

SHEARSON EQUIPMENT INVESTORS-II

Suire 1401
521 Fifth Avenue
New York, New York 10175
212 953 4125



2-178A103

No.
Date **MAR 19 1982**
Fee \$ 100.00

ICC Washington, D. C. March 17, 1982

Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Secretary:

We have enclosed an original set, and four counterpart sets (one of which counterpart sets of the lease identified below consists of one executed counterpart and one photocopy), of the documents described below, to be recorded pursuant to section 11303 of title 49 of the U.S. Code.

These documents respectively are, within the classification scheme promulgated as 49 C.F.R. § 1116.1, as follows:

- (1) a lease (consisting of a Lease Agreement and a Rider thereto, each dated as of December 18, 1981, and a Schedule thereto dated December 31, 1981) -- a primary document,
- (2) an assignment of said lease to be filed concurrently therewith (being an Assignment dated March 19 1982, 1982) -- a secondary document to be treated as one along with the foregoing primary document for fee purposes, and
- (3) Security Agreement 58 a mortgage (consisting of Supplement No. 1 to Security Agreement dated as of March 8, 1982, 58 with the Security Agreement dated as of December 9, 1981, that is supplemented thereby attached as Exhibit A thereto) -- a primary document.

We request that the assignment identified as item (2) be cross indexed.

Handwritten signature: Joan J. [unclear]

13600-A
RECORDATION NO. 13600
Filed 1425
MAR 19 1982-2 25 PM
MAR 19 1982-2 25 PM
SHEARSON EQUIPMENT MANAGEMENT CORPORATION
INTERSTATE COMMERCE COMMISSION
General Partner
James A. Carhaus, President
Albert E. Booth, II, Vice President
Charles F. Keating, Vice President

13600-B
RECORDATION NO. 13600
Filed 1425
MAR 19 1982-2 25 PM
MAR 19 1982-2 25 PM
INTERSTATE COMMERCE COMMISSION
INTERSTATE COMMERCE COMMISSION

RECEIVED
MAR 19 1982
MAR 19 1982

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

(1) LEASE

Lessor:

Shearson Equipment Investors-II
c/o Shearson Equipment Management Corporation
Suite 1401
521 Fifth Avenue
New York, New York 10175

Lessee:

North American Car Corporation
33 W. Monroe
Chicago, Illinois 60603

(2) ASSIGNMENT OF LEASE

Assignor:

Shearson Equipment Investors-II
c/o Shearson Equipment Management Corporation
Suite 1401
521 Fifth Avenue
New York, New York 10175

Assignee:

The First National Bank of Maryland,
Trustee
25 South Charles Street
Baltimore, Maryland 21201

(3) MORTGAGE

Mortgagor:

Security Agreement
Shearson Equipment Investors-II
c/o Shearson Equipment Management Corporation
Suite 1401
521 Fifth Avenue
New York, New York 10175

*(4) Supplement No. I to Mortgage
& Security Agreement.*

Mortgagee:

The First National Bank of Maryland,
Trustee
25 South Charles Street
Baltimore, Maryland 21201

A description of the equipment covered by each said document follows:

Eighty-three (83) 4,750 cu. ft. covered hopper cars, with 100-ton trucks, of AAR Mechanical Designation "LO", bearing the following numbers:

488032-488093 (incl.)
488095-488115 (incl.)

The cars' present running numbers are the same as the aforesaid numbers, prefixed by the designation "NAHX" to identify North American Car Corporation as the lessee thereof, i.e.:

NAHX 488032-488093 (incl.)
NAHX 488095-488115 (incl.)

A fee of \$100.00 is enclosed. Please return the original of each document and any extra copies not needed by the Commission for recordation to the legal assistant presenting this letter and its enclosures for filing.

