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LONDON, ENGLAND

July 13, 1988

INTERSTATE COMMERCE COMMISSION

JUL 15 1988 9:45 AM

RECORDATION NO. 5729 Filed 1425

JUL 15 1988

Date

Fee \$ 3.00

ICC Washington, D. C.

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Washington, D.C. 20423

Re: Conrail Security Agreement

Dear Ms. McGee:

Pursuant to 49 U.S.C. § 11303 and according to 49 C.F.R. Part 1177, enclosed for recordation are the original and the notarized copy of the following primary document: Security Agreement for the principal sum of \$11,488,702.00 made November 20, 1987.

The names and addresses of the parties to the document are:

- (1) Secured Party

The Philadelphia National Bank
Broad and Chestnut Streets
Philadelphia, Pennsylvania 19101

- (2) Debtor

Consolidated Rail Corporation
Six Penn Center Plaza
Philadelphia, Pennsylvania 19103

100 OFFICE OF THE SECRETARY
JUL 15 9 31 AM '88
MOTOR OPERATING UNIT

A description of the equipment covered by the document follows:

Robert A. Stewart

PEPPER, HAMILTON & SCHEETZ

Ms. Noreta R. McGee

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- (1) 97 Gondola Cars
Identification Numbers: (see attached lists)
Cost: \$654,750.00
- (2) 496 52' Gondola Cars
Identification Numbers: Series 598500 to 598999
Cost: \$3,378,952.00
- (3) 39 Locomotives
Identification Numbers: 2700 to 2731
2733 to 2738
2740
Cost: \$1,755,000.00
- (4) 60 GP38 Locomotives
Identification Numbers: 7687 to 7746
Cost: \$5,700,000.00

A fee of \$13.00 is enclosed. Please return the original and any extra copies not needed by the Commission to the undersigned. A short summary of the document to appear in the index follows:

- (1) Primary Document

Security Agreement between The Philadelphia National Bank, Secured Party, Broad and Chestnut Streets, Philadelphia, Pennsylvania 19101 and Consolidated Rail Corporation, Debtor, Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, dated November 20, 1987, and covering 97 Gondola Cars, 496 52' Gondola Cars, 39 Locomotives, and 60 GP38 Locomotives for the principal sum of \$ 11,488,702.00

PEPPER, HAMILTON & SCHEETZ

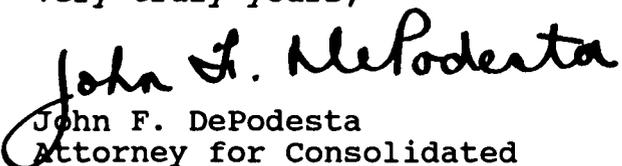
Ms. Noreta R. McGee

July 13, 1988

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Please call me if you have any questions or desire additional information.

Very truly yours,


John F. DePodesta
Attorney for Consolidated
Rail Corporation

JFD/an
Attachment
Enclosure

PEPPER, HAMILTON & SCHEETZ

Ms. Noreta R. McGee
July 13, 1988
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Identification Numbers for 97 Gondola Cars
(listed under "Present Unit Number"):

