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WHITE & CASE

1747 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C.
333 SOUTH HOPE STREET, LOS ANGELES
200 SOUTH BISCAYNE BOULEVARD, MIAMI
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1155 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036
(212) 819-8200
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20-5, ICHIBANCHO, CHIYODA-KU, TOKYO
15 QUEEN'S ROAD CENTRAL, HONG KONG
90 RAFFLES PLACE, SINGAPORE
BIRGER JARLSGATAN 14, STOCKHOLM
CUMHURIYET CADDESI 12/10, ISTANBUL
ZIYA UR RAHMAN CADDESI 17/5, ANKARA

RECORDATION NO. 16056 Filed 1988
NOV 30 1988 12 35 PM
INTERSTATE COMMERCE COMMISSION

No. 8-335A013
Date NOV 30 1988
Fee $ 39.00

GJC:CEJ

November 30, 1988

Washington, D.C.

RECORDATION NO. 16056 Filed 1988
NOV 30 1988 12 35 PM
INTERSTATE COMMERCE COMMISSION

re Documents for Recordation, 49 USC Section 11303

Heather J. Gradison, Chairman
Interstate Commerce Commission
12th Street & Constitution Avenue N.W.
Washington, D.C. 20423

NOV 30 12 30 PM

Dear Ms. Gradison:

Enclosed herewith are an original and 2 counterparts of each of the three documents described below, to be recorded today pursuant to Section 11303 of Title 49 of the U.S. Code.

The first document, identified as "Equipment Lease Agreement," dated as of August 1, 1988, is a lease and is a primary document.

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

LESSOR: Wilmington Trust Company
Rodney Square North
Wilmington, DE 19890

LESSEE: CSX Transportation, Inc.
100 N. Charles Street
Baltimore, MD 21201

A short summary of the document to appear in the Index should be as follows:

> Equipment Lease Agreement dated as of August 1, 1988 between Wilmington Trust Company, not in its individual capacity but solely as trustee, Lessor, and CSX Transportation, Inc., Lessee, covering up to 133 open top hopper railcars (100 ton), from series identified by the Lessee as : CSXT Nos. 808914-811195.

The second document, identified as "Loan and Security Agreement", dated as of August 1, 1988, is a loan agreement, and is also a primary document.

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

LESSOR: Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

LENDERS: The Prudential Insurance Company of America
Prudential Property and Casualty Insurance Company
Pruco Life Insurance Company
c/o Prudential Capital Corporation
Three Gateway Center
Newark, NJ 07102

A short summary of the document to appear in the Index should be as follows:

> Loan and Security Agreement dated as of August 1, 1988 between Wilmington Trust Company, not in its individual capacity but as Owner Trustee, Lessor, and The Prudential Insurance Company of America, Prudential Property and Casualty Life Insurance Company and Pruco Life Insurance Company, Lenders, covering up to 133 open

top hopper railcars (100 ton) from series identified by the Lessee as: CSXT Nos. 808914-811195.

The third document, identified as "Lease and Security Agreement Supplement No. 1", dated November 30, 1988 is a supplement to the Equipment Lease Agreement and the Loan and Security Agreement, and is a secondary document which is being filed concurrently with the above-referenced primary documents to which recordation numbers have not yet been assigned.

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

LESSOR/OWNER: TRUSTEE	Wilmington Trust Company Rodney Square North Wilmington, DE 19890
LESSEE:	CSX Transportation, Inc. 100 N. Charles Street Baltimore, MD 21201
LENDERS:	The Prudential Life Insurance Company of America Prudential Property and Casualty Insurance Company Pruco Life Insurance Company c/o Prudential Capital Corporation Three Gateway Center Newark, NJ 07102

A description of the equipment covered by the document is attached hereto as Schedule A.

A short summary of the document to appear in the Index should be as follows:

Lease and Security Agreement Supplement No. 1 dated November 30, 1988 among Wilmington Trust Company, not in its individual capacity but as

Lessor/Owner Trustee, CSX Transportation, Inc., Lessee and The Prudential Life Insurance Company of America, Prudential Property and Casualty Insurance Company and Pruco Life Insurance Company, Lenders, covering 133 open top hopper railcars (100 ton) from series identified by the Lessee as: CSXT 808914-811195.

A check for the required recordation fee of $39.00 is enclosed. Please return the originals and any extra copies not needed by the Commission for recordation to the undersigned.

The undersigned certifies that he is acting as counsel to The Prudential Insurance Company of America, Prudential Property and Casualty Insurance Company and Pruco Life Insurance Company, Lenders, for purposes of this filing and that he has knowledge of the matter set forth in the above-described documents.

Very truly yours,

Gad J. Cohen

Enclosures

cc: Sylvia Fung Chin, Esq.
Clifford J. Hendel, Esq.

RECORDATION NO. 16056-A FILED
NOV 30 1988 12 55 PM
INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

Dated as of August 1, 1988

Between

WILMINGTON TRUST COMPANY,

not in its individual capacity but as Owner Trustee,

Lessor,

and

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY
and
PRUCO LIFE INSURANCE COMPANY

Lenders

CSX Transportation, Inc.

Lessee

Open Top Hopper Railcars

FILED WITH THE INTERSTATE COMMERCE COMMISSION
PURSUANT TO 49 U.S.C. § 11303
ON _____, 1988 AT _____:_____ P.M.

RECORDATION NUMBER _____.

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APPENDIX I - DEFINITIONS

EXHIBIT A - NONRECOURSE PROMISSORY NOTE
EXHIBIT B - LEASE AND SECURITY AGREEMENT SUPPLEMENT

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT ("Security Agreement") is entered into as of August 1, 1988, by and between WILMINGTON TRUST COMPANY, a Delaware banking corporation not in its individual capacity, but solely as Owner Trustee ("Lessor") under that certain Trust Agreement, dated as of August 1, 1988, with NCNB Lease Investments, Inc., a North Carolina corporation, as trustor ("Owner Participant"), and THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey mutual insurance company, PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY, a New Jersey corporation and PRUCO LIFE INSURANCE COMPANY, an Arizona corporation (each a "Lender," collectively "Lenders") with reference to the following (capitalized terms used in this Security Agreement having the meanings given in Appendix I hereto unless otherwise expressly provided or unless the context otherwise requires):

RECITALS

A. Lessor and CSX Transportation, Inc., a Virginia corporation ("Lessee") have entered into the Lease providing for the lease of certain open top hopper railcars described therein (the "Units") by Lessor, as lessor, to Lessee, as lessee.

B. Owner Participant, Lessor (in its individual capacity as expressly stated therein and otherwise solely as trustee), Lessee, Raceland Car Corporation, a Delaware corporation ("Seller") and Lenders have entered into the Participation Agreement pursuant to which on the Purchase Date (i) Owner Participant will make certain funds available to Lessor, (ii) Lessor will purchase the Units to be purchased and leased on such Purchase Date from Seller and lease such Units to Lessee under the Lease, as evidenced by the Lease and Security Agreement Supplement to be delivered on such Purchase Date and (iii) Lessor will borrow a portion of the cost of the Units to be purchased and leased on such Purchase Date on a nonrecourse basis from Lenders which nonrecourse debt will be evidenced by certain promissory notes (the "Notes").

C. Lessor and Lessee propose to enter into this Security Agreement under which Lessor will, as evidenced by the Lease and Security Agreement Supplement to be delivered on such Purchase Date, grant to Lenders a security interest in the Units and the Lease and the rents and certain other sums due or to become due thereunder, as security for Lessor's obligations under the Notes to be issued pursuant to the terms hereof.

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreements contained herein, the parties, intending to be legally bound, hereby agree as follows:

SECTION 1. INTERPRETATION.

1.01 Terms. The terms "hereof," "herein," "hereby," "hereto," and "hereunder" refer to this Security Agreement, taken as a whole.

1.02 Section, Schedule and Exhibit References. References to a given Section, subsection, Schedule or Exhibit are references to a Section, subsection, Schedule or Exhibit of this Security Agreement.

1.03 Agreement References. Reference to a given agreement or instrument is a reference to that agreement or instrument as originally entered into, and as modified, amended, supplemented and restated in accordance with the Operative Documents through the date as of which reference is made.

SECTION 2. NOTES.

2.01 Issuance and Terms of Notes. On the Purchase Date, if the conditions set forth in Section 4 of the Participation Agreement are satisfied, Lessor shall issue a Note or Notes registered in the name of each Lender (i) in substantially the form set forth in Exhibit A annexed hereto; (ii) bearing interest on the principal amount until paid at a rate of 10.30% per annum computed on the basis of a 360-day year of twelve 30-day months (except that principal amounts not paid when due hereunder shall bear interest at the Default Rate); and (iii) in a principal amount equal to the percentage set forth in Schedule 1 of the Participation Agreement for such Lender of the Debt Portion of Lessor's Cost of the Units purchased by Lessor on such Purchase Date. Lessor agrees to make one payment of accrued interest only on each Note in immediately available

funds on the last day of the Interim Term and to make payments of principal and interest thereon in immediately available funds on each June 30 and December 31 commencing with June 30, 1989, to and including June 30, 1998, in amounts as set forth in the amortization schedule forming part of each Note, except that the last payment of principal of and interest on each Note shall in all events be in an amount sufficient to discharge the accrued interest on and the unpaid principal of such Note.