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

(1) Lease between SHEARSON EQUIPMENT INVESTORS-II, lessor (address: c/o Shearson Equipment Management Corporation, Suite 1401, 521 Fifth Avenue, New York, N. Y. 10175) and NORTH AMERICAN CAR CORPORATION, lessee (address: 33 West Monroe, Chicago, Illinois 60603), dated as of December 18, 1981 (with a Schedule dated December 31, 1981), and covering eighty-three (83) 4,750 cu. ft. covered hopper cars with 100-ton trucks.

(2) Assignment between SHEARSON EQUIPMENT INVESTORS-II, assignor (address: c/o Shearson Equipment Management Corporation, Suite 1401, 521 Fifth Avenue, New York, N. Y. 10175) and THE FIRST NATIONAL BANK OF MARYLAND, as Trustee, assignee (address: 25 South Charles Street, Baltimore, Maryland 21201), dated _____, 1982, and covering eighty-three (83) 4,750 cu. ft. covered hopper cars with 100-ton trucks, and connected to a lease being concurrently recorded.

(3) Mortgage between SHEARSON EQUIPMENT INVESTORS-II, mortgagor, (address: c/o Shearson Equipment Management Corporation, Suite 1401, 521 Fifth Avenue, New York, N. Y. 10175) and THE FIRST NATIONAL BANK OF MARYLAND, as Trustee, mortgagee (address: 25 South Charles Street, Baltimore, Maryland 21201), dated as of _____, 1982 (relating to and confirming a mortgage dated as of December 9, 1981), and covering eighty-three (83) 4,750 cu. ft. covered hopper cars with 100-ton trucks.

Very truly yours,

SHEARSON EQUIPMENT INVESTORS-II

By SHEARSON EQUIPMENT MANAGEMENT CORPORATION, its General Partner

By Alfred B. Burt
Title: Vice President

77:12/7/81

13600-B

RECORDATION NO. Filed 1425

EXHIBIT A

MAR 19 1982-2 25 PM

Montgomery &

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT is dated as of December 9, 1981, from SHEARSON EQUIPMENT INVESTORS-II, a New York limited partnership, whose address is c/o Shearson Equipment Management Corporation, Suite 1401, 521 Fifth Avenue, New York, New York 10175, (the "Company") in favor of THE FIRST NATIONAL BANK OF MARYLAND, a national banking association, not in its individual capacity but as trustee (the "Trustee").

WHEREAS, the Company, the Trustee and The First National Bank of Maryland, as Lender (the "Lender") have entered into a Credit Agreement dated as of December 9, 1981, (the "Credit Agreement") providing for a credit line in the maximum principal amount at any time outstanding of \$17,000,000.00 (the "Loan") to the Company, which Loan will be evidenced by a promissory note (the "Note") in favor of the Lender; and

WHEREAS, the Company has agreed to provide collateral security for the payment of the Loan and all other Obligations which may be owed by the Company to the Lender or the Trustee; and

WHEREAS, under a PARTICIPATION AND TRUST AGREEMENT dated as of November 30, 1981, the Trustee is empowered to hold all such collateral security for the benefit of the Lender and the Loan Participants named therein.

NOW THEREFORE, the parties hereto agree as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have the meanings respectively set forth in the Credit Agreement. Each reference herein to any agreement or instrument shall be to such agreement or instrument as amended and in force on the date of reference thereto.

Section 2. Grant of Security Interest.

(a) In order to secure the performance of all Obligations now or hereafter owed by the Company under and pursuant to the Credit Agreement, the Loan, the Note or otherwise, the Company hereby grants to the Trustee a continuing security interest in all of the properties, rights and assets described below and all proceeds (including insurance proceeds) and products thereof and all books and records relating thereto (all of such property being collectively referred to as the "Collateral"):

(i) Equipment. All right, title and interest of the Company in and to equipment of every type or description (regardless of whether such equipment is characterized as "equipment" or "inventory" under applicable provisions of the Uniform Commercial Code), now owned or hereafter acquired and wherever located, including, but not limited to, any machinery, furniture, furnishings, tools, fixtures and supplies used in or related to the business of the Company, such equipment to include, but not be limited to, all equipment described in all supplemental or separate schedules (including Schedule A attached hereto) now and hereafter delivered by or on behalf of the Company to the Lender, together with all parts, additions, attachments, accessions, replacements, substitutions, and returns in any form whatsoever (the "Equipment").

