

July 25, 1988

**Emons Industries, Inc.**

1 5749

RECORDATION NO. \_\_\_\_\_ FILED 1988

Ms. Mildred Lee  
Interstate Commerce Commission  
12th and Constitution Ave., N.W.  
Room 2303  
Washington, D.C. 20423

JUL 27 1988-3 04 PM

INTERSTATE COMMERCE COMMISSION

RE: Security Agreement between Wilmington Trust Company and the  
Maryland and Pennsylvania Railroad Company

Dear Ms. Lee:

I have enclosed an original and one copy of the document described below to be recorded pursuant to section 11303 of title 49 of the U.S. Code.

This document is an Security Agreement dated as of December 1, 1987.

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

Agent/Secured Party - WILMINGTON TRUST COMPANY  
Rodney Square North  
Wilmington, Delaware 19890

Grantor - MARYLAND and PENNSYLVANIA RAILROAD COMPANY  
1 West Market Street  
York, PA 17401

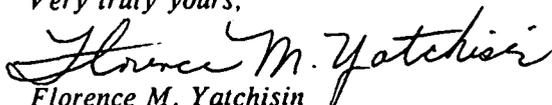
A description of the equipment covered by the document follows:

Six Hundred Twenty-Two (622) 70-Ton, 50-Foot Boxcars now bearing reporting marks CPAA-204300 to 204437, CPAA-204439 to 204461, CPAA-204463 to 204509, CPAA-204511 to 204549, CPAA-204551 to 204732, CPAA-204734 to 204751, CPAA-208500 to 208652, and CPAA-208654 to 208675.

Also enclosed is a check in the amount of \$13.00 to cover the costs of filing. I understand that the original document will be returned to me with the recordation information noted thereon within about a week.

Please call me should you have any questions. Thank you for your assistance in this matter.

Very truly yours,

  
Florence M. Yatchisin  
Manager, Leasing Administration  
(717) 771-1722

Enclosures

1 WEST MARKET STREET • YORK, PENNSYLVANIA 17401-1231

SECURITY AGREEMENT

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5749  
JUL 27 1988-3 45 PM  
DEPARTMENT OF STATE COMMERCE COMMISSION

SECURITY AGREEMENT dated as of the 1st day of December 1987, between WILMINGTON TRUST COMPANY, a Delaware state bank association with an office at Rodney Square North, Wilmington, Delaware 19890, in its capacity as Disbursing Agent (the "Disbursing Agent") pursuant to the Intercreditor Agreement attached hereto as Exhibit A (the "Intercreditor Agreement") and THE MARYLAND AND PENNSYLVANIA RAILROAD COMPANY, a Maryland and Pennsylvania corporation with an office at One West Market Street, York, PA 17401 (the "Company").

W I T N E S S E T H:

Pursuant to a Lease Agreement dated as of the date hereof between the Company, as lessor, and Canadian Pacific Limited ("CP"), as lessee (the "CP Lease"), the Company currently leases to CP six hundred twenty-two (622) boxcars.

Pursuant to the Master Leases (as such term is defined in the Intercreditor Agreement), the Car Owners (as such term is defined in the Intercreditor Agreement) referred to on Schedule A to the Intercreditor Agreement have severally (but not jointly) leased to the Company, and the Company has agreed to hire from the Car Owners, one hundred eighty-nine (189) boxcars, with the understanding that the Cars will be subleased to CP pursuant to the CP Lease.

Pursuant to the Agency Agreements (as such term is defined in the Intercreditor Agreement), the Car Owners referred to on Schedule B to the Intercreditor Agreement have severally (but not jointly) granted to the Company the right to grant to CP a leasehold interest pursuant to the CP Lease in four hundred thirty-three (433) cars owned by such Car Owners.