2.02 Lessor Not Acting in Individual Capacity. Lessor is entering into this Security Agreement solely as Owner Trustee under the Trust Agreement and not in its individual capacity and in no case whatsoever shall Lessor (or any entity acting as successor Owner Trustee under the Trust Agreement) or Owner Participant be personally liable for any of the statements, representations, warranties, agreements or obligations of Lessor hereunder, as to all of which all interested parties shall look solely to the Collateral as hereinafter defined, except (a) for its own willful misconduct or gross negligence, or (b) in the case of the inaccuracy of any representation or warranty of Lessor in its individual capacity contained in Section 5.03 of the Participation Agreement or (c) for the performance of the obligations of Lessor in its individual capacity under Section 8.04 of the Participation Agreement. If a successor Owner Trustee is appointed in accordance with the terms of the Trust Agreement, such successor Owner Trustee shall, without any further act, succeed to all the rights, duties, immunities and obligations of Lessor hereunder and its predecessor Owner Trustee shall be released from all further duties and obligations hereunder. In the case of any appointment of a successor to Owner Trustee pursuant to the Trust Agreement or any merger, consolidation or transfer of substantially all of the business involving Owner Trustee pursuant to the Trust Agreement, the successor Owner Trustee shall give prompt written notice thereof to Lenders and to any subsequent holder or holders of any Note. No recourse shall be had for the payment of any amounts due pursuant to this Security Agreement or for the payment of the principal of, premium, if any, or interest (except with respect to the payment of interest only on January 1, 1989) on any Note or for any claim based thereon against Owner Participant whether or not any election is made pursuant to Section 1111(b)(1)(A) of the Bankruptcy Code, 11 U.S.C. § 1111(b)(1)(A). Nothing contained in this Section shall prevent any Noteholder from enforcing any obligation of Owner Participant under the other Operative Documents to the extent therein provided (and retaining the proceeds

thereof), for which Owner Participant has agreed by the terms of such Operative Documents to accept liability.

2.03 Application of Rent and Other Proceeds. (a) Interim Rent and Base Rent. Lessor will accept payments of Interim Rent and Base Rent (and any interest on overdue Interim Rent and Base Rent) made to it by Lessee pursuant to the Lease and, provided no Loan Default shall have occurred and be continuing, will apply such payments, unless a different application is specified herein, promptly to the payment, first, ratably of installments of principal and interest on the Notes due on the date such Interim Rent or Base Rent is due and payable under the Lease, and second of any excess to Lessor.

(b) Casualty Payments. Lessor will accept all payments made by Lessee pursuant to Section 10 of the Lease with respect to any Unit, whether in the form of insurance or condemnation proceeds of otherwise, and to the extent that the same do not constitute Excepted Payments and Rights and provided no Loan Default shall have occurred and be continuing, will apply such payments, unless a different application is specified herein, promptly to the payment, first, ratably on each Note of the amount specified in Section 2.04(a) or (b), as the case may be, and second, of any excess to Lessor.

(c) After the Occurrence of a Loan Default. After the occurrence and during the continuation of a Loan Default and prior to the acceleration of the maturity of the Notes pursuant to Section 4.02(a), Lessor will accept all payments of Rent and other proceeds of the Collateral and, except to the extent that the same constitute Excepted Payments and Rights, will (i) apply such payments promptly as provided in clause "first" of Sections 2.03(a) and (b), as the case may be, (ii) retain any excess as a part of the Collateral subject to Section 3.13 until the occurrence of the earlier of (x) such time as no Loan Default shall exist or (y) 180 days after Lessor's receipt of such payment, at which time Lessor shall apply such retained amounts pursuant to clause "second" of Section 2.03(a) or (b), as the case may be. After the acceleration of the maturity of the Notes pursuant to Section 4.02(a), Lenders shall apply such retained amounts pursuant to Section 2.03(d).

(d) After Acceleration of the Notes. After acceleration of the maturity of the Notes pursuant to Section 4.02(a) hereof, Lessor will apply all payments then held or thereafter received by it under this Agreement or

held under any Assigned Document as part of the Collateral, except such payments constituting Excepted Payments and Rights, promptly to the payment, first, in full of the aggregate unpaid principal amount of the Notes then outstanding plus any accrued but unpaid interest thereon to the date of such payment, second, to pay Lenders any amount payable to them pursuant to the Participation Agreement (other than principal of and interest on the Notes) and any amount advanced by Lenders pursuant to Section 3.07, and third, of any excess to Lessor.

(e) Excepted Payments and Rights. Anything to the contrary notwithstanding, any moneys at any time received by Lessor in respect of Excepted Payments and Rights or for which application thereof is not specified herein shall promptly be paid over to the Person entitled to such payment under the Operative Documents.

(f) Interest and Principal. All amounts herein applied toward the payment of any accrued interest on or principal of the Notes shall be applied, ratably on the Notes, to the payment, first, of accrued interest then due and payable, and second, of principal then due and payable.

2.04 Prepayments. (a) Casualty Event. If there occurs a Casualty Event with respect to any Unit, then, on the Casualty Payment Date, there shall be due and payable on each Note that proportion of the principal amount of such Note on that date equal to the proportion that the Lessor's Cost of such Unit bears to the aggregate Lessor's Cost of all Units (including such Unit) then covered by the Lease (the "Loan Value"), plus all accrued and unpaid interest on such Loan Value.

(b) Optional Prepayment. In the event of an early termination of the Lease pursuant to Section 12.01(b) of the Lease, there shall be due and payable the aggregate unpaid principal of, and Yield Maintenance Premium and accrued and unpaid interest on, each Note.

(c) Limitation on Prepayment. No prepayment of any Note may be made except and to the extent and in the manner expressly permitted or required by this Agreement.

2.05 Registration of Notes, Exchange of Notes. (a) Registration. Lessor shall maintain at its office a register for the purpose of registering transfers and exchanges of Notes. Without limiting the representations and warranties contained in Section 5 of the Participation

Agreement, a holder of an outstanding Note intending to transfer such outstanding Note to a new payee or to exchange such outstanding Note for a new Note or Notes of authorized denominations, shall endorse such outstanding Note and surrender such outstanding Note at the office of Lessor together with a written request from such holder for the issuance of a new Note or Notes, specifying the name and address of the new payee or payees. Promptly upon receipt of such documents, Lessor will execute and deliver a new Note or Notes of the same type, in the same aggregate original face amount, dated the same date or dates as the surrendered Note, in such denomination or denominations of not less than $500,000 and registered in the name of and payable to such payee or payees as shall be specified in the written request from such holder. The holder of such surrendered Note shall endorse it and shall make a notation on each new Note of the amount of all payments of principal previously made on the surrendered Note or Notes with respect to which such new Note is issued and the date to which interest on such surrendered Note or Notes has been paid. Lessor shall not be required to transfer or exchange any surrendered Note as above provided during the period of 5 Business Days preceding the due date of any payment on such Note. Lessor may deem and treat the person in whose name any Note shall have been issued and registered as the absolute owner and holder of such Note for the purpose of receiving payment of all amounts payable by Lessor with respect to such Note and for all other purposes, and shall not be affected by any notice to the contrary.

(b) Mutilation, Destruction, Loss or Theft. If any Note shall become mutilated, destroyed, lost or stolen, Lessor shall, upon the written request and expense of the holder of such Note, execute and deliver to such holder, in replacement thereof, a new Note in the same face amount and dated the same date as the Note so mutilated, destroyed, lost or stolen. If the Note being replaced has become mutilated, such Note shall be surrendered to Lessor. If the Note being replaced has been destroyed, lost or stolen, the holder of such Note shall furnish to Lessor such security or indemnity as may reasonably be required by it to save it harmless and evidence reasonably satisfactory to Lessor of the destruction, loss or theft of such Note and the ownership thereof; provided, however, that if the holder of such Note is a Lender or another institutional investor, the written undertaking of such holder delivered to Lessor shall be sufficient security and indemnity.

(c) Lessor as Agent. In the event a Lender, or any successor holder of all of the Notes, shall transfer less than all of the Notes, such that there shall be two or more holders of the Notes, then Lessor shall be the agent and representative of all of the holders of the Notes for all purposes of this Security Agreement and any other Operative Document, including, without limitation, the exercise of remedies under Section 4 and the retention and investment of Collateral pursuant to Section 3.13. Any notices, reports, requests or other communications, any consents, and all payments of money, required or permitted hereunder or under any Operative Document to be given to or made by the holders of the Notes shall be effective if given to or made by Lessor, acting as agent and representative of all of the holders of the Notes. Lessor shall promptly forward to other holders of the Notes any such notices, reports, requests or other communications received from Lessee. No action required or permitted under this Security Agreement by Lenders or the holders of the Notes shall be taken without the approval of holders of more than 50% of the outstanding aggregate principal amount of all the Notes.

2.06 Reamortization of Notes. Upon receipt of a written request of Lessor in connection with an adjustment of rent pursuant to Section 3.03 of the Lease, each Lender agrees to modify the schedule for required payments under the Note or Notes issued to it as set forth in Schedule 1 thereto in connection with such rent adjustment, provided that (i) no more than one such modification of Schedule 1 to a Note shall be entered into in connection with a rent adjustment, (ii) after giving effect to such modification, the modified duration of the loan or loans evidenced by such Note or Notes (calculated as of July 18, 1988, discounted at the Note Rate and determined in accordance with standard financial practice) shall not be less than 4.71 years nor more than 5.11 years and (iii) no Loan Default shall have occurred and be continuing hereunder.

SECTION 3. SECURITY.