(ii) Accounts, Notes, Contract Rights and Other General Intangibles. Each and every right of the Company to the payment of money, whether such right to payment now exists or hereafter arises, arising out of the sale, lease or other disposition of goods or other property by the Company or under any contract or agreement to render services of any kind, whether or not such right to payment is earned by performance, and howsoever such right to payment may be evidenced, whether by open account, instrument, note, draft, agreement document, chattel paper or otherwise, together with all other rights and interests which the Company may at any time have by law or agreement against any account debtor or other obligor obligated to make such payment or against any of the property of such account debtor or other obligor; and including but not limited to all present and future debt instruments, mortgages receivable, chattel paper, general intangibles (including, without limitation, patent rights, copyrights and trademarks), accounts and contract rights of the Company (the "Accounts").

Section 3. Concerning the Collateral. The Company represents, warrants and covenants to the Trustee as follows:

(a) No financing statement covering any of the Collateral is on file in any public office or financing records except for financing statements naming the Trustee as secured party, and the Company is the legal owner of all the Collateral, free and clear of all liens, encumbrances and claims whatsoever, other than the security interest hereunder. Except as expressly permitted in the Credit Agreement, the Company will not transfer, discount, sell or assign its interest in the Collateral, nor permit any other security interest lien, encumbrance or charge to be created thereon or to attach thereto without the prior written consent of the Trustee.

(b) The Company will maintain and preserve the Collateral in good and efficient working order, condition and repair (reasonable wear and tear excepted) and provide and pay for, at its own expense, all repairs, replacement parts, supplies, labor and materials as shall be necessary to keep and maintain the Equipment

in such condition and repair. From time to time as the Trustee may request, the Company shall provide the Trustee a listing of all location(s) of all the Collateral.

(c) At all reasonable times, the Trustee and its agents may enter the premises of the Company and inspect the Collateral and the books and records relating thereto.

(d) (i) The Company will maintain comprehensive casualty insurance on the Equipment against such hazards, including, without limitation, fire, explosion, boiler and pressure vessel insurance, and with such insurers as the Trustee may reasonably request, all such policies to contain a loss payable clause naming the Trustee as loss payee, as its interests may appear, satisfactory to the Trustee. The levels of coverage shall conform to prudent business practices and, as to each Item of Equipment hereunder, shall at all times be in an amount not less than 125% of an amount which is equal to the then outstanding principal amount of the Loan multiplied by a fraction, the numerator of which is the Cost of Equipment for such Item of Equipment hereunder and the denominator of which is the Cost of Equipment for all Equipment then subject to the Security Documents. The Company will cause to be delivered to the Trustee, from time to time as the Trustee may request, evidence satisfactory to the Trustee that such insurance coverage is in effect. The Company assigns to the Trustee any and all proceeds of such policies, to the extent related to the Collateral, and upon the occurrence of any Event of Default under the Credit Agreement, and continuously thereafter (such Event of Default not having been cured), authorizes and empowers the Trustee to collect all such sums and to execute and endorse in the Company's name all proofs of loss, drafts, checks and any other documents necessary to accomplish such collections, and any person or entities making payments to the Trustee under the terms of this Section are hereby relieved absolutely from any obligations to see to the application of any sums so paid. Until such time as an Event of Default under the Credit Agreement has occurred, the Company shall have the right to collect the proceeds of any such policies, to the extent of the Collateral, provided that such proceeds are applied promptly by the Company to the repair, replacement or restoration of the Collateral, as the case may be. Should the Company fail to provide the insurance coverage, as aforesaid, then the Trustee, at its option, may purchase such insurance, and the Company, within five (5) days of demand, shall immediately reimburse the Trustee for such sums expended. In furtherance of this Section 3(d), the Company hereby irrevocably appoints the Trustee, its officers or agents, as the Company's attorney-in-fact, with full power and authority to make claims, receive payments and execute and endorse in the name of the Company all documents, drafts, checks and other instruments for the payment of any loss of or damage to any Item of Equipment or for any unearned premium in respect of said insurance. The power granted herein is deemed coupled with an interest and shall be irrevocable so long as the Loan or any other Obligation secured hereby remains unpaid or unperformed or if there exists any other commitment of the Lender which could result in the creation of an Obligation.