NOW, THEREFORE, the parties hereto agree:

(1) As an inducement to the Car Owners to execute the M&P Car Agreements (as such term is defined in the Intercreditor Agreement) and to consent to, among other things, the inclusion of the Cars in the CP Lease (and in consideration thereof), the Company hereby sells, assigns, transfers, pledges and sets over unto the Disbursing Agent (for the benefit of the Car Owners), the Company's right, title and interest in and to the CP Lease and in and to rent to become due and payable from time to time under the CP Lease, and the proceeds thereof, as collateral security for the payment and performance of all obligations and duties of the Company to the Car Owners arising under or by virtue of the M&P Car Agreements.

(2) Except as otherwise provided in the Intercreditor Agreement, upon the occurrence of any Event of Default (as such term is defined in the M&P Car Agreements) by the Company, unless such Event of Default shall have been waived by the Car Owner which is a

party to such M&P Car Agreements, the Disbursing Agent shall have the right, upon giving CP written notice of such default, but without notice to or consent of the Company, to instruct CP to pay all rents and other sums payable by CP to the Company under the CP Lease to the Disbursing Agent.

(3) The execution by each Car Owner of the Intercreditor Agreement shall be a condition precedent to the effectiveness of this Security Agreement as to such Car Owner.

(4) This Security Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties have duly executed this Security Agreement the day and year first above written.

ATTEST:

WILMINGTON TRUST COMPANY, As  
Disbursing Agent

M. Cushing

By: [Signature]

Title: Senior Financial Services Officer

Date: JUNE 14, 1988

ATTEST:

THE MARYLAND AND PENNSYLVANIA  
RAILROAD COMPANY

 [Signature]  
SECRETARY

By: [Signature]

Title: VICE PRESIDENT

Date: JUNE 30, 1988

STATE OF Delaware :  
 :  
 :ss.:  
COUNTY OF New Castle :

On the 14th day of June, 1988, before me personally appeared Ordea M. Knatt to me personally known, who, being by me duly sworn, says that he/~~she~~ is the Senior Financial Services Officer of Wilmington Trust Company, the Disbursing Agent in the foregoing Security Agreement, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Grace A. Lerner  
Notary Public

NOTARY PUBLIC  
My commission expires January 21, 1990

COMMONWEALTH OF PENNSYLVANIA:  
 :ss.:  
COUNTY OF YORK :

On the 30th day of June, 1988, before me personally appeared Richard E. Meyers to me personally known, who, being by me duly sworn, says that he is the Vice President of The Maryland and Pennsylvania Railroad Company, the Company in the foregoing Security Agreement, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

Annamarie Wileczek  
Notary Public

ANNAMARIE WILECZEK, Notary Public  
York, York County, Pennsylvania  
My Commission Expires April 16, 1990

EXHIBIT A

INTERCREDITOR AGREEMENT

Agreement entered into as of the 1st day of December, 1987, among WILMINGTON TRUST COMPANY, a Delaware state banking association with an office at Rodney Square North, Wilmington, Delaware 19890 ("WTC"), as Disbursing Agent hereunder ("Disbursing Agent"), CHRYSLER RAIL TRANSPORTATION CORPORATION, a Delaware corporation with an office at 3800 North Wilke Road, Suite 300, Arlington Heights, Illinois 60004; ("Chrysler"), UTC EQUIPMENT CORPORATION, a Maryland corporation with an office at 7 St. Paul Street, Baltimore, Maryland 21202 ("UTC"), SIGNET LEASING AND FINANCIAL CORPORATION, a MARYLAND corporation, with an office at 7 St. Paul Street, Baltimore, Maryland 21202 ("Signet"), BAMERILEASE, INC., a California corporation with an office at Two Embarcadero Center, Dept. 5820, San Francisco, California 94111 ("BI"), BAMERILEASE CAPITAL CORPORATION, a California corporation with an office at Two Embarcadero Center, Dept. 5820, San Francisco, California 94111 ("BCC"), THE LIFE INSURANCE COMPANY OF VIRGINIA, a Virginia corporation with an office at 10800 Midlothian Tpk., Suite 217, Richmond, Virginia 23235 ("Life of Virginia"), MANUFACTURERS HANOVER LEASING CORPORATION, a New York corporation with an office at 270 Park Avenue, New York, New York, 10017 ("MHL"), and EMCOB, INC., a Delaware corporation with an office at 1 West Market Street, York, Pennsylvania 17401 ("EMCOB" and, together with Chrysler, UTC, Signet, BI, BCC, Life of Virginia, and MHL, the "Car Owners"), THE MARYLAND AND PENNSYLVANIA RAILROAD COMPANY, a Maryland and Pennsylvania corporation with an office at One West Market Street, York, Pennsylvania 17401 (the "M&P") and EMONS INDUSTRIES, INC., a New York corporation with an office at One West Market Street, York, Pennsylvania 17401 ("Emons Industries") and EMONS MARKETING SERVICES, INC., a Delaware corporation with an office at 1 West Market Street, York, Pennsylvania 17401 ("Emons Marketing").

