

LAW OFFICES

REA, CROSS & AUCHINCLOSS

SUITE 420

1920 N STREET, N.W.

WASHINGTON, D. C. 20036

(202) 785-3700

FACSIMILE: (202) 659-4934

THOMAS M. AUCHINCLOSS, JR.  
LEO C. FRANEY  
JOHN D. HEFFNER  
KEITH G. O'BRIEN  
BRYCE REA, JR.  
BRIAN L. TROIANO  
ROBERT A. WIMBISH

DONALD E. CROSS (1923-1986)

RECORDATION NO. 20659 FILED

APR 29 '97

11-45 AM

BY HAND

April 29, 1997

Ms. Janice Fort  
Equipment Recordation Office  
Surface Transportation Board  
1925 K Street, N.W. - Room 704  
Washington, D.C. 20423

RE: Security Agreement (Chattel Mortgage)  
National Railway Equipment Company - Debtor  
Creditanstalt Equipment Leasing, Inc. - Secured Party

Dear Ms. Fort:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. § 11301 is the following document:

An executed original copy of a Security Agreement, dated as of April 16, 1997 -- a primary document as defined in the Board's Rules for Recordation of Documents under 49 CFR § 1177. The names and addresses of the parties to this Amendment to Equipment Lease are:

Debtor: National Railway Equipment Company  
14400 S. Robey, P.O. Box 2270  
Dixmoor, IL 60426

Secured Party : Creditanstalt Equipment Leasing, Inc.  
2 Greenwich Plaza  
Greenwich, CT 06830

A description of the railroad equipment covered by this Security Agreement is as follows:

Nineteen (19) GP35 locomotives  
CDAC 500 - CDAC 518  
(See Schedule I of the Security Agreement for complete description)

*Accountants - R.A. Wimbish*

APR 29 11 42 AM '97  
RECEIVED  
SURFACE TRANSPORTATION BOARD

Ms. Janice Fort  
April 29, 1997  
Page Two

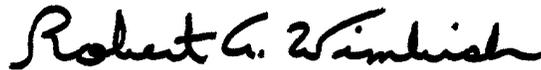
A short summary of the enclosed document to appear in the Board's index is:

Security Agreement (Chattel Mortgage) dated as of April 16, 1997, between National Railway Equipment Company (debtor) and Creditanstalt Equipment Leasing, Inc. (secured party) covering nineteen (19) GP35 model locomotives bearing reporting marks CDAC 500 through CDAC 518.

A recordation fee of \$24.00 is enclosed.

Please let me know if you need anything else.

Sincerely yours,



Robert A. Wimbish

Counsel for National Railway  
Equipment Company

Enclosures

cc: Richard F. Loritz, Esq.  
Jerry Massie (NREC)  
Adrienne B. Alexander, Esq.

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20425-0001

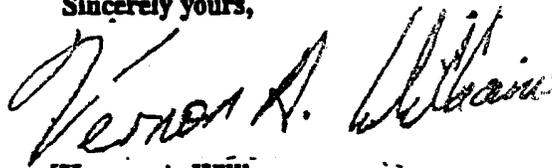
4/29/97

Robert A. Wimbish  
Rea, Cross & Auchincloss  
1920 N Street, NW., Ste. 420  
Washington, DC., 20036

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/29/97 at 11:45AM, and assigned recordation number(s). 17636-I, 19632-C, 20540-B, 20659.

Sincerely yours,

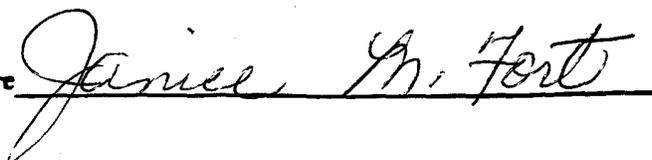


Vernon A. Williams  
Secretary

Enclosure(s)

\$ 96.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



APR 29 '97

11-45 AM

---

---

SECURITY AGREEMENT (CHATTEL MORTGAGE)

between

NATIONAL RAILWAY EQUIPMENT COMPANY,

DEBTOR

and

CREDITANSTALT EQUIPMENT LEASING, INC.,

SECURED PARTY,

Dated as of April 16, 1997

---

---

Filed and recorded with the Surface Transportation Board,  
pursuant to Section 11301, Title 49, United States Code on  
\_\_\_\_\_, at \_\_\_\_\_, Recordation No. \_\_\_\_\_.