(ii) Upon the occurrence of a total loss with respect to any Item of Equipment under circumstances in which there has not occurred a Default or an Event of Default, the Company shall give the Trustee prompt written notice thereof and shall have the option within 45 days after the occurrence of such total loss, to apply the insurance proceeds with respect to the Items so lost toward purchase of another Item of Equipment free and clear of all Liens and having a value and utility at least equal to, and being in as good operating condition as, the Item of Equipment with respect to which such total loss occurred, assuming such Item of Equipment was of the value or utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such total loss. Prior to or at the time of any such conveyance, the Company, at its own expense, will (A) furnish the Trustee with evidence of ownership, in form and substance satisfactory to the Trustee with respect to such replacement Item of Equipment, (B) cause a supplement hereto, in form and substance satisfactory to the Trustee to be duly executed by the Company and cause a financing statement or amendment to be recorded in all proper places, (C) furnish the Trustee with such evidence of compliance with the insurance provisions of this Security Agreement with respect to such replacement Item of Equipment as the Trustee may reasonably request and (D) furnish the Trustee with an opinion of counsel reasonably acceptable to the Trustee (and such other evidence of title as the Trustee may reasonably request) to the effect that, upon such conveyance, the Company will acquire full title to such replacement item and that it will be subject to the security interest created hereunder to the same extent as the Item of Equipment replaced thereby. Upon full compliance by the Company with the terms of this sub-section, the Trustee will transfer to the Company without recourse or warranty, all of the Trustee's right, title and interest, if any, in the Item of Equipment with respect to which such total loss occurred and such Item of Equipment shall thereupon cease to be an Item of Equipment hereunder. For all purposes hereof, any such replacement shall, after such conveyance, be deemed an Item of Equipment hereunder. No total loss under the circumstances contemplated by the terms of this Section shall result in any reduction or abatement of payment of the Obligations secured thereby.

(e) At the written request of the Trustee at any time after the occurrence of an Event of Default, all proceeds of the Collateral shall be delivered to the Trustee promptly upon receipt, in a form specified by the Trustee, and, upon written request of the Trustee, the Company shall duly endorse or assign and deliver to the Trustee at such time, place and manner of delivery specified by the Trustee all instruments, documents and chattel paper constituting Accounts.

(f) The Company shall promptly pay all taxes, judgments or charges of any kind levied or assessed against the Collateral and all encumbrances placed on the Collateral, unless the

validity and/or amount thereof are being actively contested by the Company in good faith and in appropriate proceedings, and the failure to so pay does not materially adversely affect the security interest of the Trustee therein. The Company shall promptly notify the Trustee in writing of any pending or threatened litigation involving the Collateral. The Company shall promptly pay when due all transportation, storage and warehousing charges and fees affecting or arising out of or relating to the Collateral and shall defend, at its own expense, the Collateral against all claims and demands of any persons claiming the same or any interest therein adverse to the interest of the Company or the Trustee.

(g) Subject to the provisions of Sub-section 3(f), the Trustee may, whether before or after an occurrence of an Event of Default, discharge taxes and other encumbrances at any time levied or placed on the Collateral, make or cause to be made repairs thereto and maintenance thereof and pay for any necessary insurance and filing fees. The Company agrees to reimburse the Trustee on demand for any and all expenditures so made, together with interest thereon at the rate of twenty (20%) percent per annum based on a 360 day year for actual days elapsed. The Trustee shall not have any obligation to the Company to make any such expenditures and the making thereof shall not relieve the Company of any Default or Event of Default with respect thereto.