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Pursuant to a Lease Agreement (the "CP Lease") dated as of the date hereof, between the M&P, as lessor, and Canadian Pacific Limited ("CP"), as lessee, the M&P currently leases to CP six hundred twenty-two (622) boxcars.

Pursuant to the Lease Agreements dated as of the date hereof described on Schedule A attached hereto, between the several Car Owners referred to on Schedule A and the M&P, as lessee (collectively, the "Master Leases"), the Car Owners referred to on Schedule A have leased to the M&P a total of one hundred eighty-nine (189) boxcars with the understanding that those cars will be subleased pursuant to the CP Lease.

Pursuant to the Agency Agreements between the several Car Owners referred to on Schedule B dated as of the date hereof and

EXHIBIT A

attached hereto, as principals, and the M&P, as agent, (collectively, the "Agency Agreements" and, together with the "Master Leases" the "M&P Car Agreements") the Car Owners referred to on Schedule B attached hereto have granted M&P the right to grant to CP a leasehold interest pursuant to the CP Lease in the four hundred thirty-three (433) boxcars owned by such Car Owners.

Chrysler, UTC, Signet, BI, BCC, Life of Virginia, and MHL have entered into Management Agreements with Emons Industries (collectively, the "Industries Management Agreements"), and Chrysler and EMCOB have entered into Management Agreements with Emons Marketing (the "Marketing and Management Agreements" and together with the Industries Management Agreements, the "Management Agreements"), in each case the Car Owner has instructed the M&P to pay to Emons Industries or Emons Marketing, as the case may be, as Manager, all rent due under the M&P Car Agreements to which such Car Owner is a party, so long as no Event of Default by the Manager has occurred and is continuing thereunder.

Pursuant to a Security Agreement dated as of the date hereof, the M&P has granted to the Disbursing Agent, for the benefit of the Car Owners, a collateral assignment of all right, title and interest of the M&P in and to the CP Lease and the rent due and payable from time to time thereunder as security for the several obligations of the M&P to the Car Owners under the various M&P Car Agreements.

The Car Owners wish, on the terms and conditions set forth herein, to provide, among other things, for the manner of exercise of the rights which they will jointly hold in the CP Lease.

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NOW, THEREFORE, the parties hereto agree:

(1) Definitions. In addition to the words and terms defined elsewhere in this Agreement, the following terms shall have the following meanings when used herein:

"Trust Funds" shall mean any funds received by the Disbursing Agent, at any time or from time to time, pursuant to Section 2 of this Agreement.

"Net Allocated Portion" as to each Car Owner shall mean the Gross Allocated Portion of any Trust Funds which may be from time to time held by the Disbursing Agent less in the case of each Car Owner an amount equal to the due and payable (but unpaid) Total Expenses, if any, under the Management Agreement to which such Car Owner is a party.