SECURITY AGREEMENT (CHATTEL MORTGAGE) dated as of April 16, 1997 between NATIONAL RAILWAY EQUIPMENT COMPANY, an Illinois corporation (the "Debtor"), and CREDITANSTALT EQUIPMENT LEASING, INC., a Delaware corporation (the "Secured Party").

#### RECITALS

A. Pursuant to the Term Loan Agreement dated as of April 16, 1997 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") between the Debtor and the Secured Party, the Secured Party, in its capacity as the lender thereunder, has agreed to make a Loan (as defined therein) to the Debtor on the terms and subject to the conditions set forth in the Loan Agreement, to be evidenced by a promissory note of the Debtor (as endorsed, supplemented or otherwise modified from time to time, the "Note") payable to the order of the Secured Party as provided in the Loan Agreement.

B. It is a condition precedent to the obligation of the Secured Party to make such Loan under the Loan Agreement that the Debtor shall have executed and delivered to the Secured Party this Security Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### SECTION 1. DEFINED TERMS.

1.1 Defined Terms. Terms defined in the preamble hereof and the recitals hereto shall have their respective meanings when used herein and, unless otherwise defined herein, the terms defined in the Loan Agreement are used herein as therein defined and the following terms shall have the following meanings, such terms shall include in the singular number the plural and in the plural number the singular:

"Assigned Lease": as defined in subsection 2.3 hereof.

"Assigned Lease Proceeds": as defined in subsection 2.3 hereof.

"Casualty Loss": as defined in subsection 6.1(a) hereof.

"Casualty Loss Proceeds": as defined in subsection 6.2 hereof.

"Collateral": as defined in subsection 2.1 hereof.

"Damaged Unit": as defined in subsection 6.1(b) hereof.

"Equipment": as defined in subsection 2.2 hereof.

"ICA": the Interstate Commerce Act, as amended.

"Item of Equipment": as defined in subsection 2.2 hereof.

"Maximum Amount Withheld": as defined in subsection 6.1(c) hereof.

"Obligations": as defined in subsection 2.1 hereof.

"Permitted Lien": as defined in subsection 3.3(a) hereof.

"Proceeds": as defined in the UCC and, in any event, including, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guarantee payable to the Debtor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any of the Collateral by any governmental authority (or any Person acting under color of governmental authority) and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Replacement Unit": as defined in subsection 6.2 hereof.

"Security Agreement": this Security Agreement (Chattel Mortgage), as the same may be amended, supplemented or otherwise modified from time to time.

"UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Value": with respect to an Item of Equipment subject to a Casualty Loss, the fair market value thereof at the time such Casualty Loss occurred with respect to such Item of Equipment.

## SECTION 2. SECURITY.

2.1 Grant of Security. As collateral security for (a) the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of the unpaid principal of, premium, if any, and interest on, the Note, (b) the due and punctual payment and performance by the Debtor of all of its obligations and liabilities arising under, out of or in connection with the Loan Documents and any other document executed and delivered in connection therewith or herewith, whether on account of principal, interest, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Secured Party) or otherwise, (c) the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of the unpaid principal of, premium, if any, and interest on, each other promissory note of the Debtor held from time to time by the

Secured Party and (d) the due and punctual payment and performance by the Debtor of all of its obligations and liabilities arising under, out of or in connection with any other loan document or credit agreement to which the Secured Party is or shall become a party and any other document executed and delivered in connection therewith, whether on account of principal, interest, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Secured Party) or otherwise (all of the foregoing, collectively, the "Obligations"), the Debtor does hereby transfer, convey, warrant, mortgage, deliver, pledge, assign and grant to the Secured Party a lien on and continuing security interest in all and singular of the Debtor's rights, title and interest in and to the properties, rights, interests and privileges, now or hereafter existing, set forth in subsections 2.2 and 2.3 hereof and any and all Proceeds thereof (all such properties and Proceeds thereof, collectively, the "Collateral").