3.01 Grant of Security. (a) Grant. In order to secure the prompt payment of the principal of, and Yield Maintenance Premium, if any, and interest on all of the Notes (whether now or hereafter outstanding) and of all other moneys payable and to be payable under this Agreement and the Lease and the timely and faithful performance and observance by Lessor and Lessee of all of their respective agreements, covenants and provisions contained in this Agreement, the Participation Agreement, the Notes and the

Lease (such payment, performance and observance by Lessor and Lessee being hereinafter sometimes collectively called the "Indebtedness"), Lessor has granted, conveyed, pledged, sold, mortgaged, assigned, transferred and set over a security interest, and does hereby grant, convey, pledge, sell, mortgage, assign, transfer and set over a security interest, unto Lenders in:

(i) each Unit whether now owned or hereafter acquired;

(ii) Lessor's interest, if any, in such Units, substitute equipment, accessories and replacement and added parts which may now or hereafter be placed on or installed in any Unit (the Units, equipment, accessories and replacement and added parts described in items (i) and (ii) above being hereinafter sometimes collectively called the "Security Equipment");

(iii) all proceeds from the sale, loss or other disposition of the Security Equipment, including insurance and condemnation proceeds;

(iv) all rights, claims and causes of action, if any, which Lessor may have against any vendor, manufacturer, repairer or supplier of Security Equipment or any other party, by contract or otherwise, in respect of any defect in the Security Equipment; and

(v) the Lease and the other Assigned Documents together with all of Lessor's estate, right, title, interest, claim and demand in, to and under the Lease and such other Assigned Documents, including, without limitation, the right to receive notices and give consents under the Lease and such other Assigned Documents and the right to receive all payments, Rent, damages and other moneys from time to time payable to or receivable by Lessor under the Lease and such other Assigned Documents, including, without limitation, insurance and condemnation proceeds, (such Security Equipment, proceeds, rights, claims, causes of action, Lease and such other Assigned Documents described in items (i) through (v) above being hereinafter sometimes collectively called the "Collateral"), to have and to hold all and every part of the Collateral unto Lenders, and their successors and assigns, for their and their own use and benefit forever, but:

EXCLUDING, HOWEVER, from the Collateral, Excepted Payments and Rights.

(b) Partial Release. So long as no Loan Default shall have occurred and be continuing, upon termination of the Lease with respect to a Unit pursuant to Section 10 of the Lease and after payment in full of the amounts required to be paid in connection with such termination pursuant to Section 2.04 hereof, then all estate, right, title and interest of Lenders in and to such Unit shall revert to Lessor, and this Agreement and rights and powers granted herein and hereby shall cease to be binding and shall be of no further force or effect with respect to such Unit.

(c) Full Release. Upon payment in full of all of the Indebtedness in accordance with the terms hereof, then all rights herein assigned to Lenders shall cease and terminate, all estate, right, title and interest of Lenders in and to the Collateral shall revert to Lessor, and this Agreement and the rights and powers granted herein and hereby shall cease to be binding and shall be of no further force and effect.

3.02 Lenders as Agent. Lessor hereby constitutes Lenders, and their successors and assigns, the true and lawful attorneys of Lessor, irrevocably and with full power of substitution, in the name of Lessor or otherwise, upon the occurrence and during the continuance of a Loan Default (but subject to all the rights of Lessor reserved herein or as Excepted Payments and Rights) to (i) demand, receive, sue for, compromise and give acquittance for, any and all rentals, profits, moneys and claims for money due and to become due under the Lease and the other Assigned Documents or otherwise arising out of the Collateral (other than Excepted Payments and Rights), (ii) endorse any checks or other instruments or orders in connection therewith, (iii) make all waivers and agreements and (iv) file any claims or take any actions or institute any proceedings with respect thereto which Lender may deem necessary or advisable in its sole and complete discretion. Anything herein contained to the contrary notwithstanding, neither Lenders nor their nominees or assignees shall have any obligation or liability by reason of or arising out of this Security Agreement to make any inquiry as to the nature or sufficiency of, to present or file any claims with respect to, or to take any action to collect or enforce the payment of, any amounts to which it may be entitled at any time or times by virtue of this Security Agreement.

3.03 Perfecting Security. Lessor shall, from time to time and at its own expense, promptly execute, acknowledge, witness, deliver and file and/or record, or procure the execution, acknowledgment, witnessing, delivery and filing and/or recordation of, such documents or instruments, and shall take or cause to be taken such other actions, as Lenders may reasonably request for the perfection against Lessor and all third parties whomsoever (subject to the rights created by the Lease relating to the Security Equipment) of the security interest created by this Security Agreement and of the rights and powers herein granted to Lenders and for the continuation and protection thereof, and promptly give to Lenders evidence of such delivery and filing and/or recording. Without limiting the generality of the foregoing, Lessor shall from time to time and at any time execute, acknowledge, witness and deliver such financing and continuation statements, notices and additional security agreements, make such notations on its records, affix or cause to be affixed such labels, plates or other markings on the Security Equipment and take such other action as Lenders may reasonably request for the purpose of so perfecting, maintaining and protecting such security interest of Lender. Lessor hereby authorizes Lender to effect any filing or recording which Lenders have requested pursuant to this Section 3.03 without the signature of Lessor to the extent permitted by applicable law. The costs and expenses of Lender with respect to such actions shall be payable by Lessor upon demand.

3.04 Title to Collateral. Lessor hereby represents and warrants that (a) Lessor holds such title to the Security Equipment as was conveyed to Lessor free and clear of all Liens created by, through or under Lessor except Permitted Liens and (b) Lessor has not executed any other assignment of the Collateral and has received no advance rental payments under the Lease.

3.05 Inspection. To the extent that Lessor can grant such right, Lenders shall have at all reasonably times during normal business hours (upon 48 hours' prior written or telephonic request and subject to Lessee's reasonable operating convenience) the right of access to the premises where the Security Equipment is located for the purpose of inspecting the Security Equipment and applicable maintenance records for, and records, if any, of hours of use of, the Security Equipment and observing its use and operation and otherwise protecting the security interest created herein; provided, however, in exercising such right of inspection, (i) Lenders shall not unreasonably interfere with Lessee's

normal business operations and (ii) Lenders shall hold Lessee harmless from any claims resulting from injury, loss or death sustained by Lenders' representatives on Lessee's premises during any such inspection except to the extent that any such injury, loss or death occurs as a result of Lessee's negligence or willful misconduct.

3.06 Performance by Lessor. Lessor represents and warrants that (a) notwithstanding the assignment hereunder, Lessor will perform all of the covenants and conditions set forth to be complied with by it in the Participation Agreement, this Security Agreement, the Notes and the Lease and (b) to the knowledge of Lessor, it has performed all obligations on its part to be performed under the Lease on or prior to the date hereof and there has not occurred on or prior to the date hereof any Lease Default or Lease Event of Default.

3.07 Performance by Lenders. The assignment of the Lease hereunder is made only as security, and, therefore, shall not subject either Lenders, PruCapital Management, Inc. nor any Affiliate of any thereof to or transfer, or pass, or in any way affect or modify the liability of Lessor under the Lease, it being understood and agreed that notwithstanding such assignment, or any subsequent assignment, all obligations of Lessor to Lessee under the Lease shall be and remain enforceable by Lessee, its successors and assigns, against, and only against, Lessor. Nevertheless, either Lenders, PruCapital Management, Inc., or any Affiliate of any thereof may, at any time and from time to time at its option, upon prior written notice to Lessor, perform any act which is required to be performed by Lessor under the Lease or hereunder, but which Lessor shall fail to perform, and may take any other action which Lender may deem necessary for the maintenance, preservation or protection of its security interest in the Collateral. All moneys advanced and all expenses (including legal fees) incurred by either Lenders, PruCapital Management, Inc., or any Affiliate of any thereof in connection with such action together with interest at the Default Rate shall be repaid by Lessor to Lenders upon demand and shall be secured hereby as provided herein. The making of any advance for such purpose by either Lenders, PruCapital Management, Inc., or any Affiliate of any thereof shall not, however, cure any Loan Default hereunder until such amounts so advanced and such interest thereon shall have been repaid in full to Lenders and such Loan Default shall have otherwise been cured.

3.08 Lessor's Place of Business and Name. Lessor shall give Lenders not less than 60 days' prior written notice of any change in location of its principal place of business and chief executive office outside of the county in which it is located as of the date hereof and of any change in its legal name.

3.09 Protection of Security. (a) In the event the Collateral (other than the Equipment while subject to the Lease) is levied upon under legal process or falls under any other lien or encumbrance of whatever nature, except Permitted Liens, Lessor shall, promptly after the existence of any such lien or encumbrance shall first become known to Lessor, take appropriate steps to cause the same to be duly discharged, dismissed or removed.

(b) Lessor shall not, without the prior written consent of Lenders or as otherwise permitted under Section 8.04(a) of the Participation Agreement, sell, assign (including by virtue of assignment by operation of law), mortgage, pledge or otherwise transfer or encumber any of the Collateral (except as contemplated herein and in the Lease), or take any action which would permit any party other than Lenders to perfect any security interest in the Collateral, whether for purchase money or otherwise.

3.10 Disclaimer by Lenders. NEITHER LENDERS, PRUCAPITAL MANAGEMENT, INC. NOR ANY AFFILIATE OF ANY THEREOF MAKES ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE COLLATERAL OR ANY PART THEREOF; NEITHER LENDERS, PRUCAPITAL MANAGEMENT, INC., NOR ANY AFFILIATE OF ANY THEREOF SHALL BE CHARGEABLE WITH ANY OBLIGATIONS OR LIABILITIES OF LESSOR WITH RESPECT THERETO; AND NEITHER LENDERS, PRUCAPITAL MANAGEMENT, INC. NOR ANY AFFILIATE OF ANY THEREOF SHALL HAVE ANY LIABILITY OR OBLIGATION ARISING OUT OF ANY SUCH CLAIMS, KNOWN OR UNKNOWN, WITH RESPECT TO THE COLLATERAL.

3.11 Amendments to Agreements. Lessor hereby represents and warrants that it has not, and covenants that it shall not, as long as this Security Agreement shall remain in effect, except with the prior written consent of Lenders and upon the terms and conditions, if any, specified in such consent, enter into any agreement amending, supplementing or waiving compliance with the Lease or any other Assigned Document. Any attempted amendment, supplement or waiver without such consent shall be void. Consent by Lenders to any one amendment, supplement or waiver shall not be deemed to be consent to any other amendment, supplement or waiver.

3.12 Notices. Lessor shall cause copies of all notices received or sent by it in connection with the Lease and not required thereunder to be forwarded by lessee directly to lender to be promptly delivered to Lenders and Owner Participant at their respective addresses indicated on Appendix II annexed to the Participation Agreement.