"Mileage Rate" and "Hourly Rate" shall mean, respectively, the mileage and hourly car hire rates

EXHIBIT A

then in effect and applicable to the boxcars subject to the CP Lease, (as published in Appendix R to Circular OT-10 of the Official Railway Equipment Register, as of December 1, 1987).

"Mileage Rate Pro-Ration Factor" with respect to any Car Owner shall mean a fraction:

(i) the numerator of which shall be the product derived by multiplying the number of boxcars which such Car Owner owns or holds under lease and which are then subject to the CP Lease ("such Car Owner's Boxcars") by the average Mileage Rate then applicable to such Car Owner's Boxcars, and

(ii) the denominator of which shall be the product derived by multiplying the total number of boxcars then subject to the CP Lease by the average Mileage Rate of all boxcars then subject to the CP Lease.

"Hourly Rate Pro-Ration Factor" with respect to any Car Owner shall mean a fraction:

(i) the numerator of which shall be the product derived by multiplying the number of such Car Owner's Boxcars by the average Hourly Rate of such Car Owner's Boxcars; and

(ii) the denominator of which shall be the product derived by multiplying the total number of boxcars then subject to the CP Lease by the average Hourly Rate of all boxcars then subject to the CP Lease.

The "Pro-Rated Hourly Car Hire Amount" payable at any time to any Car Owner shall be determined by multiplying:

(i) the total amount of Trust Funds which are then held by the Disbursing Agent plus the Aggregate Domestic Allocation Amount by (ii) the Hourly Rate Pro-Ration Factor then applicable to such Car Owner by (iii) seventy-four (74%) percent.

The "Pro-Rated Mileage Amount" payable at any time to any Car Owner shall be determined by multiplying:

(i) the total amount of Trust Funds which are then held by the Disbursing Agent plus the Aggregate Domestic Allocation Amount by (ii) the Mileage Pro-ration Factor then applicable to such Car Owner by (iii) twenty-six (26%) percent.

EXHIBIT A

The term "Gross Allocated Portion" as to each Car Owner shall mean a portion of any Trust Funds held by the Disbursing Agent which represent rental or mileage fees equal to the sum of the Pro-Rated Mileage Amount thereof and the Pro-Rated Hourly Car Hire Amount minus the Domestic Allocation Amount applicable to such Car Owner.

The term "Secured Obligation", when used with reference to any Car Owner, shall mean any obligation of the M&P to pay money to such Car Owner pursuant to the M&P Car Agreement to which such Car Owner is a party.

The term "Total Expenses" shall have the meaning ascribed to it in the Management Agreements.

The "Domestic Allocation Amount" with respect to each Car Owner shall be equal to the sum of (i) \$36.50 (U.S.) multiplied by the number of Plate B boxcars (see Schedule C) of such Car Owner that are then subject to the CP Lease and (ii) \$66.00 (U.S.) multiplied by the number of Plate C boxcars (see Schedule D) of such owner that are then subject to the CP Lease. After the thirty-sixth monthly payment received from CP, under the CP Lease, the Domestic Allocation Amount shall be equal to zero.

The "Aggregate Domestic Allocation Amount" shall be equal to the total Domestic Allocation Amount for all Car Owners subject to this Agreement.

(2) Appointment of Disbursing Agent and Payment of Trust Funds. (a) The Car Owners appoint WTC to serve as disbursing agent hereunder, and WTC accepts such appointment.

(b) Upon the occurrence and during the continuance of any Event of Default (as defined in each of the M&P Car Agreements), unless such Event of Default shall have been waived by the Car Owner that is a party to the M&P Car Agreement under which such Event of Default has occurred, such Car Owner shall have the right to direct CP to pay to the Disbursing Agent all rents payable to the M&P pursuant to the CP Lease.