2.2 Equipment Collateral. Collateral shall include the nineteen General Motors Electro-Motive Division model GP35 locomotives described on Schedule I hereto (collectively, the "Equipment"; individually, an "Item of Equipment"), together with all accessories, equipment, parts and appurtenances appertaining or attached to such Equipment, whether now owned or at any time hereafter acquired by the Debtor, and all substitutions, renewals or replacements of, and additions, modifications, improvements, accessions and accumulations to, any and all of said Equipment, together with all rents, issues, income, profits and avails therefrom and any and all Proceeds thereof.

2.3 Rental Collateral. Collateral shall also include all right, title and interest of the Debtor in and to that certain Equipment Lease, dated as of February 3, 1997, between the Debtor and Northern Vermont Railroad Company (the "Lessee") (such Equipment Lease, as amended by that certain First Amendment to Equipment Lease, dated as of February 3, 1997, together with any additional amendments, modifications and supplements thereto, the "Assigned Lease"), together with all right, title and interest of the Debtor in and to that certain Guaranty, dated as of January 16, 1997, by Iron Road Railways, Inc. to the Debtor, as amended by that certain First Amendment to Guaranty, dated as of January 16, 1997, and as amended, modified and supplemented from time to time (the "Guaranty") and any and all payments due and to become due under the Assigned Lease and the Guaranty, whether as contractual obligations, damages or otherwise (to the extent such payments are derived from the Equipment) and all Proceeds thereof (such payments, the "Assigned Lease Proceeds").

### SECTION 3. COVENANTS.

The Debtor hereby covenants and agrees with the Secured Party that, until the Obligations are paid in full:

3.1 Maintenance of Equipment. (a) The Debtor shall maintain and keep, or cause to be maintained and kept, each Item of Equipment in good repair, working order and condition at its own cost and expense, unless and until such Item of Equipment may become worn out, unsuitable for use, lost or destroyed; provided that any such Item of Equipment so worn out, obsolete, lost or destroyed shall be replaced with a Replacement Unit in accordance with the provisions of subsections 3.4 and 6.2 hereof.

3.2 Maintenance of Insurance. The Debtor shall maintain, or cause to be maintained, with responsible insurance companies acceptable to the Secured Party, physical damage insurance and liability insurance, in each case naming the Secured Party as loss payee/additional insured, on such of its properties, in such amounts, against such risks and in such form as is customarily maintained by similar businesses, and, in any event, with respect to physical damage insurance, in an amount not less than the principal balance of the Loan at any time then outstanding. The Debtor shall deliver to the Secured Party (i) on the Closing Date, evidence in form and substance satisfactory to the Secured Party, of such insurance policies and (ii) thereafter, 30 days' prior written notice before any cancellation, expiration, cessation, reduction in amount or change in coverage thereof shall become effective.

3.3 Preservation of Collateral. (a) The Debtor shall not create, permit, assume or suffer to exist, and shall warrant and defend the title to and defend the Collateral against and take such other action as is necessary to remove, any Lien in or to the Collateral other than (all of the Liens described in clauses (i) and (ii) below, collectively, "Permitted Liens"):

(i) the lien and security interest created pursuant to this Security Agreement; and

(ii) materialmen's, mechanics', repairmen's and other like Liens against one or more Items of Equipment arising in the ordinary course of business and securing obligations that are not delinquent or which shall have been bonded over to the reasonable satisfaction of the Secured Party or the enforcement of which shall have been suspended (but only for the duration of the suspension).

(b) The Debtor shall not sell, transfer, assign (as collateral security or otherwise) or otherwise dispose of any of the Collateral or attempt or offer to do so, or permit or suffer to be made any unauthorized or involuntary sale, transfer or other disposition, except, so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, the Debtor may, with the prior written consent of the Secured Party (which shall not be unreasonably withheld), consent to a sublease by the lessee of a portion of the Assigned Lease to a third-party; provided that the Secured Party shall be

satisfied, in its reasonable opinion, of the creditworthiness of the sublessee to which the Assigned Lease is to be assigned; and provided further, that the Debtor shall cause such sublessee to execute and deliver an Acknowledgment of Security Interest; and

(c) The Debtor shall advise the Secured Party promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Collateral and of any event affecting the Secured Party's lien on and security interest in the Collateral.