3.13 Segregation of Money; Investment. No moneys received by Lessor hereunder need be segregated in any manner, except to the extent required by law and this Section 3.13. Any amount held by Lessor pursuant to the express terms hereof or the Lease until required to be distributed as herein provided shall be segregated from other funds of Lessor and invested and reinvested by Lessor from time to time in Permitted Investments at the written direction, or telephonic direction promptly confirmed in writing, of Lessee, except that after the occurrence and during the continuance of a Loan Default, such amounts shall be so invested and reinvested at the written direction of Owner Participant and at its risk and expense. Any net income or gain realized as a result of any such investments shall be held as part of the Collateral and shall be applied in the same manner as the amounts in respect of which such income or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held. Any Permitted Investment shall be sold or otherwise reduced to cash (without regard to the maturity date) by Lessor whenever necessary to make any application as required by such provisions. Lessor shall have no liability for any loss resulting from any such investment or reinvestment other than by reason of the willful misconduct or gross negligence of Lessor.

SECTION 4. LOAN DEFAULTS AND REMEDIES.

4.01 Loan Defaults. Any of the following events and conditions shall constitute a Loan Default hereunder (whether or not such event or condition shall be involuntary or arise or be effected by operation of law or otherwise):

(a) Principal and Interest Default. Payment of any sum on account of the principal of or interest or Yield Maintenance Premium, if any, on the Notes shall not be made within 5 Business Days after the same shall become due, whether at maturity, by acceleration, as part of a prepayment or otherwise; or

(b) Covenant Default. Lessor shall default in the performance or observance of any of its other obligations under this Agreement or Lessor or Owner Participant shall default in the performance of any of their respective obligations under the Participation Agreement and such default shall continue for 30 days after written notice thereof to Lessor and Owner Participant from Lenders; or

(c) Lease Event of Default. A Lease Event of Default (other than one arising from the failure to make any payment in respect of Excepted Payments and Rights when due) shall have occurred and be continuing; or

(d) Representation or Warranty False. Any representation or warranty made by Lessor or Owner Participant in the Participation Agreement or herein or in any certificate furnished to Lenders in connection herewith or therewith or pursuant hereto or thereto shall prove to be incorrect or misleading in any material respect when made; or

(e) Appointment of Receiver. Lessor or Owner Participant shall (i) apply for or consent to the appointment of a trustee, receiver, liquidator, custodian or the like of itself or its property, (ii) be unable, or admit in writing the inability, to pay its debts as they mature, (iii) make an assignment for the benefit of creditors, (iv) commence a voluntary case under a chapter of the Bankruptcy Reform Act of 1978, as amended, (v) file a petition or answer seeking reorganization or an agreement with creditors or to take advantage of any insolvency law or other law providing for the relief of debtors or an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or (vi) take any action for the purpose of effecting any of the foregoing; or

(f) Certain Court Orders. An involuntary case under a chapter of the Bankruptcy Reform Act of 1978, as amended, shall be commenced, or any other proceeding shall be instituted without the application, approval or consent of Lessor or Owner Participant seeking reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator, custodian or the like or of all or any

substantial part of Lessor or Owner Participant's assets or other like relief or the issuance of a writ of attachment, execution or similar process in a material amount against any material part of the property of Lessor or Owner Participant and Lessor or Owner Participant shall either fail to contest such proceedings in good faith or such proceedings shall continue for any period of 60 consecutive days.

4.02 Effect of a Loan Default. (a) Acceleration. Upon the occurrence of any Loan Default and at any time thereafter so long as the same shall be continuing, but subject always to any mandatory requirements of Applicable Law then in effect, Lender may, by written notice to Lessor and Owner Participant, declare the entire outstanding principal balance of all of the Notes to be due and payable forthwith, whereupon the Notes shall become due and payable, both as to principal and interest, subject, nevertheless, at all times to the nonrecourse provisions of the Notes, provided, however, in the event that the Loan Default results solely from a Lease Event of Default, Lenders may declare the unpaid principal balance of the Notes to be due and payable only after (i) the lapse of Lessor's grace periods for cure set forth in Section 4.03 and (ii) simultaneous declaration of the Lease to be in default to the extent legally permitted pursuant to Section 14 thereof.

(b) Remedies. Upon the acceleration of the maturity of the Notes pursuant to Section 4.02(a) but subject always to any mandatory requirements of Applicable Law then in effect and to the provisions of Sections 4.02(c) and (d), 4.03, 4.04 and 4.08, Lenders shall be entitled to do any one or more or all of the following acts, as Lenders in their sole discretion may then elect to:

(i) exercise all rights and remedies of Lessor under the Lease;

(ii) institute legal proceedings to foreclose upon and against the security interest granted herein to recover all amounts then due and owing as indebtedness, and to collect the same out of any of the Collateral;

(iii) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any of the Collateral;

(iv) institute legal proceedings for the appointment of a receiver for any of the Collateral pending

foreclosure hereunder or the sale of any of the Collateral under the order of a court of competent jurisdiction or under other legal process;

(v) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any part thereof may then be located and take possession of all or any part thereof or render it unusable, and, without being responsible for loss or damage, hold, store and keep idle, or operate, lease or otherwise use or permit the use of, the same or any part thereof for such time and upon such terms as Lender may determine in its sole and complete discretion and in light of its own best interests;

(vi) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any part thereof may then be located, and take possession of all or any part thereof with or without process of law and without being responsible for loss or damage, and sell or dispose of all or any part of the same, free from any and all claims of Lessor or of any other party claiming by, through or under Lessor at law, in equity or otherwise, at one or more public or private sales, in such place or places, at such time or times and upon such terms as Lenders may determine in their sole and complete discretion and in light of their own best interests with or without any previous demand on or notice to Lessor or advertisement of any such sale or other disposal; and for the aforesaid purposes, except as required by Section 4.02(d), all notice of sale, advertisement and demand and any right or equity of redemption otherwise required by, or available to Lessor under, Applicable Law are hereby waived by Lessor to the fullest extent permitted by Applicable Law; the power of sale hereunder shall not be exhausted by one or more sales, and Lenders may from time to time adjourn any sale to be made hereunder;

(vii) demand, collect and retain all sums from the lease, sale or other disposition of the Collateral, accounting only for the amount of such sums as exceeds the costs and expenses of the lease, sale or other disposition; and

(viii) exercise any other right, power, privilege or remedy which may be available to a secured party under the Uniform Commercial Code or any other applicable law.

(c) Right of First Offer. Notwithstanding the foregoing, if (i) Lenders shall have accelerated the maturity of the Notes pursuant to Section 4.02(a) in the event of a Loan Default under either Section 4.01(a) (if resulting from a Lease Event of Default) or Section 4.01(c) and not under any other subsection thereof, and (ii) any Lender or any Affiliate of any Lender who shall have become the owner of the Collateral proposes to dispose of all or any portion of the Collateral to a third party (through a public or private foreclosure sale or by a disposition by such Lender after having become the owner of the Collateral at a foreclosure sale or by an Affiliate of such Lender to whom ownership of the Collateral may be transferred by such Lender or any Affiliate of such Lender at a foreclosure sale or otherwise), then such Lender or such Affiliate shall not effect the disposition of the Collateral or any portion thereof except in accordance with the following procedure:

(i) Such Lender or such Affiliate shall first offer to sell the Collateral (including the Lease) to Lessor and Owner Participant, free and clear of the Lien of this Security Agreement, for a price equal to the lesser of (x) the unpaid principal balance of the Notes plus accrued and unpaid interest thereon (without adjustment for such Lender's or any Affiliates' successful bid (by credit or otherwise) at a foreclosure sale) or (y) the all-cash price at which such Lender or such Affiliate would propose to offer to sell the Collateral to third parties (including Lessee). In the event that such Lender or such Affiliate desires to lease the Collateral to third parties (including Lessee), the all-cash price shall be deemed to be the net present value of the proposed rental payments and the residual value of the Collateral at the expiration of the proposed lease (as established by an appraisal procedure analogous to the Appraisal Procedure, unless otherwise agreed upon), discounted at the Note Rate.

(ii) Lessor and Owner Participant shall have 30 days after receipt of such offer to notify such Lender or such Affiliate of either such offeree's acceptance of such offer.

If Lessor or Owner Participant shall accept such offer, then such sale shall be effected within 20 days after the date of such acceptance. If neither Lessor nor Owner Participant accepts such offer, then such Lender or such Affiliate may cause the sale or lease of the Collateral to any third party

(including Lessee, but excluding such Lender and any Affiliate of such Lender) free and clear of Owner Participant's and Lessor's right of first offer hereunder, provided that any such sale or lease shall be at a price (which, in the case of a lease, shall be determined as provided in Section 4.02(c)(i) above) not less than that so offered, unless such lower price shall itself have first been offered to Owner Participant and Lessor as aforesaid. Nothing in this Section 4.02(c) shall limit any Lender's or any Affiliate's right to transfer ownership of the Collateral, directly or by foreclosure sale, to an Affiliate of any Lender; and Owner Participant's and Lessor's right of first offer hereunder shall continue in respect of any proposed disposition by such Affiliate to a third party (other than such Lender or any Affiliate of such Lender).

(d) Notice. Lenders shall not exercise any remedy of foreclosure or other disposition of the Collateral unless and until they have given Lessor not less than:

(i) 30 days prior written notice of Lenders' intent to exercise such remedy;

(ii) 10 days prior written notice of the date, time and place of any proposed public sale of the Collateral; and

(iii) 10 days prior written notice of the date, time and place of any private sale at which any Lender intends to bid all or any portion of the Indebtedness.

At any such sale, Lessor shall be entitled to bid, and any cash bid by Lessor equal to a credit bid by any Lender shall be given preference. Upon Lessor's or Owner Participant's request, such Lender shall promptly inform Lessor and Owner Participant of such Lender's progress in foreclosure on or disposition of the Collateral. Lessor agrees that notices given in compliance with this Section 4.02(d) satisfy any legal requirements of commercial reasonableness.