(h) The Company will not change the location of its books and records pertaining to the Collateral (including, without limitation, accounts, contract rights, general intangibles and chattel paper) or the location(s) where the Equipment is located, without the prior consent of the Trustee.

(i) The Company shall defend, at its sole expense, the Trustee's interest in the Collateral against all adverse claims to such Collateral and shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Trustee may require more completely to vest in and assure to the Trustee its rights hereunder or in any of the Collateral, including, without limitation, (i) the delivery of all securities, instruments, leases and chattel paper pledged hereunder, (ii) the execution and delivery of financing statements which the Trustee deems appropriate to perfect and continue the security interests hereby granted and the payment of all costs, fees and taxes in connection with the filing or recordation thereof, and (iii) after the occurrence of an Event of Default, notification to account debtors of the existence of such security interests and the request that payments thereon be made directly to the Trustee. The Company hereby irrevocably authorizes the Trustee, or its designee, at the Company's expense, whether before or after the occurrence of an Event of Default, to file such financing statements with or (if permitted by law) without its signature, as the Trustee may deem appropriate.

(j) The Trustee's sole duty with respect to the Collateral shall be to use reasonable care in the custody and preservation of Collateral in its possession.

(k) The Company agrees to pay all costs, including reasonable attorney's fees, incurred by the Trustee in connection with the enforcement of this Security Agreement and the realization by the Trustee upon the Collateral.

(l) Upon the receipt by the Company of any notice of the death of the account debtor or a partner thereof, of the dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any of the property of, assignment for the benefit of creditors by, or the entry of an order for relief by any United States Bankruptcy Court by or against an account debtor or partner thereof, the Company will give the Trustee prompt written advice thereof.

(m) The Company will use all Collateral in the lawful conduct of its business and in conformity with all insurance policies relating to the Collateral.

(n) If any Account, the face value of which exceeds \$1,000.00, arises out of a contract with the United States of America or any department, agency, division, or instrumentality thereof, the Company will promptly notify the Trustee thereof in writing and execute any instruments and take any other actions reasonably required or requested by the Trustee to perfect the Trustee's security interest in such Accounts, including, without limitation, compliance with the Federal Assignment of Claims Act.

(o) The rights, powers and privileges conferred upon the Trustee in this Section 3 are in addition to those granted to it by the Uniform Commercial Code and any other law, are solely to protect the interests of the Trustee and may be exercised from time to time as often as occasion therefor may arise, but the Trustee shall have no implied duty to exercise any such right, power or privilege. The Trustee shall not be deemed to have waived any of its rights, remedies, options or powers hereunder by reason of delay in any exercise thereof, partial or single exercise thereof or prior failure to exercise, or waiver of, any such right, remedy, option or power. The Trustee shall not incur any liability to the Company should any action taken by it in good faith pursuant to this Section 3 prove to be inadequate to accomplish the result intended thereby. No payment, composition, compromise or adjustment made, no extension, renewal, release, waiver or other indulgence granted and no other action taken or omitted by the Trustee in the lawful exercise of the discretionary powers conferred upon it by this Section 3, shall in any way alter, diminish or render unenforceable (or be interpreted as having any such effect with respect to) any Obligation of the Company or otherwise prejudice the rights of the Trustee.