REPORT IA357202 - DATE 03/26/87 TIME 0840

PERIOD COVERED -		MARCH		1987		LISTING Q-06		
R	FIN C	FIN	PRESENT	CR/ACQ	ORIG	ALP	AAR	
E	NUM	D	UNIT NUMBER	COST	UNIT NUMBER	CLASS	CODE	
3	868	L	041572	CR	559222	15122	RDG 038721	GR52B G513
3	868	L	041572	CR	566326	15122	RDG 038740	GR52B G533
3	868	L	041572	CR	566328	15122	RDG 038771	GR52B G533
3	868	L	041572	CR	566329	15122	RDG 038737	GR52B G533
3	868	L	041572	CR	566353	15122	RDG 038716	GR52B G533
3	868	L	041572	CR	566355	15122	RDG 038761	GR52B G533
3	868	L	041572	CR	566356	15122	RDG 038732	GR52B G533
3	868	L	041572	CR	566359	15122	RDG 038797	GR52B G533
3	868	L	041572	CR	566360	15122	RDG 038792	GR52B G533
3	868	L	041572	CR	566361	15122	RDG 038791	GR52B G533
3	868	L	041572	CR	566362	15122	RDG 038795	GR52B G533
3	868	L	041572	CR	566364	15122	RDG 038719	GR52B G533
3	868	L	041572	CR	566365	15122	RDG 038790	GR52B G533
3	868	L	041572	CR	566371	15122	RDG 038784	GR52B G533
3	868	L	041572	CR	578040	15122	RDG 038711	GR52B G513
3	868	L	041572	CR	578046	15122	RDG 038713	GR52B G513
3	868	L	041572	CR	578078	15122	RDG 038723	GR52B G513
3	868	L	041572	CR	578080	15122	RDG 038725	GR52B G513
3	868	L	041572	CR	578137	15122	RDG 038735	GR52B G513
3	868	L	041572	CR	578192	15122	RDG 038757	GR52B G513
3	868	L	041572	CR	578206	15122	RDG 038764	GR52B G513
3	868	L	041572	CR	578208	15122	RDG 038766	GR52B G513
3	868	L	041572	CR	579327	15122	RDG 038700	GR52B G513
3	868	L	041572	CR	579330	15122	RDG 038703	GR52B G513
3	868	L	041572	CR	579339	15122	RDG 038717	GR52B G513
3	868	L	041572	CR	579349	15122	RDG 038730	GR52B G513
3	868	L	041572	CR	579359	15122	RDG 038741	GR52B G513
3	868	L	041572	CR	579360	15122	RDG 038742	GR52B G513
3	868	L	041572	CR	579367	15122	RDG 038753	GR52B G513
3	868	L	041572	CR	579372	15122	RDG 038759	GR52B G513
3	868	L	041572	CR	579375	15122	RDG 038765	GR52B G513
3	868	L	041572	CR	579377	15122	RDG 038768	GR52B G513
3	868	L	041572	CR	579378	15122	RDG 038770	GR52B G513
3	868	L	041572	CR	579385	15122	RDG 038780	GR52B G513
3	868	L	041572	CR	579392	15122	RDG 038788	GR52B G513
3	868	L	041572	CR	579393	15089	RDG 038789	GR52B G513
3	868	L	041572	CR	583709	15122	RDG 038704	GR52B G512
3	868	L	041572	CR	583710	15122	RDG 038709	GR52B G512
3	868	L	041572	CR	583711	15122	RDG 038724	GR52B G512
3	868	L	041572	CR	583712	15122	RDG 038715	GR52B G512
3	868	L	041572	CR	583715	15122	RDG 038774	GR52B G512
3	868	L	041572	CR	583717	15122	RDG 038749	GR52B G512
3	868	L	041572	CR	583719	15122	RDG 038727	GR52B G512
3	868	L	041572	CR	583722	15122	RDG 038772	GR52B G512
3	868	L	041572	CR	583724	15122	RDG 038769	GR52B G512
3	868	L	041572	CR	583725	15122	RDG 038779	GR52B G512
3	868	L	041572	CR	583726	15122	RDG 038706	GR52B G512
3	868	L	041572	CR	583727	15122	RDG 038748	GR52B G512
3	868	L	041572	CR	583728	15122	RDG 038760	GR52B G512
3	868	L	041572	CR	583731	15122	RDG 038733	GR52B G512
3	868	L	041572	CR	583733	15122	RDG 038767	GR52B G512

PEPPER, HAMILTON & SCHEETZ

Ms. Noreta R. McGee
 July 13, 1988
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Identification Numbrs for '97 Gondola Cars
 (listed under "Present Unit Number") continued:

REPORT IA357202 - DATE 03/26/87 TIME 0840

PERIOD COVERED - MARCH				1987	LISTING Q-06		
R E	FIN NUM	FIN DATE	PRESENT UNIT NUMBER	CR/ACQ COST	ORIG UNIT NUMBER	ALP CLASS	AAR CODE
3	868	L 041572	CR 583734	15122	RDG 038754	GR52B	G512
3	868	L 041572	CR 583735	15122	RDG 038714	GR52B	G512
3	868	L 041572	CR 583736	15122	RDG 038762	GR52B	G512
3	868	L 041572	CR 583738	15122	RDG 038720	GR52B	G512
3	868	L 041572	CR 583740	15122	RDG 038752	GR52B	G512
3	868	L 041572	CR 583741	15122	RDG 038784	GR52B	G512
3	868	L 041572	CR 583743	15122	RDG 038747	GR52B	G512
3	868	L 041572	CR 583745	15122	RDG 038708	GR52B	G513
3	868	L 041572	CR 583746	15122	RDG 038785	GR52B	G513
3	868	L 041572	CR 583748	15122	RDG 038794	GR52B	G513
3	868	L 041572	CR 583755	15122	RDG 038799	GR52B	G513
3	868	L 041572	CR 583756	15122	RDG 038798	GR52B	G513
3	868	L 041572	CR 583758	15122	RDG 038793	GR52B	G513
3	868	L 041572	CR 617702	15122	RDG 038796	GR52B	E620
3	868	L 041572	RDG 038701	15122	RDG 038701	GR52B	G513
3	868	L 041572	RDG 038702	15122	RDG 038702	GR52B	G513
3	868	L 041572	RDG 038705	15122	RDG 038705	GR52B	E530
3	868	L 041572	RDG 038707	15122	RDG 038707	GR52B	G513
3	868	L 041572	RDG 038710	15122	RDG 038710	GR52B	G513
3	868	L 041572	RDG 038712	15122	RDG 038712	GR52B	G513
3	868	L 041572	RDG 038722	15122	RDG 038722	GR52B	G513
3	868	L 041572	RDG 038726	15122	RDG 038726	GR52B	G513
3	868	L 041572	RDG 038728	15122	RDG 038728	GR52B	G513
3	868	L 041572	RDG 038729	15122	RDG 038729	GR52B	G513
3	868	L 041572	RDG 038731	15122	RDG 038731	GR52B	G513
3	868	L 041572	RDG 038734	15122	RDG 038734	GR52B	G513
3	868	L 041572	RDG 038738	15122	RDG 038738	GR52B	G513
3	868	L 041572	RDG 038739	15122	RDG 038739	GR52B	G513
3	868	L 041572	RDG 038743	15122	RDG 038743	GR52B	G513
3	868	L 041572	RDG 038744	15122	RDG 038744	GR52B	G513
3	868	L 041572	RDG 038745	15122	RDG 038745	GR52B	G513
3	868	L 041572	RDG 038746	15122	RDG 038746	GR52B	G513
3	868	L 041572	RDG 038750	15122	RDG 038750	GR52B	G513
3	868	L 041572	RDG 038751	15122	RDG 038751	GR52B	G513
3	868	L 041572	RDG 038755	15122	RDG 038755	GR52B	G513
3	868	L 041572	RDG 038756	15122	RDG 038756	GR52B	G513
3	868	L 041572	RDG 038758	15122	RDG 038758	GR52B	G513
3	868	L 041572	RDG 038763	15122	RDG 038763	GR52B	G513
3	868	L 041572	RDG 038773	15122	RDG 038773	GR52B	G513
3	868	L 041572	RDG 038775	15122	RDG 038775	GR52B	G513
3	868	L 041572	RDG 038776	15122	RDG 038776	GR52B	G513
3	868	L 041572	RDG 038777	15122	RDG 038777	GR52B	G513
3	868	L 041572	RDG 038778	15122	RDG 038778	GR52B	G513
3	868	L 041572	RDG 038782	15122	RDG 038782	GR52B	G513
3	868	L 041572	RDG 038783	15122	RDG 038783	GR52B	G513
3	868	L 041572	RDG 038787	15122	RDG 038787	GR52B	G513

97 1466801

(Source: Schedule A of Security Agreement)

SECURITY AGREEMENT

JUL 15 1988 9-4 0 AM

RECORDATION NO. 1 5729 Filed 1425

Security Agreement made this 20th day of November, 1987, between Consolidated Rail Corporation, a Pennsylvania corporation having its principal place of business at Six Penn Center Plaza, Philadelphia, Pennsylvania (herein referred to as "Debtor"), and The Philadelphia National Bank, its principal place of business at Broad and Chestnut Streets, Philadelphia, Pennsylvania (herein referred to as "Secured Party")

WITNESSETH

WHEREAS, Debtor desires to borrow from Secured Party the principal sum of \$11,488,702.00 for the purposes and on the conditions hereinafter described, and

WHEREAS, Secured Party is willing to lend to Debtor such amount for such purposes and on the conditions hereinafter described.

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

SECTION ONE
CREATION OF SECURITY INTEREST

FOR VALUABLE CONSIDERATION, receipt whereof is hereby acknowledged, Debtor hereby grants to Secured Party a lien and security interest in the railroad equipment, including any additions and accessions thereto and any replacements and substitutions thereof, and in all leases thereof by the Debtor and the proceeds of all of the foregoing (other than in the usual interchange of traffic or in through or run-through service) (hereinafter referred to as the "Collateral") set forth on Schedule A hereto, to secure the payment of the sum of Eleven Million Four Hundred Eighty-Eight Thousand Seven Hundred Two Dollars (\$11,488,702.00) as evidenced by the Note of even date herewith and attached hereto ("Note") and all other obligations set forth in said Note and herein. Upon payment in full of the above amount, Secured Party shall release such lien and security interest and shall promptly, at Debtor's expense, undertake all actions reasonably requested by Debtor to effectuate the release of such lien and security interest.

SECTION TWO
RIGHTS OF DEBTOR IN COLLATERAL

Debtor warrants and represents that, except for the security interest granted hereby and the liens set forth in Appendix I hereto attached, it is, or upon the payment of the purchase price will be, the owner of the Collateral free and

clear of all liens, security interests, or encumbrances including tax liens and other governmental assessments, and Debtor covenants that it will keep the Collateral free and clear of such liens, security interests and encumbrances, and shall defend Collateral against all claims and demands of any or all persons claiming Collateral or any interest thereon.