3.4 Further Assurances. The Debtor shall, at its sole cost and expense, do all and every further act and execute, acknowledge and deliver all documents, supplements, mortgages, security agreements, deeds, conveyances, transfers and assurances necessary or appropriate for the perfection and preservation of the security interest created hereby in the Collateral, whether now owned or hereafter acquired. The Debtor shall cause this Security Agreement, all financing and continuation statements and similar notices reasonably requested by the Secured Party or required by applicable law at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be required by law in order to fully preserve and protect the rights of the Secured Party in any or all of the Collateral hereunder or under any other Loan Document, including, without limitation, the filing of Uniform Commercial Code financing statements (and continuations thereof) and the filing, registration and recordation of this Security Agreement with the STB and the Registrar General of Canada.

3.5 Marking of Equipment. The Debtor shall not permit the identifying number of any Item of Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been delivered to the Secured Party and filed, recorded and deposited by the Debtor in all public offices where this Security Agreement shall have been filed, recorded or deposited.

3.6 Indemnity. The Debtor agrees to indemnify, protect and hold the Secured Party harmless from and against all losses, damages, injuries, obligations, liabilities, claims, suits, demands, penalties, interest and expenses (including, without limitation, fees and disbursements of counsel to the Secured Party) (all of the foregoing losses, damages, etc., collectively, the "indemnified liabilities") arising out of, or resulting from the execution, delivery or performance of, this Security Agreement, the security interests granted hereby, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or repossession of any Item of Equipment, any claim for personal injury or property damage arising from the operation, use, condition, possession, storage or repossession of any of the Collateral, or any claim relating to any laws, rules or regulations, including, without limitation, environmental control, noise and pollution laws, rules or regulations; provided

that the Debtor shall have no obligation to so indemnify the Secured Party for any indemnified liabilities arising from the Secured Party's willful misconduct or gross negligence. The covenants contained in this subsection 3.6 shall survive payment or other satisfaction of the Obligations and termination of this Security Agreement.

SECTION 4. POSSESSION AND USE OF EQUIPMENT;  
ASSIGNED LEASES.

4.1 Rights of the Debtor. Unless an Event of Default has occurred and is continuing, the Debtor and the Lessee shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment covered by the Assigned Lease, and to manage, operate and use such Equipment and each part thereof, with the rights and franchises pertaining to such Equipment and the Assigned Lease.

4.2 Notices to Lessee. (a) The Debtor shall notify the Lessee and each sublessee that the Assigned Lease has been assigned to the Secured Party and that all rental payments in respect thereof shall be made directly to the Secured Party.

(b) If an Event of Default shall have occurred and be continuing, the Secured Party may in its own name or in the name of others communicate with the Lessee or any such sublessee and exercise any rights pursuant to the Assigned Lease that the Debtor would be entitled to exercise prior to the occurrence and continuance of an Event of Default.

SECTION 5. POWER OF ATTORNEY.

5.1 Appointment. The Debtor hereby irrevocably constitutes and appoints the Secured Party, and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact, with full and irrevocable power and authority in the place and stead of the Debtor and in the name of the Debtor or its own name, if an Event of Default shall have occurred and be continuing, to ask, demand, collect receive receipt for, sue for, compound and give acquittance for any and all of the Collateral, with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion, to file any claim or take any other action or proceeding, in its own name or in the name of the Debtor or otherwise, and generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at the Secured Party's option and at the Debtor's expense, all acts and things that the Secured Party deems necessary or appropriate to protect, preserve and realize upon the Collateral and the Secured Party's interest therein and

afforded hereby. The Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

5.2 No Duty. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtor for any act or failure to act, except for its or their own willful misconduct or gross negligence.

5.3 Bill of Sale and Power of Attorney. In furtherance of, and without limiting in any way the generality of, the powers conferred on the Secured Party hereunder, the Debtor has delivered to the Secured Party instruments captioned "Bill of Sale" and "Power of Attorney" for the purpose of enabling the Secured Party to sell or otherwise dispose of all or any portion of the Collateral after the occurrence of an Event of Default. The Secured Party agrees that such Bill of Sale and Power of Attorney shall be used only while an Event of Default has occurred and is continuing.