(3) Disbursement of Trust Funds. (a) Promptly after receiving any Trust Funds which represent rental or mileage fees, the Disbursing Agent shall distribute such Trust Funds by disbursing

(i) to each Car Owner a portion of such Trust Funds equal to such Car Owner's Net Allocated Portion; and

(ii) to Emons Industries or Emons Marketing, as the case may be, as manager under the respective Management Agreements, a portion of such Trust Funds

EXHIBIT A

equal to the due and payable (but unpaid) Total Expenses under the Management Agreements.

(b) Promptly after receiving any Trust Funds which represent a settlement payment with respect to a lost, stolen or destroyed car pursuant to Interchange Rules of the Association of American Railroads or any other payment with respect to a lost, stolen or destroyed car, the Disbursing Agent shall pay such amount to the Car Owner which owns such destroyed boxcar less, the amount, if any, payable to Emons Industries or Emons Marketing, as the case may be, pursuant to the Management Agreement to which such Car Owner is a party.

(c) All funds paid by the Disbursing Agent to any Car Owner shall be applied to the obligations of the M&P to such Car Owner or shall be applied as otherwise provided by law.

(4) Reliance. The Disbursing Agent may rely upon any written notice, instruction or other advice or communication received by it from any Car Owner pursuant to this Agreement and need not question the validity of such notice, instruction or other advice or communication or the qualifications of the party giving the same, and the Disbursing Agent shall not have any liability to the parties hereto for any action taken or omitted in good faith reliance on any such written notice, instruction or other advice or communication, in the absence of gross negligence or willful misconduct of Disbursing Agent. Moreover, where relevant, any such notice, instruction or other advice or communication shall contain complete instructions as to any action to be taken and the Disbursing Agent shall, to the extent appropriate in accordance with this Agreement, comply with such instructions. Notwithstanding anything to the contrary provided herein, in the event that the Disbursing Agent shall for any reason be uncertain as to his duties or rights hereunder, or shall receive instructions from any of the parties hereto with respect to any Trust Funds which, in its opinion, are in conflict with applicable law or with any of the provisions of this Agreement, it may refrain from taking any action other than to keep safe the Trust Funds until it shall be directed otherwise by joint written instructions of the parties hereto or by final unappealable order of a court of competent jurisdiction.

(5) Limitations on Duties. The Disbursing Agent shall have no duties or responsibilities except those expressly set forth herein and shall have no liability to the parties hereto for any action taken or omitted in good faith which does not constitute gross negligence or willful misconduct. The Disbursing Agent may consult with counsel and shall have no liability to any party hereto with respect to any action taken or omitted in good faith on advice of such counsel. This Agreement sets forth the entire understanding of the parties hereto. The Disbursing Agent shall not be bound by any amendment of this Agreement unless in writing and signed by the other parties hereto and, if the Disbursing Agent's duties hereunder are

EXHIBIT A

affected, unless it shall have given prior written consent thereto.

(6) (a) The parties hereto (other than M&P, Emons Industries, and Emons Marketing) shall be jointly liable for, and hereby agree to indemnify the Disbursing Agent and its successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, taxes, claims, actions, suits, costs, expenses and disbursements, (including legal fees and expenses) of any kind and nature whatsoever (collectively, "Expenses") which may be imposed on, incurred by or asserted at any time against the Disbursing Agent (whether or not indemnified against by other parties) in any way relating to or arising out of this Agreement or any agreement contemplated hereby, except for any Expenses relating to or arising out of the gross negligence or willful misconduct of the Disbursing Agent. The indemnities contained in this Section 6(a) shall survive the termination of this Agreement. The Disbursing Agent shall have a lien on the Trust Funds for any compensation and indemnity due hereunder.

(b) Disbursing Agent shall not be required to take any action or refrain from taking any action under this Agreement unless Disbursing Agent shall have been indemnified by the parties hereto, in a manner and form satisfactory to Disbursing Agent, against any liability, cost or expense (including legal fees and expenses) which may be incurred in connection therewith. Disbursing Agent shall not be required to take any action nor shall any other provision of this Agreement be deemed to impose a duty on Disbursing Agent to take any action, if Disbursing Agent shall have reasonably determined or shall have been advised by counsel that such action is likely to result in liability on the part of Disbursing Agent or is contrary to the terms hereof or of any document contemplated hereby to which Disbursing Agent is a party, or is otherwise contrary to law.