SECTION THREE FINANCING STATEMENTS

Debtor will cause this Security Agreement to be duly filed promptly upon the execution of this Security Agreement with the Interstate Commerce Commission pursuant to 49 U.S.C. 11303 and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision will be made for publication of notice of such deposit in the Canada Gazette in accordance with said Section 86. Debtor represents and warrants that no other filing, recording or deposit (or giving of notice) with any other Federal, state or local government or agency thereof is necessary in order to protect the rights of the Secured Party under this agreement in and to the collateral set forth in Schedule A in any State of the United States of America, the District of Columbia or Canada or any Province thereof. Debtor shall pay the cost of filing and depositing this Security Agreement. Debtor agrees at its own cost and expense to make any supplemental filings and deposits as may from time to time become necessary or desirable to protect the rights of the Secured Party. Debtor agrees to make the filings described herein for any substitution or replacement items of Collateral. Within a reasonable time after purchase of any item of Collateral or election under Section Seven hereto to make such item part of the Collateral, Debtor will furnish Secured Party with certificates or other, evidence of such filing registering, depositing or recording satisfactory to Secured Party.

SECTION FOUR IDENTIFICATION MARKS

Debtor will cause the Collateral to be numbered with the identification number set forth in Schedule A hereto, and will replace promptly any such markings which may be removed, defaced or destroyed. Debtor will not change the identification number of any items of Collateral unless and until (i) a statement of new number or numbers to be substituted therefor shall have been provided to Secured Party and (ii) duly filed and deposited by the Debtor in all public offices where this Security Agreement shall have been filed and deposited.

SECTION FIVE
USE OF COLLATERAL

Collateral is and shall be used primarily for Debtor's railroad business and Debtor shall not sell or offer to sell or otherwise transfer the Collateral or any interest therein without the prior written consent of Secured Party, nor except as provided in this Section Five shall Debtor transfer or permit the transfer of possession of the Collateral.

So long as Debtor is not in default, Debtor shall be entitled to the possession and use of the Collateral in accordance with the terms of this Security Agreement and, without the prior written consent of Secured Party, Debtor may lease the Collateral to, or permit its use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by Debtor or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which Debtor, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only (as expressly shall be stated in any such lease) upon and subject to all the terms and conditions of this Security Agreement; provided, however, that the Secured Party's written consent, not to be unreasonably withheld, must be obtained for any lease that is for the term longer than six months; provided, further, however, that Debtor shall not lease or permit the use of the Collateral in service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America. No such assignment or lease shall relieve Debtor of its obligations hereunder.

Debtor agrees at all times to comply with all applicable laws of the jurisdictions in which its operations involving the items of Collateral may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of Collateral, to the extent that such laws and rules affect the title, operation or use of the items of Collateral. In the event that, prior to the expiration of this Security Agreement, such laws or rules require any alteration, replacement, addition or modification of or to any part on items of Collateral, the Debtor will conform therewith at its own expense.

SECTION SIX
MAINTENANCE

Debtor will maintain each items of Collateral in as good operating condition as of the date of execution of this Security Agreement (ordinary wear and tear excepted) and, in compliance with any and all applicable laws and regulations now in force and hereinafter enacted. Secured Party shall have the right, upon reasonable notice to Debtor and at its own risk and expense, to inspect the Collateral during reasonable business hours. Debtor shall, upon reasonable notice, provide Secured Party with the current locations of the Collateral.

SECTION SEVEN
CASUALTY, OCCURRENCES

In the event that any items of Collateral shall be or become lost, stolen, destroyed, or in the opinion of Debtor, worn out or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government or by any other government or governmental entity (such occurrence hereinafter referred to as a Casualty Occurrence), Debtor shall promptly notify Secured Party and, at Debtor's option, shall within 30 days: (i) replace the Collateral having suffered the casualty occurrence with railroad equipment of similar type, age and construction; (ii) substitute other railroad equipment acceptable to Secured Party; or (iii) pay to Secured Party that portion of the unamortized principal of the debt allocable to the item or items of Collateral having suffered the Casualty Occurrence together with any accrued and unpaid interest thereon. Any items of railroad equipment provided under (i) and (ii) hereto shall become part of the Collateral and subject to all the terms and conditions of the Note executed in connection with this agreement and this Security Agreement.

SECTION EIGHT
INSURANCE

It is understood and agreed that Debtor will maintain a program of self insurance or risk assumption, whereby, Debtor, at its sole cost and expense, provides for the loss or theft of or damage to the Collateral for the full replacement value thereof. In the event Debtor carries or causes to be carried any excess coverage or umbrella coverage, the same shall be for the benefit of and name the Secured Party in the manner and to the extent provided below.

The Debtor will, at all times prior to the satisfaction of the Note, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Collateral at the time subject hereto,