#### SECTION 6. CASUALTY LOSSES; INSURANCE PROCEEDS.

6.1 Casualty Losses; Notice. (a) Any of the following events or conditions with respect to any Item of Equipment shall be a casualty loss hereunder (such event or condition, a "Casualty Loss"):

(i) such Item of Equipment shall become (A) lost for a period in excess of 20 consecutive days or (B) destroyed, stolen, or irreparably damaged; or

(ii) such Item of Equipment shall be taken, including, without limitation, condemned, confiscated, seized or forfeited of, or other requisition of, title to, or use by any governmental authority or any Person acting under color of governmental authority; or

(iii) such Item of Equipment otherwise becomes unusable in the business of the Debtor or the Lessee.

(b) In the event of a Casualty Loss with respect to any Item of Equipment, the Debtor shall, promptly after receipt of notice of the same (and, in any event, not more than 10 days after the receipt of such notice), give the Secured Party written notice of such Casualty Loss, which notice shall (i) identify the Item of Equipment that has suffered the Casualty Loss (such Item of Equipment, the "Damaged Unit") and (ii) set forth the Value of

such Damaged Unit (and the calculations used in the determination thereof), such Value and calculations to be certified by an Authorized Officer of the Debtor.

(c) So long as no Default or Event of Default has occurred and is continuing, the Debtor shall not be required to comply with the provisions of subsection 6.2 hereof unless and until the aggregate Value of all Items of Equipment that have suffered Casualty Losses (as certified by an Authorized Officer) subsequent to the date of this Agreement is equal to \$200,000 (such amount, the "Maximum Amount Withheld"). On the date on which the Maximum Amount Withheld is attained, the Debtor shall (i) within 2 days after such date so notify the Secured Party that the Maximum Withheld Amount has been attained and (ii) within 10 days after such date complete either of the actions specified in subsection 6.2(a) or (b) hereof; provided that, with respect to this subsection 6.1(c)(ii), the Debtor shall not have available to it any additional 30-day period as may be specified in such subsection 6.2(a) or (b). Following compliance by the Debtor with such subsection 6.2(a) or (b) pursuant to the terms of this subsection 6.1(c), with respect to subsequent Casualty Losses, the Debtor shall not be required to comply with subsection 6.2 hereof until the Maximum Amount Withheld is attained, following which the Debtor shall comply with the requirements of the immediately preceding sentence hereof.

6.2 Replacement Unit; Casualty Loss Proceeds. Subject to the provisions of subsection 6.1(c) hereof, upon the occurrence of a Casualty Loss with respect to a Damaged Unit, the Debtor shall, at its option, either (a) replace such Damaged Unit with a replacement unit of the same type and which has a Value (so certified by an Authorized Officer of the Debtor) and utility at least equal to, and which is in as good condition as, the Damaged Unit immediately prior to such Casualty Loss (assuming that such Damaged Unit was then in the condition required to be maintained by subsection 3.1 hereof) and that is free and clear of all Liens other than Permitted Liens (such unit, the "Replacement Unit") or (b) pay or cause to be paid to the Secured Party any proceeds (in an amount not in excess of the Value of the Damaged Unit), whether in respect of insurance proceeds, condemnation awards or otherwise (collectively, the "Casualty Loss Proceeds") for application to the Obligations in accordance with Section 2.06 of the Loan Agreement. In the event that (i) the Debtor shall have not received any such insurance proceeds or condemnation award within 30 days after the occurrence of any Casualty Loss or (ii) any such Casualty Loss Proceeds are less than the Value of such Damaged Unit (as certified pursuant to subsection 6.1(b)(ii) hereof), then the Debtor shall, within 10 days following the expiration of such 30-day period, make a prepayment on the Loan in accordance with the provisions of Section 2.07 of the Loan Agreement. If the Debtor elects to replace a Damaged Unit in accordance with clause (a) of the first sentence of this subsection 6.2, the Debtor shall take all steps necessary to

subject such Replacement Unit to the lien and security interest of this Security Agreement in accordance with the provisions of subsection 3.4 hereof, following which the Debtor may retain all Casualty Loss Proceeds as reimbursement for the costs of such Replacement Unit. Upon compliance by the Debtor with the provisions of subsection 3.4 hereof and this subsection 6.2 with respect to any Replacement Unit, and so long as no Default or Event of Default shall have occurred and be continuing, the Secured Party shall, at the request of the Debtor, execute and deliver releases in a form reasonably satisfactory to the Debtor releasing such Damaged Unit so replaced from the lien and security interest of this Security Agreement (without recourse to, or representation or warranty by, the Secured Party).