(e) Application of Proceeds. The proceeds from the sale of the Collateral pursuant to any of the provisions of this Section 4.02 shall be applied by any Lender first, to the payment to Lenders of all legal fees and other costs and expenses incurred by such Lenders by reason of the occurrence of any Loan Default or the exercise of Lenders' remedies with respect thereto, and second, in the manner provided for in Section 2.03(d).

4.03 Right to Cure. (a) Base Rent and Casualty Value. If there occurs a Loan Default resulting from the failure of Lessee to pay all or any portion of Base Rent or Casualty Value when due, Lenders shall not, without the prior written consent of Lessor, exercise any remedy or remedies provided herein or in the Lease in respect thereof during the 5 Business Days next following the giving of notice by Lenders to Lessor of such Lease Event of Default. During such period, and provided no other Loan Default not resulting from a Lease Event of Default shall have occurred and be continuing, Lessor shall have the right (but no obligation) to cure, on behalf of Lessee, such Lease Event of Default; provided, however, that Lessor shall not be permitted to cure any such Lease Event of Default if Lessor shall have previously cured (i) four such Lease Events of Default as to which Lessee shall not have reimbursed Lessor within 35 days after the date any such unpaid Base Rent or Casualty Value was due or (ii) Lease Events of Default with respect to the two immediately preceding periods as to which Lessee shall not have reimbursed Lessor within 35 days after the date any such unpaid Base Rent or Casualty Value was due.

(b) Other Defaults. If there occurs a Loan Default resulting from the failure of Lessee to pay Supplemental Rent (other than in respect of Excepted Payments and Rights or the payment of Base Rent or Casualty Value) or any other Lease Event of Default under the Lease, Lenders shall not, without the prior written consent of Lessor, exercise any remedy or remedies provided herein or in the Lease in respect thereof during the 30 Business Days next following the giving of notice by Lenders to Lessor of such Event of Default. During such period, Lessor shall have the right (but not the obligation) to cure, on behalf of Lessee, such Event of Default; provided, however, that Lessor shall not be permitted to cure such failure (other than a failure to maintain insurance) if the amount in question, when aggregated with any and all prior amounts cured by Lessor pursuant to the provisions of this Section 4.02(b), and unreimbursed by Lessee to Lessor, shall exceed $1,000,000.

(c) Effect of Cure. Each separate Lease Event of Default occurring subsequent to a Lease Event of Default which was theretofore cured by Lessor shall be subject to the period during which Lenders may not exercise its remedies as hereinabove provided. No party exercising any such right to cure shall obtain any lien, charge or encumbrance of any kind upon any Unit or any rentals or

other amounts payable therefor under the Lease in respect of any sums paid in connection with the exercise of such right or the curing of such Lease Event of Default, nor shall any claims of such party against Lessee for the repayment of such sums so advanced impair the prior right of Lenders to the sums payable by Lessee under the Lease; provided, however, that if no Loan Default hereunder shall then have occurred and be continuing and if all Indebtedness then due and owing shall have been paid at the time of receipt by Lenders from Lessee of an overdue installment of Base Rent or other payment made in respect of which Lessor has made payment to Lenders or has incurred an expense pursuant to this Section 4.03 or any interest payable by Lessee in respect thereof, such installment or other sum and interest thereon shall be released to or at the written direction of Lessor.

4.04 Right to Purchase Notes. At any time after Lenders have accelerated the maturity of the Notes pursuant to Section 4.02(a) and prior to any sale or other disposition of the Notes, Lessor may, upon not less than 10 or more than 30 days' prior notice to Lenders, purchase all but not less than all of the Notes from each holder thereof by paying such holder in immediately available funds the aggregate unpaid principal amount of all Notes held by such holder, together with accrued interest thereon to the date of payment plus any other indebtedness payable to such holder. Upon receipt by Lenders of such notice by Lessor, Lenders shall not cause or permit any Collateral which has not previously been sold or otherwise disposed of to be sold or otherwise disposed of until 5 days after the date scheduled by Lessor for the purchase of the Notes.

4.05 Waiver by Lessor. To the fullest extent that it may lawfully so agree, Lessor shall not at any time insist upon, claim, plead, or take any benefit or advantage of, any appraisement, valuation, stay, extension, moratorium, redemption or similar law now or hereafter in force in order to prevent, delay or hinder the enforcement of this Security Agreement or the absolute sale of any part or all of the Collateral or the possession thereof by any purchaser at any sale pursuant to Section 4.02(b) above; and Lessor, for itself and all who may claim through it, as far as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such laws and all right to have the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose under this Security Agreement may order the sale of the Collateral as an entirety.

4.06 Right to Purchase Collateral. At any sale pursuant to Section 4.02(b) hereof, any Lender or its agent may, subject to any requirements of Applicable Law and to Section 4.02(c) and (d), bid for and purchase the Collateral offered for sale, may use any claim for indebtedness then due and payable to it as a credit against the purchase price and, upon compliance in full with the terms of such sale, may hold, retain and dispose of such property without further accountability therefor to Lessor or any other party.

4.07 Cumulative Rights. Each right, power and remedy herein specifically granted to Lenders or otherwise available to them shall be cumulative, and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or otherwise; and each right, power and remedy, whether specifically granted herein or otherwise existing, may be exercised, at any time and from time to time, as often and in such order as may be deemed expedient by Lenders in their sole and complete discretion; and the exercise or commencement of exercise of any right, power or remedy shall not be construed as a waiver of the right to exercise, at the same time or thereafter, the same or any other right, power or remedy. No delay or omission by Lenders in exercising any such right or power, or in pursuing any such remedy, shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Lessor or an acquiescence therein. No waiver by Lenders of any breach or default of or by Lessor under this Security Agreement shall be deemed to be a waiver of any other or similar, previous or subsequent breach or default.

4.08 Certain Rights of Lessor. Notwithstanding any provision to the contrary in this Agreement:

(a) Lessor may, but not to the exclusion of Lender, (i) receive from Lessee or such other Person all applicable notices, financial statements, certificates, opinions of counsel and other documents and all information which Lessee, or such other Person, as the case may be, is permitted or required to give or furnish to Lessor pursuant to the Lease or any other Operative Document, (ii) inspect any Unit and the books and records of Lessee and obtain other information relating to the condition of the Units, (iii) provide any insurance Lessee has failed to maintain as required pursuant to Section 7 of the Lease, or commence an action against Lessee for specific performance only of

Lessee's obligation to maintain the public liability insurance required to be maintained thereby, (iv) exercise Lessor's right to cause Lessee to take any action and execute and deliver such documents and assurances as Lessor may from time to time reasonably request pursuant to Section 20.05 of the Lease, (v) join in any amendment, modification, waiver or consent in respect of any of the provisions of any Operative Document, (vi) exercise Lessor's right to perform for or cure a default by Lessee, and be reimbursed therefor, pursuant to Section 17 of the Lease and (vii) so long as such exercise does not adversely affect Lenders, exercise any and all other rights, and fulfill obligations (if any), of Lessor under the Lease, in each case, in the ordinary course of operations;

(b) Lessor may, to the exclusion of Lenders, demand and receive payment of, and commence an action at law to obtain payment of, moneys payable with regard to Excepted Payments and Rights or otherwise enforce or exercise its rights in respect of Excepted Payments and Rights against any person; provided, however, that Lessor shall not have any remedy or right with respect thereto against the Collateral;

(c) Lessor may retain, to the exclusion of Lenders, all rights with respect to separate liability insurance maintained by it; and

(d) Lessor may, to the exclusion of Lenders so long as no Loan Default exists, (i) exercise Lessor's rights relating to any appraisal for the purpose of determining, and consent to or make any determination of Fair Market Value or Fair Market Rental Value with respect to the Units, (ii) exercise the rights of Lessor upon the return of any Unit under Section 11 of the Lease, (iii) exercise the rights of Lessor with respect to Lessee's renewal options and purchase options under Sections 12.01 and 12.02 of the Lease, respectively and (iv) enter into a supplement or amendment to the Lease pursuant to Section 3.03(d) thereof to reflect adjustments effected pursuant to Section 3.03(b) thereof, so long as such adjustments are in accordance with Section 3.03(c) thereof.

SECTION 5. MISCELLANEOUS.

5.01 Successors and Assigns. This Security Agreement shall be binding upon the successors and assigns

and shall inure to the benefit of the permitted successors and assigns of Lessor and Lenders.

5.02 Governing Law. The terms of this Security Agreement and the rights and obligations of the parties hereto shall be governed by the laws of the State of New York.

5.03 Amendments. This Security Agreement may be amended only by an agreement in writing signed by the party against whom enforcement of the amendment is sought.

5.04 Severability. Any provision of this Security Agreement prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof or any provision in any other Operative Document, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The provisions of this Security Agreement shall remain valid and enforceable notwithstanding the invalidity, unenforceability, impossibility or illegality of performance of any other Operative Document.

5.05 Notices and Payments. All payments required or provided to be made by one party to another pursuant to this Security Agreement and all notices or communications required or provided hereunder, shall be made or given as set forth in Section 11.06 of the Participation Agreement.

5.06 Counterparts. This Security Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts, but all such counterparts shall together constitute a single instrument.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date above written.

LENDERS:

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
by PruCapital Management, Inc., its Agent

By Thomas M. LeBrun
Title:

PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY

By Matthew J. Chanin
Title:

PRUCO LIFE INSURANCE COMPANY

By Matthew J. Chanin
Title:

LESSOR:

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as trustee

By
Title: James P. Lawler
Financial Services Officer

STATE OF NEW JERSEY)
) ss.:
COUNTY OF ESSEX)

On this 28th day of November, 1988, before me personally appeared Thomas M. Le Brun, to me personally known, who, being by me duly sworn, says that he is Vice President of PruCapital Management, Inc., agent for THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 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.

Diane C. Smith
Notary Public

My Commission Expires:

[Notary Seal]

DIANE C. SMITH
A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 22, 1993

STATE OF NEW JERSEY)
) ss.:
COUNTY OF ESSEX)

On this 22nd day of November, 1988, before me personally appeared Matthew J. Chanin, to me personally known, who, being by me duly sworn, says that he is Asst. Financial V.P. of PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY, 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.