against such risks, and comparable in amounts and against risks customarily insured against by the Debtor in respect of similar equipment owned by it, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard for Class I line-haul railroads. All policies with respect to such insurance shall provide for payments to the Secured Party, as additional named insured or loss payee, as its interests may appear, shall provide for at least 30 days prior written notice by the insurance carrier to the Secured Party in the event of cancellation, expiration or amendment (and the Debtor shall provide 30 days prior written notice to the Secured Party in any such event), shall include waivers by the insurer of all claims for premiums against the Secured Party, and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, or the Secured Party, more hazardous use or occupation of the Collateral than that permitted by such policies, any breach or violation by the Debtor or the Secured Party, of any Warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Collateral, or any change in the title to or ownership of any of the Collateral. Each such insurance policy shall expressly provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Debtor) shall operate in the same manner as if it were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Secured Party. The Debtor shall concurrently with the execution and delivery of this Security Agreement and not later than June 15 of each year thereafter, commencing June 15, 1988, furnish to the Secured Party a certificate of an independent insurance broker acceptable to the Secured Party evidencing the maintenance of the insurance required hereunder and shall, if requested by Secured Party, furnish certificates evidencing renewal 30 days prior to the expiration date of such policy or policies. In the event that the Debtor shall fail to maintain insurance as herein provided, the Secured Party may at its option on five business days prior written notice to the Debtor provide such insurance (giving the Debtor prompt written notice thereof) and, in such event, the Debtor shall upon demand, from time to time, reimburse the Secured Party for the cost thereof, together with interest on the amount of such cost from the date of payment thereof, at a rate per annum equal to the "Prime Rate" of interest of The Philadelphia National Bank ("Bank") in effect from time to time. For the purposes hereof, Prime Rate shall mean the rate of interest designated as such by the management of the Bank as fixed by the management of the Bank for the guidance of its loan officers, whether or not such rate shall otherwise be announced or published. If the Secured Party shall receive any insurance proceeds or condemnation payments in respect of any Collateral suffering a

Casualty Occurrence, the Secured Party shall, subject to the Debtor's having satisfied the requirements of Section Seven hereof and provided no Event of Default shall have occurred and be continuing, pay such proceeds or condemnation payments to the Debtor. All insurance proceeds received by the Secured Party in respect of any items of Collateral not suffering a Casualty Occurrence shall be paid to the Debtor upon proof satisfactory to the Secured Party that any damage to such Collateral in respect of which such proceeds were paid has been fully repaired, provided no Event of Default shall have occurred and be continuing. Any amounts paid or payable to Secured Party under the foregoing insurance shall not be reduced on account of any amount which may be paid or payable to Secured Party by reason of claims made under any other policies of insurance under which Secured Party is a beneficiary or claimant. Notwithstanding the foregoing, the Secured Party shall in no event be obligated to participate in the funding of any self-insurance program of the Debtor.

SECTION NINE REIMBURSEMENT OF EXPENSES

In the event that Debtor fails to keep the Collateral free from liens, security interests and encumbrances in accordance with Section Two hereof or fails to maintain the insurance program set forth in Section Eight hereof, Secured Party, after written notice to Debtor, may, at its option, discharge all such liens, security interests or other encumbrances or pay for insurance on the Collateral and Debtor shall reimburse Secured Party on demand for any payment made or any expense incurred by Secured Party pursuant to the foregoing authorization. Any such disbursement shall bear interest at the late charge rate provided in the Note and shall be a further lien on the Collateral subject to the terms and conditions of this Security Agreement.

SECTION TEN REPORTS

On or before April 30 in each year, commencing with the calendar year 1988, the Debtor will furnish to the Secured Party a certificate signed by an officer of the Debtor (a) setting forth as at the preceding December 31 the amount, description and numbers of all items of Collateral then included hereunder, the amount, description and numbers of all items of Collateral that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing or awaiting repairs (other than running repairs) and, if applicable, the amount description and numbers of any Collateral replacements or substitutions made pursuant to Section Seven hereof.

SECTION ELEVEN
DEFAULTS/REMEDIES

If, during the continuance of this Security Agreement, one or more of the foregoing events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in this Security Agreement or in the Note attached hereto, and such default shall continue for ten business days after Secured Party has notified Debtor in writing that payment has not been received;

(B) the Debtor shall make or permit any unauthorized assignment or transfer of the right to possession of the Collateral, or any items thereof;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Debtor contained herein and in the note and such default shall continue for 30 days after the written notice from the Secured party to the Debtor specifying the default and demanding that the same be remedied.

(D) a petition under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Debtor and (unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective, but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Debtor under this Security Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C.

1168, or any successor provision as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Debtor for any relief which includes any modification of the obligations of the Debtor hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and (unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective, but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Debtor under this Security Agreement shall not have been and

shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receiver's appointed (whether or not subject to ratification) for the Debtor or for the property of the Debtor in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced;

then, in any such case, the Secured Party:

(a) at its option, may proceed by appropriate court action or actions either at law or in equity to enforce performance by the Debtor of the applicable covenants of this Security Agreement or to recover damages for the breach thereof.

(b) Immediately and without notice upon the occurrence of an Event of Default specified in the foregoing paragraphs (D) or (E), or at the option of Secured Party, upon the occurrence of any other Event of Default, by notice in writing to the Debtor declare all obligations of debtor under this Security Agreement and the note attached hereto immediately due and payable and thereupon the Secured Party may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Debtor or other premises where any of the Debtor may be and take possession of all or any of such items of Collateral.