Section 4. Remedies in the Event of Default. If an Event of Default as defined in the Credit Agreement shall have occurred and be continuing, the Trustee may, without notice or demand, thereafter exercise in any jurisdiction in which enforcement hereof is sought, the following rights and remedies (to the extent permitted by applicable law), in addition to the rights and remedies of a secured party under the Uniform Commercial Code and other laws as in effect in the applicable jurisdiction, all such rights and remedies being cumulative, not exclusive, and enforceable alternatively, successively or concurrently, at such time or times as the Trustee deems desirable:

(a) The Trustee may institute any proceeding or proceedings deemed appropriate by it to enforce the Obligations secured hereby, to enforce the Credit Agreement, the Note and this Security Agreement;

(b) The Trustee may take possession of the Collateral, and for that purpose the Trustee may, so far as the Company can give authority therefor, enter upon the premises on which the Collateral or any part thereof may be situated and remove the same therefrom or render the same inoperative without any liability for suit, action or other proceeding by the Company, THE COMPANY HEREBY WAIVING ANY AND ALL RIGHTS TO PRIOR NOTICE AND TO A JUDICIAL HEARING WITH RESPECT TO REPOSSESSION OF COLLATERAL. The Trustee may require the Company to assemble and deliver the Collateral to such place or places as the Trustee may designate which is reasonably convenient to both parties;

(c) The Trustee may operate, manage and control the Collateral, or permit the Collateral or any portion thereof to remain idle or store the same, and collect all rents and revenues therefrom, and may sell or otherwise dispose of any or all of the Collateral upon such terms and under such conditions as in its sole discretion it deems advisable all without any notice or demand, and (without limiting any other rights or remedies available to the Trustee) the Lender may purchase or acquire any of the Collateral at any such sale or other disposition, all to the extent permitted by applicable law; and

(d) The Trustee may, but is not obligated to, (i) demand, sue for, collect or receive any money or property at any time due, payable or receivable on account of or in exchange for any Account securing the Obligations, (ii) compromise and settle with any person or entity liable on such debt, and/or (iii) extend the time of payment or otherwise change the terms thereof, as to any person or entity liable thereon, all without incurring responsibility to the Company and without affecting any of the Obligations.

(e) In order to effectuate the purpose and intent of this Section 4, the Company hereby designates and appoints

the Trustee and its designees or agents as attorney-in-fact of the Company, irrevocably and with power of substitution, with authority to receive, open and dispose of all mail addressed to the Company, to notify the postal authorities to change the address for delivery of mail addressed to the Company to such address as the Trustee designates, to endorse the Company's name on any notes, acceptances, checks, drafts, money orders, instruments or other evidences of payment or proceeds of the Accounts and the Collateral that may come into the Trustee's possession; to sign the Company's name on any invoices, documents, drafts against and notices to account debtors or obligors of the Company, assignments and requests for verification of Accounts; to execute proofs of claim and loss; to execute any endorsements, assignments, or other instruments of conveyance or transfer; to adjust and compromise any claims under insurance policies; to execute releases; and to perform all other acts necessary and advisable in the Trustee's sole discretion to carry out and enforce this Security Agreement. All acts of said attorney or designee are hereby ratified and approved and said attorney or designee shall not be liable for any acts of commission or omission nor for any error of judgment or mistake of fact or law. This power of attorney is coupled with an interest and is irrevocable so long as any of the Note and other Obligations secured hereby remain unpaid or unperformed.

(f) The rights and remedies of the Trustee in this Section 4 are cumulative, and recourse to one or more rights or remedies shall not constitute a waiver of the others. It is mutually agreed that commercial reasonableness and good faith require the giving of no more than fifteen (15) Business Days' prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition thereof is to be made. Notice shall be deemed given when placed in the United States mail, postage prepaid and addressed to a Company at the address set forth in the Credit Agreement, unless at least ten (10) days prior thereto, the Trustee shall actually have received from the Company notice in writing sent by registered or certified mail stating a new or different mailing address for the Company.