Diane C. Smith
Notary Public

My Commission Expires:

[Notary Seal]

DIANE C. SMITH
A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 22, 1993

STATE OF NEW JERSEY)
) ss.:
COUNTY OF ESSEX)

On this 22nd day of November, 1988, before me personally appeared Matthew J. Chanin, to me personally known, who, being by me duly sworn, says that he is Asst. Vice President of PRUCO LIFE INSURANCE COMPANY, 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.

Diane C. Smith
Notary Public

My Commission Expires:

DIANE C. SMITH
A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 22, 1993

[Notary Seal]

STATE OF New York)
: ss.:
COUNTY OF New York)

On this 29th day of November, 1988, before me personally appeared James P. Lawler, to me personally known, who, being by me duly sworn, says that he is Financial Services Officer of WILMINGTON TRUST COMPANY, 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.

Patti Mendik
Notary Public

My Commission Expires:

[Notary Seal]

PATTI MENDIK
Notary Public, State of New York
No. 30-4898557
Qualified in Nassau County
Commission Expires June 15, 1989

DEFINITIONS

"Affiliate" of any Person means any other person controlling, controlled by or under direct or indirect common control with such Person.

"Alterations" has the meaning given in Section 5.01(a) of the Lease.

"Applicable Law" means the federal, state and local statutes, regulations, ordinances and codes and the rules, interpretations and orders of any commissions, boards or other legislative, executive, judicial or other governmental bodies or officers, in each case relating to the Equipment or Lessee's business, including, without limitation, the rules of the United States Department of Transportation, the Interstate Commerce Commission, the current Field Manual of the Interchange Rules, or supplements thereto, as issued by the Mechanical Division of the Association of American Railroads or any successor organization, and the Federal Railway Administration Railroad Freight Car Safety Standards (49 CFR Part 215, as amended), as the same may be in effect from time to time.

"Appraisal Procedure" means the procedure specified in the succeeding sentences for determining the amount of the Fair Market Rental Value or the Fair Market Value of a given Unit or Alteration. The parties shall consult for the purposes of determining such amount by mutual agreement. In the absence of such agreement either party may give written notice (the "Notice") to the other, requesting determination of such amount by appraisal and in such event the parties shall consult for the purpose of appointing a mutually acceptable qualified independent appraiser, who shall determine the Fair Market Value or Fair Market Rental Value. If the parties are unable to agree on an appraiser within 20 days of the giving of the Notice, the Fair Market Value or Fair Market Rental Value shall be determined by each of two independent appraisers, one of whom shall be selected by Lessee and the other of whom shall be selected by Owner Participant on or before the twenty-first day following the giving of the Notice. The appraisers so selected shall make their determinations within 10 days following their appointment. If the determination made by the appraiser reaching the greater value does not exceed the determination made by the appraiser reaching the lower value by more than ten per-

cent of the lower value, the two values shall be averaged and such determination shall constitute the determination of the appraisers. If such excess is greater than ten percent of the lower value, a third appraiser shall be selected by the two appraisers or by the American Arbitration Association if the other two are unable to agree upon a third appraiser within 10 days. After the third appraiser shall make his determination, the appraisal which differs most from the other two appraisals shall be excluded, the remaining two determinations shall be averaged and such average shall constitute the Fair Market Value or Fair Market Rental Value, as appropriate.

"Assigned Documents" means the Lease, each Bill of Sale and the Car Purchase Agreement.

"Base Rent" means the amounts required to be paid by Lessee under Section 3.02 of the Lease.

"Base Term" means the period beginning on the Base Term Commencement Date and ending on the Expiration Date.

"Base Term Commencement Date" means January 1, 1989.

"Bill of Sale" for any Unit means the warranty bill of sale substantially in the form of Exhibit A to the Car Purchase Agreement for such Unit delivered by Seller to Owner Trustee on the Purchase Date.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banking institutions in the States of Delaware, North Carolina, Maryland and New York are authorized or required by law to be closed.

"Called Principal" shall mean, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 2.04(b) of the Security Agreement.

"Cancellation Fee" has the meaning given in Section 2.05 of the Participation Agreement.

"Car Purchase Agreement" means the Car Purchase Agreement, dated as of August 1, 1988, between Seller and Lessor, substantially in the form of Exhibit A to the Participation Agreement.

"Cars" means the Units.

"Casualty Event" has the meaning given in Section 10.02 of the Lease.

"Casualty Loss Factor" means the applicable factor set out in Schedule 2 to the Lease, as adjusted in accordance with Section 3.03 of the Lease.

"Casualty Payment Date" means, (i) with respect to a Unit that suffers a Casualty Event prior to the Base Commencement Date, the last day of the Interim Term, or (ii) the Rent Payment Date next following the date a Unit suffers a Casualty Event.

"Casualty Value" means an amount calculated in accordance with Section 10.04 of the Lease.

"Change in Tax Law" means a change in the Code, the issuance of new or revised Treasury Regulations, revenue procedures, revenue rulings or other administrative publications or any change in judicial interpretation of existing law, not including any such amendment, modification, deletion or change affecting a minimum tax or alternative minimum tax relating generally to the income of Owner Participant.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor tax code thereto.

"Collateral" has the meaning given in Section 3.01 of the Security Agreement.

"Comfort Letter" shall mean the letter executed by NCNB National Bank of North Carolina in substantially the form of Exhibit H hereto.

"Debt Commitment" means, in respect of all Lenders in the aggregate, $2,340,800, and in respect of each Lender, the percentage thereof set forth on Schedule 1 to the Participation Agreement for such Lender.

"Debt Commitment Percentage" means, in respect of all Lenders in the aggregate, eighty percent (80%), and in respect of each Lender, the percentage thereof set forth on Schedule 1 to the Participation Agreement for such Lender.

"Debt Portion" means, with respect to any Unit, the Debt Commitment Percentage multiplied by the Lessor's

Cost of such Unit, provided that the aggregate Debt Portion of the Equipment shall not exceed the Debt Commitment.

"Declaration of Default" has the meaning given in Section 14.01 of the Lease.

"Default" means an event or circumstances which, with the passage of time or the giving of notice, or both, would become an Event of Default.

"Default Rate" means the lesser of (x) the higher of (i) the interest rate announced by Morgan Guaranty Trust Company of New York from time to time as its prime lending rate for preferred borrowers within the United States, plus 2% per annum or (ii) the interest rate provided for in the Notes plus 2% per annum or (y) such maximum contract rate as is permitted by law.

"Delayed Takedown Fee" has the meaning given in Section 2.06 of the Participation Agreement.

"Discounted Value" shall mean, with respect to the Called Principal of any Note, the amount calculated by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semiannual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"Equipment" means all of the Units that are subject to the Lease.

"Event of Default" means any of the events or circumstances described in Section 13 of the Lease.

"Equity Commitment" means $585,200.

"Equity Commitment Percentage" means twenty percent (20%).

"Equity Portion" means, with respect to any Unit, the Equity Commitment Percentage multiplied by Lessor's Cost of such Unit, provided that the aggregate Equity Portion of the Equipment shall not exceed the Equity Commitment.

"Excepted Payments and Rights" means all of Lessor's and Owner Participant's estate, right, title and in-

terest, whether now owned or hereafter acquired, in and to the following:

(i) all rights to any indemnity payment or any other payment payable to Lessor (in its individual capacity or as Owner Trustee) or Owner Participant pursuant to Sections 6 and 7 of the Participation Agreement or under the Tax Indemnity Agreement and the rights to demand, collect, sue for or otherwise obtain such amounts from Lessee or any other Person and to seek legal or equitable remedies with respect thereto subject to Section 4.08 of the Security Agreement;

(ii) all rights to any payment under (A) any insurance maintained by Lessor or Owner Participant (other than insurance so maintained to the extent that such insurance provides coverage Lessee is required under the Lease to provide and which Lessee fails so to provide or maintain) or (B) liability insurance policies (whether maintained by Lessee as required under the Lease or otherwise) to or for the benefit of Lessor (both in its individual capacity and as Owner Trustee) or Owner Participant on account of any loss suffered by Lessor (both in its individual capacity and as Owner Trustee) or Owner Participant with respect to any matter for which it is indemnified under Section 6 or 7 of the Participation Agreement; and

(iii) all amounts of interest or late charges on any amounts payable pursuant to clause (i) above.

"Expiration Date" means the tenth anniversary of the Base Term Commencement Date.

"Fair Market Value" means, with respect to a given Unit or Alteration, an amount determined in accordance with the Appraisal Procedure as of a given time, which amount equals the value which would be obtained in an arms's length purchase and sale transaction between an informed and willing buyer (other than a buyer currently in possession), and an informed and willing seller under no compulsion to sell, without regard to the costs and expenses that are reasonably anticipated would be incurred in connection with such a transaction.

"Fair Market Rental Value" means, with respect to a given Unit, an amount determined in accordance with the Appraisal Procedure as of a given time, which amount equals the value which would be obtained in an arm's length lease

transaction between an informed and willing lessee (other than a party currently in possession), and an informed and willing lessor under no compulsion to lease, without regard to the costs and expenses that are reasonably anticipated would be incurred in connection with such a transaction.

"Impositions" has the meaning given in Section 7.01 of the Participation Agreement.

"Indebtedness" has the meaning given in Section 3.01(a) of the Security Agreement.

"Indemnitee" means Lenders, Lessor (both in its individual capacity and as Owner Trustee), Seller, Owner Participant and their respective successors, assigns, agents, officers, directors and employees.

"Insurance Broker's Certificate" has the meaning given in Section 7.05 of the Lease.

"Insurance Requirements" means the requirements of insurance policies, if any, which Lessee is obligated to maintain pursuant to Section 7 of the Lease.

"Interim Rent" means, with respect to each Unit, the amount required to be paid by Lessee under Section 3.01 of the Lease.