In addition, the Debtor shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Secured Party's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any items of Collateral provided, however, that if Secured Party shall sell the Collateral for an amount in excess of all amounts due under this Security Agreement or the Note. Secured Party shall promptly pay such excess to Debtor;

The remedies in this Security Agreement provided in favor of the Secured Party shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity.

SECTION TWELVE POSSESSION OF COLLATERAL UPON DEFAULT

If the Secured Party exercises its remedies pursuant to Section Eleven hereof and seeks to realize upon the Collateral, then the Debtor shall forthwith deliver possession of the Collateral to the Secured Party. Each item of Collateral so delivered shall be in the condition required by Section Six

hereof. For the purpose of delivering possession, the Debtor shall:

(a) forthwith and in the usual manner give prompt notice to the Association of American Railroads and all railroads to which any item or items of Collateral have been interchanged or which may have possession thereof to return the items of Collateral;

(b) place such items of Collateral upon storage tracks of the Debtor as the Secured Party reasonably may designate;

(c) permit the Secured Party to store such items of Collateral on such tracks at the risk of the Debtor without charge for insurance, rent or storage until such items of Collateral have been sold, leased or otherwise disposed of by the Secured Party; and

(d) transport the same to any place on the lines of railroad operated by the debtor or to any connecting carrier for shipment, all as directed by Secured Party.

The assembling, delivery, storage, insurance and transporting of the Collateral as hereinbefore provided shall be at the expense and risk of the Debtor and are of the essence of this Security Agreement and, upon application to any court of equity having jurisdiction, the Secured Party shall be entitled to a decree against the Debtor requiring specific performance of the covenants of the Debtor so to assemble, deliver, store and transport the Collateral. During any storage period, the Debtor will, at its own expense, maintain and keep the Collateral in the condition required by the first paragraph of Section Six hereof and will permit and cooperate with the Secured Party or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such items of Collateral, to inspect the same in a reasonable manner consistent with industry practice. All rent and per diem charges earned in respect of the items of Collateral after the date of an event of default under this Security Agreement pursuant to Section Eleven hereof shall belong to the Secured Party, and if received by the Debtor, shall be promptly turned over to the Secured Party.

SECTION THIRTEEN NOTICES

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been received by the addressee on the date of transmission, if by telex, or on the date of actual receipt, if by mail or by hand, if addressed as follows:

(a) if to the Secured Party, at Broad & Chestnut Streets, Philadelphia, Pennsylvania 19101, Attention of Assistant Vice President, Transportation & Equipment Finance Department.

(b) if to the Debtor, at 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention of Assistant Treasurer-Financing;

or at such other addresses as either party shall have designated to the other party in writing.

SECTION FOURTEEN
SEVERABILITY; EFFECT AND MODIFICATION OF LEASE

Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability in such jurisdiction and shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Security Agreement exclusively and completely states the rights and obligations of the Secured Party and the Debtor with respect to the use of the items of Collateral as Collateral and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Security Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Secured Party and the Debtor.

SECTION FIFTEEN
ASSIGNMENT BY SECURED PARTY

So long as no Event of Default exists hereunder, this Security Agreement and the Note attached hereto shall not be assignable in whole or in part by the Secured Party or any affiliated company of the Secured Party without the written consent of the Debtor, which shall not be unreasonably withheld, but no such consent shall be required for an assignment to an affiliated company of the Secured Party. All the rights of the Secured Party hereunder shall inure to the benefit of the Secured Party's successors and assigns.

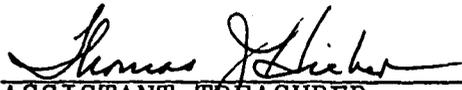
SECTION SIXTEEN
LAW GOVERNING

The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303 and such additional rights arising out of the filing or deposit hereof, it any as shall be conferred by the laws of the

several jurisdictions in which this Security Agreement shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CONSOLIDATED RAIL CORPORATION


ASSISTANT TREASURER

THE PHILADELPHIA NATIONAL BANK

BY 
ASSISTANT VICE PRESIDENT

SS.:

COMMONWEALTH OF PENNSYLVANIA

On this 18th day of November, 1987, before me personally appeared Thomas Hieber, to me personally known, who, being by me duly sworn, says that he is Assistant Treasurer of CONSOLIDATED RAIL CORPORATION, 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 authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(Notarial Seal)

Marianne C. Baker
Notary Public

MARIANNE C. BAKER
Notary Public, Phila., Phila. Co.
My Commission Expires Aug. 6, 1990

COMMONWEALTH OF PENNSYLVANIA

SS.:

COUNTY OF PHILADELPHIA

On this 20th day of November, 1987, before me personally appeared Susan M. Steinhauer, to me personally known, who being by me duly sworn, says that she is Assistant Vice President of PHILADELPHIA NATIONAL BANK, 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 authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(Notarial Seal)

Elizabeth Bodkin
Notary Public

ELIZABETH BODKIN
Notary Public, Phila., Phila. Co.
My Commission Expires March 5, 1990