Section 5. Waivers, Assents, Etc. The Company waives demand, notice, dishonor, protest, diligence, notice of acceptance of this Security Agreement or of action taken in reliance hereon and all other demands and notices of any description, except as otherwise expressly provided for in this Security Agreement. With respect to both the Obligations secured hereby and to the Collateral the Company assents to any substitution, exchange or release of any other property or collateral security for the Obligations, to the addition or release of any entity or person primarily or secondarily liable, to the acceptance or partial payment thereon and the settlement, compromising or adjusting of any of the foregoing and to any other indulgence, all in such manner and at such time or times as

the Trustee may deem advisable. The Trustee shall have no duty as to the collection or protection of the Collateral or any income therefrom, or as to the preservation of rights against prior parties, or as to the preservation of any rights pertaining thereto. The Trustee may exercise its rights with respect to the Collateral without resorting or regard to other collateral or sources of reimbursement for liability. The Trustee shall not be deemed to have waived any rights upon or under this Security Agreement unless such waiver be in writing and signed by an authorized agent. No delay or omission on the part of the Trustee in exercising any rights shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Trustee in respect of the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently.

Section 6. Expenses; Application of Proceeds of Collateral and Other Moneys. The Company agrees to pay and be liable for any and all expenses, including reasonable attorneys' fees and court costs, incurred by the Trustee in collecting or enforcing its rights in the Collateral, together with interest thereon as provided in Section 3(g) of this Security Agreement. The Trustee may apply all proceeds of collection and other moneys under its control to the Obligations in any manner which the Trustee, in its sole discretion, deems appropriate and, subject to the provisions of Section 2(e) of the Credit Agreement, the Company will continue to be liable for any deficiency with interest as provided in the Note and Credit Agreement.

Section 7. Miscellaneous Matters.

(a) The Trustee may exercise its powers and execute its duties by or through employees or agents, and shall be entitled to take, and to rely upon, advice of counsel concerning all matters pertaining to its rights and duties under this Security Agreement.

(b) This Security Agreement shall be binding on the successors and assigns of the Company and shall inure to the benefit of and be binding on the successors and assigns of the Trustee. The invalidity or unenforceability of any provision of this Security Agreement shall not invalidate or render unenforceable any other provision hereof.

(c) This Security Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of the State of Maryland.

(d) The Company hereby acknowledges that all representations, agreements, covenants and undertakings set forth in

the Credit Agreement are hereby incorporated into this Security Agreement with the same force and effect as if separately set forth herein.

(e) The Company will execute, acknowledge and deliver to the Trustee from time to time, upon demand, such further assurances and such supplemental agreements, statements, assignments and transfers, or instruments or documents relating to the Collateral, and take such further action as the Trustee may reasonable request, in order that the full intent of this Agreement may be carried into effect.

(f) Payment of any amounts which may become payable by the Trustee to the Company, from time to time, pursuant to the provisions of this Security Agreement, is subject to the implied condition that no Default or Event of Default under the Credit Agreement shall then have occurred and be continuing. Should any such amount referred to be not payable to the Company because of the existence of a Default or an Event of Default such amounts shall be held by the Trustee as security for the timely cure of such Default and upon such timely cure, paid to the Company; if such Default shall not be timely cured, such amounts may, at the discretion of the Trustee, be held as security for the Obligations, applied by the Trustee to the satisfaction of such Obligations, or paid to the Company.

IN WITNESS WHEREOF, the Company hereby has caused this Security Agreement to be executed by its duly authorized officer as of the date first above written.

ATTEST:

SHEARSON EQUIPMENT INVESTORS-II
By: Shearson Equipment Management Corporation, General Partner

Albert B. Moore

By: J. A. Arthur
Authorized Officer

Schedule A
To
Security Agreement Dated As Of December 9, 1981
From Shearson Equipment Investors-II In Favor
Of The First National Bank of Maryland, Trustee

One (1) 80-B Land Drilling Rig, built by National Supply Company, division of Armco Inc. under contract dated March 10, 1981 with Energy Operating Company, and assigned to the Debtor on October 30, 1981, including, without limitation, all drawworks, pumps, accessories, power equipment, structures, tools, instrumentation, hoisting equipment, safety equipment, accessories, accessions, replacement parts and equipment, drill pipe and other auxiliary equipment forming part of or used in connection with said drilling rig.