"Interim Term" means, with respect to each Unit, the period commencing on the Purchase Date and ending on December 31, 1988.

"Lease" means the Equipment Lease Agreement, dated as of August 1, 1988, between Lessor and Lessee, substantially in the form of Exhibit B to the Participation Agreement, together with each Lease and Security Agreement Supplement entered into pursuant to the applicable provisions thereof and of the Security Agreement.

"Lease Default" means an event or circumstances which, with the passage of time or the giving of notice, or both, would become a Lease Event of Default.

"Lease Event of Default" means the event or circumstances described in Section 13 of the Lease.

"Lease and Security Agreement Supplement" means a Lease and Security Agreement Supplement, to be entered into among Lessor, Lessee and Lenders and dated the Purchase

Date, substantially in the form of Exhibit A to the Lease and Exhibit B to the Security Agreement, and describing the Units leased thereunder and rendered subject to the security interest of the Security Agreement thereby.

"Lease Term" means the Base Term, together with any Renewal Term.

"Lender" means each of The Prudential Insurance Company of America, a New Jersey mutual insurance company, Prudential Property and Casualty Insurance Company, a New Jersey corporation, and Pruco Life Insurance Company, an Arizona corporation and their respective successors and assigns.

"Lessee" means CSX Transportation, Inc., a Virginia corporation.

"Lessor" means Owner Trustee, not in its individual capacity but solely as trustee under the Trust Agreement.

"Lessor's Cost" means, with respect to a given Unit, the amount set out as Lessor's Cost thereof in the Lease and Security Agreement Supplement dated the Purchase Date.

"Lessor's Liens" means any Liens arising as a result of (i) claims against or affecting Lessor or Owner Participant, not related to the transactions contemplated by any of the Operative Documents, or (ii) acts or omissions of Lessor or Owner Participant not related to the transactions contemplated by, or not permitted under, any of the Operative Documents or (iii) Impositions or Losses imposed against Lessor which are not indemnified against by Lessee pursuant to any of the Operative Documents.

"Lien" means any lien, mortgage, encumbrance, charge, pledge, lease, security interest or claim of any kind (including without limitation any conditional sale or other title retention agreement).

"Loan Default" means any of the events described in Section 4.01 of the Security Agreement.

"Loan Value" has the meaning given in Section 2.04(a) of the Security Agreement.

"Loss" or "Losses" has the meaning given in Section 6.01 of the Participation Agreement.

"Net Earnings" means net profit after taxes, as determined in accordance with generally accepted accounting principles consistently applied.

"Note" or "Notes" means one or more of the non-recourse promissory note or notes issued by Lessor to Lenders pursuant to the Security Agreement substantially in the form of Exhibit A to the Security Agreement.

"Note Payment Date" means each of the 20 semi-annual dates on which payments of principal and interest are due under the Notes as set out in the Notes.

"Note Rate" means 10.30% per annum computed on the basis of a 360-day year of twelve 30-day months.

"Officer's Certificate" means, with respect to Lessee, a certificate delivered pursuant to Section 7.05 of the Lease signed by the Chairman of the Board of Directors, the President, a Vice President, the Treasurer of Lessee or Lessee's Equipment Unit, the Secretary or any Assistant Secretary, or any person holding one or more such offices.

"Operative Documents" means, collectively, the Participation Agreement, the Car Purchase Agreement, the Lease, each Lease and Security Agreement Supplement, the Security Agreement, the Trust Agreement, the Tax Indemnity Agreement, the Comfort Letter and the Notes.

"Owner Participant" means NCNB Lease Investments, Inc., a North Carolina corporation, and its permitted successors and assigns.

"Owner Participant's Net Return" means Owner Participant's net after-tax return on investment and the periodic net after-tax cash flow and timing thereof anticipated by Owner Participant from entering into the transactions contemplated by the Operative Documents.

"Owner Trustee" means Wilmington Trust Company, a Delaware banking corporation in its individual capacity as expressly provided herein and otherwise solely as trustee under the Trust Agreement, and its successors and assigns as trustee thereunder.

"Participant" means any of Owner Participant, Owner Trustee both in its individual capacity and as trustee, Lenders, Seller and Lessee.

"Participation Agreement" means the Participation Agreement, dated as of August 1, 1988, among Lenders, Lessor, Owner Participant, Seller and Lessee.

"Payment Date" has the meaning given in Section 14.01 of the Lease.

"Permitted Contest" means a contest, including an appeal, with respect to a Lien or an Imposition, or the provisions of any Applicable Law which:

(i) is made in good faith by appropriate proceedings timely commenced and diligently prosecuted, and as to which adequate reserves have been maintained;

(ii) in the reasonable opinion of Lessor and, if the Security Agreement is then in effect, Lenders, does not involve significant risk of: (A) civil or criminal liability to an Indemnitee; or (B) material reduction in the value or utility of the Equipment; and

(iii) is not a conflict with any Insurance Requirement.

"Permitted Investments" means investments in bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America or are issued or guaranteed by any person controlled or supervised by and acting as an agent or instrumentality of the United States pursuant to authority granted by the Congress of the United States and for which the full faith and credit of the United States Government is pledged to provide for the payment of principal and interest.

"Permitted Liens" means, (i) the security interest created by the Security Agreement; (ii) liens for taxes either not yet due or being contested by a Permitted Contest; (iii) undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or employees' liens or other like liens arising in the ordinary course of business and securing obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended.

"Person" means an individual, a corporation, a partnership, an unincorporated organization, an association, a joint stock company, a joint venture, a trust, an estate, a government or any agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

"Purchase Date" means the date on which Units are purchased pursuant to the Car Purchase Agreement, provided that such date shall not occur later than December 30, 1988.

"Reinvestment Yield" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by the Treasury Constant Maturity Series yields reported by Telerate System, Incorporated or any comparable successor financial reporting service for actively traded U.S. Treasury securities having a constant maturity equal to the remaining Weighted Average Life to Final Maturity (calculated in accordance with accepted financial practice) of such Called Principal as of such Settlement Date. Such implied yield shall be determined (a) by calculating the remaining Weighted Average Life to Final Maturity of such Called Principal and (b) if necessary, by interpolating linearly between Treasury Constant Maturity Series yields.

"Remaining Scheduled Payments" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"Renewal Term" has the meaning given in Section 12.02 of the Lease.

"Rent Amount" means each amount of Base Rent, Supplemental Rent or other amount which Lessee is obligated to pay under any Operative Document to which it is a party.

"Rent Assumptions" has the meaning given in Section 3.03(a) of the Lease.

"Rent Factor" for each Unit for each Rent Payment Date means the percentage of Lessor's Cost for such Unit set forth on Schedule 1 to the Lease opposite such Rent Payment Date.

"Rent Payment Date" means each June 30 and December 31 during the Base Term, commencing June 30, 1989.

"Responsible Officer" means any officer or employee of Lessee who, in the ordinary course of fulfilling his duties, would have knowledge of the obligation to notify Lessor in writing of the happening of a Casualty Event pursuant to Section 10.03 of the Lease, or a Loss under Section 6.01 of the Participation Agreement.

"Security Agreement" means the Loan and Security Agreement, dated as of August 1, 1988, among Lenders and Lessor, substantially in the form of Exhibit C to the Participation Agreement, together with each Lease and Security Agreement Supplement entered into pursuant to the applicable terms thereof and of the Lease.

"Security Equipment" has the meaning given in Section 3.01 of the Security Agreement.

"Seller" means Raceland Car Corporation, a Delaware corporation.

"Settlement Date" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 2.04(b) of the Security Agreement.

"Supplemental Rent" means the amounts described in Section 3.04 of the Lease.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement, dated as of August 1, 1988, between Owner Participant and Lessee, substantially in the form of Exhibit E to the Participation Agreement.

"Transfer" has the meaning given in Section 9 of the Participation Agreement.

"Transferee" has the meaning given in Section 9(a) of the Participation Agreement.

"Trust Agreement" means the Trust Agreement, dated as of August 1, 1988, between Owner Participant and Owner Trustee in its individual capacity, substantially in the form of Exhibit D to the Participation Agreement.

"Trust Estate" has the meaning given in Section 2.01 of the Trust Agreement.

"Unit" means an item of Equipment described on Schedule 1 to a Lease and Security Agreement Supplement

dated the Purchase Date and which is purchased by Owner Trustee and leased to Lessee pursuant to the Lease and Participation Agreement.

"Weighted Average Life to Final Maturity" of any indebtedness for borrowed money means at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-Years of such indebtedness by the then outstanding principal amount of such indebtedness; for purposes of the foregoing definition, the "Remaining Dollar-Years" of any indebtedness shall mean the sum of the products obtained by multiplying the amount of each scheduled payment (or part thereof), including payment at final maturity, by the number of years (calculated to the nearest one-twelfth) which will elapse between the date as of which such determination is made and the date of each such required payment.

"Yield-Maintenance Premium" shall mean, with respect to any Note, a premium equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of such Called Principal plus interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield-Maintenance Premium shall in no event be less than zero.

EXHIBIT A
to
The Security Agreement

NONRECOURSE PROMISSORY NOTE

$_____ New York, New York
_____, 1988

FOR VALUE RECEIVED, Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee ("Lessor") under that certain Trust Agreement dated as of August 1, 1988 with NCNB Lease Investments, Inc., a North Carolina corporation, as trustor ("Owner Participant"), hereby promises, subject to the conditions hereinafter set forth, to pay to _____ ("Lender") at Morgan Guaranty Trust Co., 23 Wall Street, New York, New York 10015, or at such other place as Lender may from time to time notify Lessor, and its registered assigns, the principal amount of _____ _____ ($_____), in lawful money of the United States, together with interest, in like money, from the date hereof on the unpaid principal amount hereof from time to time outstanding at a rate of 10.30% per annum computed on the basis of a 360-day year of twelve 30-day months (the "Note Rate"), except that principal amounts not paid when due hereunder shall bear interest at the Default Rate (as defined in the Security Agreement hereinafter referred to).