5 Year Term

Schedule A

<u>Qty.</u>	<u>Type</u>	<u>Cost</u>
97	Gondola cars	\$ 654,750.00
496	Gondola cars	3,378,952.00
39	Locomotives	1,755,000.00
60	Locomotives	<u>5,700,000.00</u>
		\$11,488,702.00

5 Year Term

Schedule A

<u>Qty.</u>	<u>Type</u>	<u>Nos.</u>	<u>Cost</u>
97	Gondola Cars	(see attached list)	\$654,750.00

Schedule A

97 Gondola Cars Costing 654,750.00

REPORT IA357202 - DATE 03/26/87 TIME 0840

PERIOD COVERED - MARCH

1987

LISTING Q-06

R	FIN C	FIN	PRESENT	CR/ACQ	ORIG	ALP	AAR	L
E	NUM	D	UNIT	NUMBER	UNIT	NUMBER	CLASS	CODE
		DATE		COST				
3	868	L	041572	CR	559222	15122	RDG 038721	GR52B G513
3	868	L	041572	CR	566326	15122	RDG 038740	GR52B G533
3	868	L	041572	CR	566328	15122	RDG 038771	GR52B G533
3	868	L	041572	CR	566329	15122	RDG 038737	GR52B G533
3	868	L	041572	CR	566353	15122	RDG 038716	GR52B G533
3	868	L	041572	CR	566355	15122	RDG 038761	GR52B G533
3	868	L	041572	CR	566356	15122	RDG 038732	GR52B G533
3	868	L	041572	CR	566359	15122	RDG 038797	GR52B G533
3	868	L	041572	CR	566360	15122	RDG 038792	GR52B G533
3	868	L	041572	CR	566361	15122	RDG 038791	GR52B G533
3	868	L	041572	CR	566362	15122	RDG 038795	GR52B G533
3	868	L	041572	CR	566364	15122	RDG 038719	GR52B G533
3	868	L	041572	CR	566365	15122	RDG 038790	GR52B G533
3	868	L	041572	CR	566371	15122	RDG 038784	GR52B G533
3	868	L	041572	CR	578040	15122	RDG 038711	GR52B G513
3	868	L	041572	CR	578046	15122	RDG 038713	GR52B G513
3	868	L	041572	CR	578078	15122	RDG 038723	GR52B G513
3	868	L	041572	CR	578080	15122	RDG 038725	GR52B G513
3	868	L	041572	CR	578137	15122	RDG 038735	GR52B G513
3	868	L	041572	CR	578192	15122	RDG 038757	GR52B G513
3	868	L	041572	CR	578206	15122	RDG 038764	GR52B G513
3	868	L	041572	CR	578208	15122	RDG 038766	GR52B G513
3	868	L	041572	CR	579327	15122	RDG 038700	GR52B G513
3	868	L	041572	CR	579330	15122	RDG 038703	GR52B G513
3	868	L	041572	CR	579339	15122	RDG 038717	GR52B G513
3	868	L	041572	CR	579349	15122	RDG 038730	GR52B G513
3	868	L	041572	CR	579359	15122	RDG 038741	GR52B G513
3	868	L	041572	CR	579360	15122	RDG 038742	GR52B G513
3	868	L	041572	CR	579367	15122	RDG 038753	GR52B G513
3	868	L	041572	CR	579372	15122	RDG 038759	GR52B G513
3	868	L	041572	CR	579375	15122	RDG 038765	GR52B G513
3	868	L	041572	CR	579377	15122	RDG 038768	GR52B G513
3	868	L	041572	CR	579378	15122	RDG 038770	GR52B G513
3	868	L	041572	CR	579385	15122	RDG 038780	GR52B G513
3	868	L	041572	CR	579392	15122	RDG 038788	GR52B G513
3	868	L	041572	CR	579393	15089	RDG 038789	GR52B G513
3	868	L	041572	CR	583709	15122	RDG 038704	GR52B G512
3	868	L	041572	CR	583710	15122	RDG 038709	GR52B G512
3	868	L	041572	CR	583711	15122	RDG 038724	GR52B G512
3	868	L	041572	CR	583712	15122	RDG 038715	GR52B G512
3	868	L	041572	CR	583715	15122	RDG 038774	GR52B G512
3	868	L	041572	CR	583717	15122	RDG 038749	GR52B G512
3	868	L	041572	CR	583719	15122	RDG 038727	GR52B G512
3	868	L	041572	CR	583722	15122	RDG 038772	GR52B G512
3	868	L	041572	CR	583724	15122	RDG 038769	GR52B G512
3	868	L	041572	CR	583725	15122	RDG 038779	GR52B G512
3	868	L	041572	CR	583726	15122	RDG 038706	GR52B G512
3	868	L	041572	CR	583727	15122	RDG 038748	GR52B G512
3	868	L	041572	CR	583728	15122	RDG 038760	GR52B G512
3	868	L	041572	CR	583731	15122	RDG 038733	GR52B G512
3	868	L	041572	CR	583733	15122	RDG 038767	GR52B G512