(7) Notices. Any notice, instruction or other advice or communication required or permitted to be given hereunder shall be in writing and shall be mailed by registered or certified mail, return receipt requested, or delivered against receipt to the party to which it is to be given at the address set forth in the first paragraph of this Agreement, (or to such other address as the party in question shall have furnished in writing in accordance with the provisions hereof). Any notice, direction or other advice or communication given by registered or certified mail shall be deemed given at the time of mailing hereof.

(8) Expenses. The Car Owners shall promptly pay the fees of the Disbursing Agent and reimburse the Disbursing Agent for all reasonable expenses which it incurs in connection with the performance of its duties hereunder.

EXHIBIT A

(9) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(10) Termination. This Agreement shall terminate with respect to each Car Owner on either (i) the date upon which any Car Owner sells all of the Cars subject to this Agreement; or (2) upon written mutual consent of all parties hereto.

(11) Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective representatives thereunto duly authorized, as of the date first above written.

EMONS INDUSTRIES, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

THE MARYLAND AND PENNSYLVANIA  
RAILROAD COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

EMONS MARKETING SERVICES, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

UTC EQUIPMENT CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

SIGNATURES CONTINUED

**EXHIBIT A**

**SIGNET LEASING AND FINANCIAL  
CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**BAMERILEASE, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**BAMERILEASE CAPITAL CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**THE LIFE INSURANCE COMPANY OF  
VIRGINIA**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**MANUFACTURERS HANOVER LEASING  
COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**(SIGNATURES FOLLOW)**

EXHIBIT A

EMCOB, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

CHRYSLER RAIL TRANSPORTATION  
CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

WILMINGTON TRUST COMPANY, as  
Disbursing Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT A

Schedule A

DESCRIPTION OF LEASE AGREEMENTS BETWEEN CAR OWNERS AND MPA

(1) Lease Agreement between UTC Equipment Corporation and the Maryland and Pennsylvania Railroad Company for one hundred (100) cars.

(2) Lease Agreement between Signet Leasing and Financial Corporation and the Maryland and Pennsylvania Railroad Company for forty-nine (49) cars.

(3) Lease Agreement between Manufacturers Hanover Leasing Corporation and the Maryland and Pennsylvania Railroad Company for forty (40) cars.

EXHIBIT A

Schedule B

DESCRIPTION OF AGENCY AGREEMENTS BETWEEN CAR OWNERS AND MPA :

(1) Agency Agreement between Chrysler Rail Transportation Corporation and the Maryland and Pennsylvania Railroad Company for three hundred five (305) cars.

(2) Agency Agreement between Bamerilease, Inc. and the Maryland and Pennsylvania Railroad Company for one (1) car.

(3) Agency Agreement between Bamerilease Capital Corporation and the Maryland and Pennsylvania Railroad Company for three (3) cars.

(4) Agency Agreement between the Life Insurance Company of Virginia and the Maryland and Pennsylvania Railroad Company for forty-nine (49) cars.

(5) Agency Agreement between Emcob, Inc. and the Maryland and Pennsylvania Railroad Company for seventy-five (75) cars.

EXHIBIT A

Schedule C

NUMBER OF PLATE B BOXCARS BY CAR OWNER

Chrysler -----	145 Cars
Signet-----	49 Cars
UTC-----	100 Cars
	-----
	294 Cars

EXHIBIT A

Schedule D

NUMBER OF PLATE C BOXCARS BY CAR OWNER :

BI-----	1 Car
BCC-----	3 Cars
Chrysler-----	160 Cars
Emcob-----	75 Cars
Life of Virginia-----	49 Cars
MHL-----	40 Cars
-----	
	328 Cars