This Note shall be payable in one installment of interest only on December 31, 1988 and in nineteen (19) installments of principal and accrued interest, in each case with the amount of principal equal to the dollar figures set forth in Schedule 1 hereto, as amended from time to time in accordance with Section 2.06 of the Security Agreement, opposite the applicable Note Payment Date; provided, that in all events the last such payment of principal and interest shall be in an amount sufficient to discharge the accrued and unpaid interest on, and the unpaid principal of, this Note.

If any payment of principal of or interest on this Note shall become due on a Saturday, Sunday or a public holiday, such payment shall be made on the next succeeding business day.

This Note is one of several notes ("Notes") in an aggregate principal amount not to exceed $2,340,800 issued or to be issued by Lessor to [_____], [_____] and Lender ("Lenders") and referred to in the Loan and Security

THIS NOTE HAS NOT BEEN REGISTERED UNDER ANY STATE SECURITIES LAW OR THE SECURITIES ACT OF 1933, AS AMENDED, AND MUST BE HELD INDEFINITELY UNLESS SO REGISTERED OR TRANSFERRED

Agreement by and between Lessor and Lenders dated as of August 1, 1988 relating to railroad open top hopper cars leased to CSX Transportation, Inc., a Virginia corporation ("Lessee"), (the "Security Agreement"). The Notes are, or upon issuance will be, secured by a grant of security made by Lessor to Lenders in connection with the Security Agreement pursuant to an Equipment Lease Agreement (the "Lease") dated as of August 1, 1988, between Lessor and Lessee and in the Lease and Security Agreement Supplement No. 1 dated the date hereof, among Lessor, Lessee and Lenders. Reference is hereby made to the Lease, the Security Agreement and such Lease and Security Agreement Supplement for a description of the property assigned and mortgaged, the nature and extent of the security and the rights of Lenders, the holders of the Notes and Lessor in respect of such security.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING (EXCEPT WITH RESPECT TO THE PAYMENT OF INTEREST ONLY ON DECEMBER 31, 1988), THIS NOTE IS A NONRECOURSE OBLIGATION OF LESSOR, AND THE LIABILITY OF LESSOR TO MAKE PAYMENTS OF PREMIUM, PRINCIPAL OF AND INTEREST ON THIS NOTE IS LIMITED SOLELY TO PAYMENTS OUT OF THE RENTS UNDER THE LEASE ASSIGNED AND PAYMENTS OUT OF THE PROCEEDS OF THE OTHER COLLATERAL PROVIDED IN THE SECURITY AGREEMENT, AND NO HOLDER OF THIS NOTE SHALL HAVE RECOURSE (EXCEPT WITH RESPECT TO THE PAYMENT OF INTEREST ONLY ON DECEMBER 31, 1988) TO LESSOR OR OWNER PARTICIPANT OR TO ANY OF THE OTHER ASSETS OF LESSOR OR OWNER PARTICIPANT IN THE EVENT THAT SUCH RENTS AND PROCEEDS SHALL NOT BE SUFFICIENT FULLY TO DISCHARGE THE LIABILITY OF LESSOR HEREUNDER.

The Notes are subject to certain mandatory prepayments and the maturity thereof may be accelerated, all as provided in the Security Agreement. Premium may be due and payable upon the occurrence of certain prepayments as provided in Section 2.04(b) of the Security Agreement. Lessor hereby waives presentment, demand or protest of any kind otherwise required in connection with the payment of principal of or interest on the Notes. Lessor hereby waives, to the extent permitted by law, the right to trial by a jury in connection with the payment of principal of or interest on the Notes. The terms of this Note shall be governed by the laws of the State of New York.

WILMINGTON TRUST COMPANY, not
in its individual capacity but
solely as trustee

By_____
Title:

SCHEDULE 1
to
NOTE

	PAYMENT DATE	DEBT SERVICE	INTEREST	PRINCIPAL	BALANCE

EXHIBIT B
TO SECURITY AGREEMENT

LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. _____

Dated _____, 1988

Among

WILMINGTON TRUST COMPANY,
not in its individual capacity but solely as trustee
Lessor/Owner Trustee,

CSX TRANSPORTATION, INC.,
Lessee

and

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY and
PRUCO LIFE INSURANCE COMPANY,
Lenders

OPEN TOP HOPPER RAILCARS

Note: This Lease and Security Agreement Supplement and certain rights of Lessor hereunder and in the Units covered hereby have been assigned to, and are subject to a security interest in favor of Lenders. To the extent, if any, that this Lease and Security Agreement Supplement shall constitute chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease and Security Agreement Supplement may be created except through the transfer or possession of the original counterpart which the parties shall mark "Counterpart Number 1". This is Counterpart Number __.

FILED WITH THE INTERSTATE COMMERCE COMMISSION
PURSUANT TO 49 U.S.C. § 11303 ON _____, 1988
AT ___:___ RECORDATION NUMBER _____.

THIS LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. ____, dated _____ __, 1988, among WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity but solely as Owner Trustee ("Lessor" or "Owner Trustee") under that certain Trust Agreement dated as of August 1, 1988 (the "Trust Agreement") with NCNB LEASE INVESTMENTS, INC., CSX TRANSPORTATION, INC., a Virginia corporation ("Lessee") and THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey mutual insurance company, PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY, a New Jersey corporation and PRUCO LIFE INSURANCE COMPANY, an Arizona corporation (each a "Lender" and collectively, "Lenders").

W I T N E S S E T H:

WHEREAS, Lessor, Lessee and Lenders have, with the other parties thereto, heretofore entered into a Participation Agreement (the "Participation Agreement"), Lessor and Lessee have heretofore entered into an Equipment Lease Agreement (the "Lease"), and Lenders and Owner Trustee have heretofore entered into a Loan and Security Agreement (the "Security Agreement"), each dated as of August 1, 1988 (capitalized terms used herein without definitions having the respective meanings set forth in Appendix I to each of the Lease and the Security Agreement);

WHEREAS, the Participation Agreement and the Lease provide that on the Purchase Date Seller shall deliver to Owner Trustee a Bill of Sale dated such date by which Seller bargains, conveys, assigns, sets over, sells and delivers to Owner Trustee, and Owner Trustee purchases and accepts from the Seller, the Units to be conveyed on such Purchase Date, and said Bill of Sale has been delivered by Seller and accepted by Owner Trustee on such Purchase Date;

WHEREAS, the Participation Agreement, the Lease, and the Security Agreement provide for the execution of a Lease and Security Agreement Supplement substantially in the form hereof for the purposes of leasing the Units under the Lease as and when delivered by Lessor to Lessee in accordance with the terms thereof and subjecting such Units to the lien of the Security Agreement;

NOW, THEREFORE, in consideration of the premises and for good and sufficient consideration, Lessor, Lessee and Lenders hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee, and Lessee hereby accepts and leases from Lessor, under the Lease as hereby supplemented, the Units listed on Schedule 1 hereto.

2. Lessee hereby confirms to Lessor that Lessee has accepted such Units for all purposes hereof and of the Lease.

3. The Lessor's Cost of each Unit leased hereunder is $22,000 and the aggregate Lessor's Cost of the Units leased hereunder is $_____.

4. Lessee hereby confirms its agreement, in accordance with the Lease as supplemented by this Lease and Security Agreement Supplement, on the last day of the Interim Term to pay Interim Rent to Lessor for the Units, in the amount of $_____[1/], and on each Rent Payment Date to pay Base Rent to Lessor for each Unit as provided for in the Lease.

5. In order to secure the prompt payment of the principal of and Yield Maintenance Premium, if any, and interest on the Notes issued on the date hereof and on the other Notes, Lessor has granted, conveyed, pledged, sold, mortgaged, assigned, transferred and set over a security interest unto Lenders in (i) the Units listed on Schedule 1 hereto and (ii) this Lease and Security Agreement Supplement, in each case excluding Excepted Payments and Rights, to have and to hold unto Lenders and their successors and assigns for their and their own use and benefit forever.

6. All of the provisions of the Lease and the Security Agreement are hereby incorporated by reference in this Lease and Security Agreement Supplement to the same extent as if fully set forth herein.

7. This Lease and Security Agreement Supplement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

1/ Aggregate amount of accrued interest paid on the Notes on the last day of the Interim Term.

8. This Lease and Security Agreement Supplement is being delivered in the State of New York and shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, Lessor, Lessee and Lenders have caused this Lease and Security Agreement Supplement to be duly executed on the date and year set forth in the opening paragraph hereof.

Lessor/Owner Trustee

WILMINGTON TRUST COMPANY
not in its individual capacity
but solely as Owner Trustee

By:_____
Title:

Lessee

CSX TRANSPORTATION, INC.

By:_____
Title:

Lenders

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA
by PruCapital Management, Inc.,
its Agent

By:_____
Title:

PRUDENTIAL PROPERTY AND CASUALTY
INSURANCE COMPANY

By _____
Title:

PRUCO LIFE INSURANCE COMPANY

By _____
Title:

STATE OF _____)
: ss.:
COUNTY OF _____)

On this _____ day of _____, 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of WILMINGTON TRUST COMPANY, 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

STATE OF _____)
: ss.:
COUNTY OF _____)

On this _____ day of _____, 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of CSX TRANSPORTATION, INC., 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

STATE OF _____)
: ss.:
COUNTY OF _____)

On this _____ day of _____, 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of PruCapital Management, Inc., agent for THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

STATE OF _____)
: ss.:
COUNTY OF _____)

On this _____ day of _____, 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY, 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

STATE OF _____)
: ss.:
COUNTY OF _____)

On this _____ day of _____, 1988, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is _____ of PRUCO LIFE INSURANCE COMPANY, 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.

_____
Notary Public

My Commission Expires:

[Notary Seal]

SCHEDULE 1
to Lease and Security Agreement Supplement

Identification
Number _____