REPORT IA357202 - DATE 03/26/87 TIME 0840

PERIOD COVERED - MARCH

1987

LISTING Q-06

R	FIN C	FIN	PRESENT	CR/ACQ	ORIG	ALP	AAR
E	NUM D	DATE	UNIT NUMBER	COST	UNIT NUMBER	CLASS	CODE
3	868	L	041572	CR 583734	15122	RDG 038754	GR52B G512
3	868	L	041572	CR 583735	15122	RDG 038714	GR52B G512
3	868	L	041572	CR 583736	15122	RDG 038762	GR52B G512
3	868	L	041572	CR 583738	15122	RDG 038720	GR52B G512
3	868	L	041572	CR 583740	15122	RDG 038752	GR52B G512
3	868	L	041572	CR 583741	15122	RDG 038785	GR52B G512
3	868	L	041572	CR 583743	15122	RDG 038747	GR52B G512
3	868	L	041572	CR 583745	15122	RDG 038708	GR52B G513
3	868	L	041572	CR 583746	15122	RDG 038785	GR52B G513
3	868	L	041572	CR 583748	15122	RDG 038794	GR52B G513
3	868	L	041572	CR 583755	15122	RDG 038799	GR52B G513
3	868	L	041572	CR 583756	15122	RDG 038798	GR52B G513
3	868	L	041572	CR 583758	15122	RDG 038793	GR52B G513
3	868	L	041572	CR 617702	15122	RDG 038796	GR52B E620
3	868	L	041572	RDG 038701	15122	RDG 038701	GR52B G513
3	868	L	041572	RDG 038702	15122	RDG 038702	GR52B G513
3	868	L	041572	RDG 038705	15122	RDG 038705	GR52B E530
3	868	L	041572	RDG 038707	15122	RDG 038707	GR52B G513
3	868	L	041572	RDG 038710	15122	RDG 038710	GR52B G513
3	868	L	041572	RDG 038712	15122	RDG 038712	GR52B G513
3	868	L	041572	RDG 038722	15122	RDG 038722	GR52B G513
3	868	L	041572	RDG 038726	15122	RDG 038726	GR52B G513
3	868	L	041572	RDG 038728	15122	RDG 038728	GR52B G513
3	868	L	041572	RDG 038729	15122	RDG 038729	GR52B G513
3	868	L	041572	RDG 038731	15122	RDG 038731	GR52B G513
3	868	L	041572	RDG 038734	15122	RDG 038734	GR52B G513
3	868	L	041572	RDG 038738	15122	RDG 038738	GR52B G513
3	868	L	041572	RDG 038739	15122	RDG 038739	GR52B G513
3	868	L	041572	RDG 038743	15122	RDG 038743	GR52B G513
3	868	L	041572	RDG 038744	15122	RDG 038744	GR52B G513
3	868	L	041572	RDG 038745	15122	RDG 038745	GR52B G513
3	868	L	041572	RDG 038746	15122	RDG 038746	GR52B G513
3	868	L	041572	RDG 038750	15122	RDG 038750	GR52B G513
3	868	L	041572	RDG 038751	15122	RDG 038751	GR52B G513
3	868	L	041572	RDG 038755	15122	RDG 038755	GR52B G513
3	868	L	041572	RDG 038756	15122	RDG 038756	GR52B G513
3	868	L	041572	RDG 038758	15122	RDG 038758	GR52B G513
3	868	L	041572	RDG 038763	15122	RDG 038763	GR52B G513
3	868	L	041572	RDG 038773	15122	RDG 038773	GR52B G513
3	868	L	041572	RDG 038775	15122	RDG 038775	GR52B G513
3	868	L	041572	RDG 038776	15122	RDG 038776	GR52B G513
3	868	L	041572	RDG 038777	15122	RDG 038777	GR52B G513
3	868	L	041572	RDG 038778	15122	RDG 038778	GR52B G513
3	868	L	041572	RDG 038782	15122	RDG 038782	GR52B G513
3	868	L	041572	RDG 038783	15122	RDG 038733	GR52B G513
3	868	L	041572	RDG 038787	15122	RDG 038787	GR52B G513

* 97

1466801

5 Year Term

Schedule A

<u>Qty.</u>	<u>Type</u>	<u>Nos.</u>	<u>Cost</u>
496	52' Gondolas	Series 598500 to 598999	\$3,378,952.00

5 Year Term

Schedule A

<u>Qty.</u>	<u>Type</u>	<u>Nos.</u>	<u>Cost</u>
39	Locomotives	2700 to 2731 2733 to 2738 2740	\$1,755,000.00

5 Year Term

<u>Qty.</u>	<u>Type</u>	<u>Nos.</u>	<u>Cost</u>
60-GP38	Locomotives	7687 to 7746	\$5,700,000.00