## SECTION 7. REMEDIES.

7.1 Remedies. If an Event of Default shall have occurred and be continuing, the Secured Party shall have the following remedies:

(a) All payments received by the Debtor in connection with or arising out of any of the Collateral shall be held by the Debtor in trust for the Secured Party, shall be segregated from other funds of the Debtor and shall, upon the request of the Secured Party, forthwith upon receipt by the Debtor be turned over to the Secured Party, in the same form as received by the Debtor (duly endorsed by the Debtor to the Secured Party, if required); any and all such payments so received by the Secured Party (whether from the Debtor or otherwise) may, in the sole discretion of the Secured Party, be held by the Secured Party as collateral security for the Obligations, and/or then or at any time thereafter applied in whole or in part by the Secured Party against all or any part of the Obligations then due in such order as the Secured Party shall elect. Any balance of such payments held by the Secured Party and remaining after payment in full of all the Obligations shall be paid over to the Debtor or to whomsoever may be lawfully entitled to receive the same.

(b) To the extent not prohibited by applicable law, the Secured Party may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code of any jurisdiction and under the ICA. Without limiting the generality of the foregoing, the Debtor expressly agrees that in any such event the Secured Party, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Debtor or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived to the fullest extent permitted by applicable law) may, itself or by agents or attorneys, take immediate possession of the Collateral, or any

portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if such can be done without breach of the peace, and search for, take possession, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold and may forthwith collect, receive, appropriate and realize upon the Collateral or any part thereof and may take possession of the Collateral and/or may sell or otherwise dispose of the Collateral as set forth in subsection 7.1(c) hereof;

(c) The Secured Party may forthwith sell, assign, give option or options to purchase, or sell, lease or otherwise dispose of and deliver the Collateral, or any part thereof, in any manner permitted by applicable law (or contract to do so) in one or more parcels at public or private sale or sales, at the office of any broker or at any of the Secured Party's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of the Secured Party upon any such sale or sales, public or private, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Debtor (or any Person claiming by or through the Debtor the Collateral, or any part thereof, so sold), which right or equity of redemption is hereby expressly waived or released to the fullest extent permitted by applicable law. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least 10 days before such disposition, postage prepaid, addressed to the Debtor at its address set forth in Section 8.02 of the Loan Agreement. The Debtor further agrees, at the Secured Party's request, to collect and make available to the Secured Party the Equipment as hereinafter provided. Any Collateral repossessed by the Secured Party under or pursuant to this subsection 7.1 may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, in the condition in which the same existed when taken by the Secured Party or after any overhaul or repair and in general in such manner, at such time or times, at such place or places and on such terms as the Secured Party may, in compliance with any applicable law, determine to be commercially reasonable. Any such sale or other disposition that shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' written notice to Debtor specifying the times at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for 10 days after the giving of such notice, to the right of the Debtor or any nominee of the Debtor to acquire the Collateral involved at a price or for such other consideration so specified. Any such disposition that shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written

notice to the Debtor specifying the time and place of such sale and, in the absence of any applicable law, shall be by public auction (which may, at the Secured Party's option, be subject to reserve) after publication of notice of such auction not less than 10 days prior thereto in two newspapers of general circulation in the City of New York. To the extent permitted by any applicable law, the Secured Party may itself bid for and become the purchaser of the Collateral or any part thereof offered for sale in accordance with this subsection 7.1(c) without accountability to the Debtor (except to the extent of any surplus received, as hereinafter provided). If, under any applicable law, the Secured Party shall be required to make disposition of the Collateral within a period of time that does not permit the giving of notice to the Debtor as hereinabove specified, the Secured Party need give the Debtor only such notice of disposition as shall be reasonably practicable in view of any applicable law. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the Collateral sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all Persons claiming the property sold, or any part thereof under, by or through the Debtor, its successors or assigns. The Secured Party may proceed to protect and enforce this Security Agreement by suit or suits or proceedings in equity, at law or in bankruptcy, and whether of the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral of any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other legal or equitable remedy available under applicable law.

