an opinion or opinions, satisfactory in form and substance to Secured Party and each other holder of the Notes, of counsel reasonably satisfactory to Secured Party and each such other holder, to the effect that such instrument is the legal, valid and binding obligation of the Permitted Transferee, subject, however as to enforceability, to the same exceptions as are set forth in Section 2(e) of the Note Purchase Agreement.

(iv) Secured Party shall have been satisfied in advance that such sale, assignment or transfer shall not in any way adversely affect its security interest in the Collateral or the perfected status thereof and shall have been reimbursed for any costs or expenses, including legal fees, incurred by it in connection with such sale, assignment or transfer.

As used in this Section 9.4, the following terms shall have the following meanings: (a) "Net Worth" means, with respect to Debtor or any Permitted Transferee, the excess of (1) the sum of the par value (or value stated on its books) of the issued and outstanding capital stock of all classes of its stock, plus (or minus in the case of a surplus deficit) the amount of its capital surplus and retained earnings, over (2) the amount of any of its treasury stock plus the sum of unamortized debt discount and expense, deferred charges and other intangible assets (including franchises, trademarks and

goodwill), as such Net Worth is reflected in its report filed with the Securities and Exchange Commission on Form 10-K or 10-Q or in its audited financial statements; (b) "Debt to Equity Ratio" means, with respect to Debtor or any Permitted Transferee, the ratio of its total liabilities to its total Net Worth; (c) "Debtor's Net Worth Determination Date" means the date of Debtor's most recent periodic report filed with the Securities and Exchange Commission on Form 10-K or 10-Q, or the date of Debtor's most recent audited financial statements, prior to the date of the Security Agreement; (d) the "Permitted Transferee's Net Worth Determination Date" means the date of the Permitted Transferee's most recent periodic report filed with the Securities and Exchange Commission on Form 10-K or 10-Q, or the date of the Permitted Transferee's most recent audited financial statements, prior to the date of any such sale, assignment or transfer; (e) "Permitted Transferee" means any Affiliate (hereinafter defined) of Debtor, or any bank, insurance company, finance company or other financial institution, organized under the laws of the United States or any state thereof and engaged in business in the United States; and (f) "Affiliate" means any Person (as defined in the Lease) controlling, controlled by or under common control with Debtor. The cost and expenses of any such sale, assignment or transfer pursuant to this Section 9.4 shall be paid for by Debtor.

9.5 Counterparts; Headings; Governing Law. This Security Agreement may be executed and delivered in any number of counterparts, each of such counterparts being an original but all together constituting only one Security Agreement. Any headings or captions preceding the text of the sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meanings, construction or effect. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, Debtor and Secured Party have caused this Security Agreement to be executed by their officers thereunto duly authorized and their corporate seals thereto affixed as of the date and year first above written.

Attest:

Kalberg & Waller
 Assistant Secretary
 (Corporate Seal)

NEMLC LEASING ASSOCIATES NO. 3
 BY ITS GENERAL PARTNER
 NEMLC LEASING CORPORATION

By: *Dany R. Kusters*
 Its: Senior Vice President

Attest:

Paul R. ...
 ASSISTANT Secretary
 (Corporate Seal)

UNUM LIFE INSURANCE COMPANY
 OF AMERICA

By: *Sernand C. Heromyus* *NLC*
 Its: SECOND VICE PRESIDENT

State of Massachusetts)
) ss.:
County of Suffolk)

On this 3rd day of April, 1987, before me personally appeared Gary L. Christensen and Halsey B. Collins to me personally known, who, being by me duly sworn, says that they are Vice President and Assistant Secretary of NEMLC Leasing Corporation, general partner of NEMLC Leasing Associates No. 3.

That one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authorization of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and seal of said corporation.

Susan M. Gentry
Notary Public

MY COMMISSION
EXPIRES 5/7/87

(Seal)

State of MAINE)
) ss.:
County of CUMBERLAND)

On this 6th day of APRIL, 1987, before me personally appeared LEONARD C. HIERONYMUS, to me personally known, who, being by me duly sworn, says that he is a SECOND VICE PRESIDENT of UNUM Life Insurance Company of America.

That one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authorization of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and seal of said corporation.

Louanne B. Doody
Notary Public

LOUANNE B. DOODY
NOTARY PUBLIC MAINE
MY COMMISSION EXPIRES OCTOBER 26, 1993

(Seal)

SCHEDULE A

To Security Agreement dated as of March 25, 1987
between
NEMLC Leasing Associates No. 3, as Debtor
and
UNUM Life Insurance Company of America, as Secured Party.

Fifty (50) Ballast Hopper Cars, Model BH1D Numbered CR 53100
through CR 53149 (consecutively)

One Hundred (100) Ballast Hopper Cars, Model BH1D Numbered
CR 53150 through CR 53174 (consecutively)