(d) In the event that the Secured Party shall request that the Equipment be collected as provided in subsection 7.1(b) hereof, the Debtor shall, at its own risk and expense, (i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the AAR and to all railroads to which any Items of Equipment have been interchanged to return the Items of Equipment so interchanged) place such Items of Equipment upon such storage tracks as the Secured Party reasonably may designate; (ii) permit the Secured Party to store such Items of Equipment on such tracks until such Items of Equipment have been sold, leased or otherwise disposed of by the Secured Party; and (iii) transport the same to any connecting carrier for shipment, all as directed by the Secured Party. The assembling, delivery, storage and transporting of the Equipment as herein before provided shall be at the expense and risk of the Debtor and are of the essence of this Security Agreement, and upon application to any court of equity having jurisdiction in the premises the Secured Party shall be entitled to a decree against the Debtor requiring specific

performance of the covenants of the Debtor so to assemble, deliver, store and transport the Equipment. During any storage period, the Debtor shall, at its own cost and expense, maintain and keep the Equipment in good order and repair and will permit the Secured Party or any Person designated by it, including the authorized representative or representatives of any prospective purchaser, lessor or manager or any Item of Equipment, to inspect the same. The Debtor hereby expressly waives any and all claims against the Secured Party and its agent or agents for damages of whatsoever nature in connection with any retaking of any Item of Equipment in any reasonable manner.

(e) Beyond the use of reasonable care in the custody thereof, the Secured Party shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or as to any income thereon.

7.2 Application of Proceeds. The Secured Party shall apply the net proceeds of any collection, recovery, receipt, appropriation, realization or sale as follows:

(a) First, to the payment of all costs and expenses of every kind incurred therein or incidental to the care, safekeeping, or otherwise of any or all of the Collateral or in any way relating to the rights of the Secured Party hereunder, including attorneys' fees and expenses, and of all taxes, assessments or liens superior to the lien and security interest created hereby except any taxes, assessments or other superior liens subject to which any such collection, recovery, receipt, appropriation, realization or sale may have been made;

(b) Second, to the payment in whole or in part of the Obligations, in such order as the Secured Party may elect, the Debtor remaining liable for any deficiency remaining unpaid after such application to the extent of any remaining Collateral;

(c) Third, only after so applying the net proceeds and after the payment made by the Secured Party of any other amount required to be made pursuant to any applicable law, including Section 9-504(1)(c) of the UCC, to the Debtor.

To the fullest extent permitted by applicable law, the Debtor waives all claims, damages and demands against the Secured Party arising out of the repossession, retention or sale of the Collateral. The Debtor hereby waives presentment, demand, protest and any notice (to the fullest extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

7.3 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such

proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in every such case, the Debtor and the Secured Party shall be restored to their former positions and rights hereunder with respect to the Collateral.

SECTION 8.           MISCELLANEOUS.

8.1 Binding Effect. This Security Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party and their respective successors and assigns.

8.2 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Secured Party, any right, power or privilege under this Security Agreement or any other Loan Document or with respect to any of the Collateral shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and therein are cumulative and not exclusive of any rights or remedies provided by law.

8.3 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected.

8.4 Notices, etc. All notices, requests and demands to or upon the respective parties hereto shall be otherwise expressly provided herein, shall be deemed to have been given or made when delivered by hand, in the case of mail, 2 Business Days after being sent, first-class mail, postage prepaid, or, in the case of telex or telecopy, when sent, addressed as set forth in Section 8.02 of the Loan Agreement.

8.5 Release and Termination. At the sole expense of the Debtor, the Secured Party shall release the lien and security interest created pursuant to this Security Agreement by proper instrument or instruments upon the performance and payment in full, or other satisfaction of, all of the Obligations whereupon this Security Agreement shall terminate.

8.6 Governing Law. This Security Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to conflicts of laws principles; provided that the parties hereto shall be entitled to all rights conferred by Section 11301, Title 49 of the United States Code and such additional rights arising out of the filing,

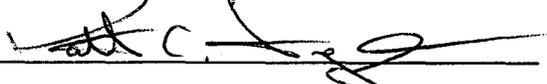
registration, recording or deposit of this Security Agreement or any Supplement hereto pursuant thereto.

8.7 Counterparts. This Security Agreement may be executed in any number of counterparts, each executed counterpart constituting an original, but all of such counterparts all together shall be deemed to constitute one and the same instrument.

8.8 Headings. The headings of the sections of this Security Agreement are for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed and delivered by their proper and duly authorized officers as of the date first above written.

NATIONAL RAILWAY EQUIPMENT COMPANY

By: 

Title: Vice President

CREDITANSTALT EQUIPMENT LEASING, INC.

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

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

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

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

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed and delivered by their proper and duly authorized officers as of the date first above written.

NATIONAL RAILWAY EQUIPMENT COMPANY

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

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

CREDITANSTALT EQUIPMENT LEASING, INC.

By: *M. Roy Jones*

Title: VICE PRESIDENT

By: *John A. DeBene*

Title: *Dr. Vice President*

SCHEDULE I  
TO  
SECURITY AGREEMENT  
(CHATTEL MORTGAGE)

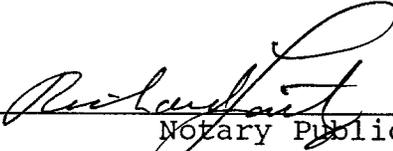
LIST OF EQUIPMENT

MAKE: GENERAL MOTORS ELECTRO-MOTIVE DIVISION  
MODEL: GP35

ROAD NUMBER	FORMER ROAD NUMBER
CDAC 500	SSW 4200
CDAC 501	SP 6300
CDAC 502	SP 6302
CDAC 503	SP 6305
CDAC 504	SP 6314
CDAC 505	SP 6324
CDAC 506	SP 6325
CDAC 507	SP 6328
CDAC 508	SP 6329
CDAC 509	SP 6330
CDAC 510	SP 6331
CDAC 511	SP 6332
CDAC 512	SP 6335
CDAC 513	SP 6336
CDAC 514	SP 6337
CDAC 515	SP 6339
CDAC 516	SP 6341
CDAC 517	SP 6345
CDAC 518	SP 6350

STATE OF )  
                  )  
COUNTY OF )

On this 22 day of March, 1997, before me personally appeared PATRICK FRANGELLA, to me personally known, who being by me duly sworn, said that he is a VICE-PRESIDENT of National Railway Equipment Company, that said Security Agreement was signed on such date on behalf of said corporation and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

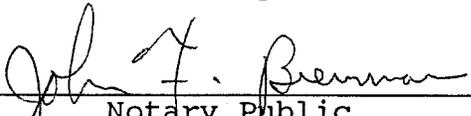
  
\_\_\_\_\_  
Notary Public

My Commission Expires: June 19, 2000



STATE OF )  
 )  
COUNTY OF )

On this 24 day of March, 1997, before me personally appeared Roy Gosse and Lynn Sussina, to me personally known, who being by me duly sworn, said that they are Vice Presidents of Creditanstalt Equipment Leasing, Inc., that said Security Agreement was signed on such date on behalf of said corporation and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 12/31/2001

**JOHN F. BRENNAN**  
**Notary Public, State of Conn.**  
**No. 114203**  
**Qualified in Greenwich**  
**Commission Expires Dec. 31, 2001**

**AFFIDAVIT**

City of Washington )  
                          ) ss.  
District of Columbia)

Robert A. Wimbish, being duly sworn according to the law,  
deposes and states as follows:

1. I am submitting for recordation with the Surface  
Transportation Board the attached copy of a Security Agreement  
(Chattel Mortgage) between Creditanstalt Equipment Leasing, Inc.  
("Secured Party") and National Railway Equipment Company  
("Debtor") executed 16 April 1997.

2. I have compared the attached copy with the original  
document, and I have found the attached copy to be complete and  
identical in all respects to the original document.

Robert A. Wimbish  
(Signature)

Robert A. Wimbish  
(Printed or Typed)

Subscribed and sworn to before me, a Notary Public, in  
and for the City of Washington, District of Columbia, this 29<sup>th</sup>  
day of April, 1997.

My Commission expires: 7-1-97

Paul B. King  
(Notary Public)

\_\_\_\_\_