

RECORDATION NO. 2114
JAN 30 '98 4-05 PM

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January 29, 1998

RECORDATION NO. 21193-A FILED

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RECEIVED
SURFACE TRANSPORTATION BOARD

JAN 30 4 05 PM '98

via FEDERAL EXPRESS

Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001
Attention: Mrs. Janice Fort
Recordation

Re: Our File No.: 258-1808

Dear Mrs. Fort:

Enclosed for recordation as a primary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Security Agreement dated as of January 29, 1998 by SRL Partners #3 (955 South Virginia Street, Reno, Nevada 89502) in favor of The First National Bank of Maryland (25 South Charles Street, Baltimore, Maryland 21201).

Also enclosed for recordation as a secondary document pursuant to the provisions of 49 U.S.C. §11301(a) are one original and one notarized copy of the following document:

Assignment of Lessor' Interest in Leases dated as of January 29, 1998 by SRL Partners #3 (955 South Virginia Street, Reno, Nevada 89502) in favor of The First National Bank of Maryland (25 South Charles Street, Baltimore, Maryland 21201).

Also enclosed are two checks in the amount of \$24.00 to cover the costs of recording these documents.

Once these documents have been recorded, please return the same to the undersigned.

Thank you for your prompt attention to this matter. Please call me at (800) 344-2532 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Michele E. Sperato".

Michele E. Sperato
Assistant to John A. Stalfort

Enclosures

STATE OF MARYLAND
SS:
CITY OF BALTIMORE

THIS IS TO CERTIFY that the attached Security Agreement is a true and complete copy of such Security Agreement.

WITNESS my hand and seal this 29th day of January, 1998.

Michelle E. Spinato
Notary Public

My Commission Expires: January 28, 2001

JAN 30 '98

4-05 PM

ASSIGNMENT OF LESSOR'S INTEREST IN LEASES

THIS ASSIGNMENT OF LESSOR'S INTEREST IN LEASES (this "Agreement") is made as of this 29th day of January, 1998, by SRL PARTNERS #3, a Nevada general partnership (the "Pledgor"), in favor of THE FIRST NATIONAL BANK OF MARYLAND, a national banking association (the "Lender"); witnesseth:

Recitals

WHEREAS, the Lender has extended to Southern Rail Leasing, Inc. (the "Borrower") a line of credit (the "Line of Credit") in the maximum principal amount of \$ _____ pursuant to a Loan Agreement dated August 2, 1995 (the "LOC Agreement"). The Line of Credit is evidenced by, and repaid with interest in accordance with provisions of, a Promissory Note dated August 2, 1995 (the "LOC Note") as amended by letter agreements dated March 5, 1996, February 11, 1997 and January 26, 1998. Repayment of the Note is secured by, inter alia, a Security Agreement of even date herewith from the Pledgor to the Lender (the "LOC Security Agreement").

WHEREAS, the Borrower has applied to the Lender for a term loan facility in the principal amount of \$ _____ (the "Loan" and collectively with the Line of Credit, the "Financial Accommodations"). The Loan is to be evidenced by, and repaid with interest in accordance with provisions of, a Promissory Note of even date herewith from the Borrower payable to the Lender (the "Note"). Repayment of the Note is secured by, inter alia, a Security Agreement of even date herewith from the Borrower to the Lender (the "Security Agreement"). Pursuant to a Guaranty of Payment of even date herewith (the "Guaranty") from the Pledgor to the Lender, the Pledgor has guaranteed, among other things, the repayment of the Note and the LOC Note. The Pledgor is the lessor under that certain Railroad Equipment Lease dated as of June 30, 1997 (the "Lease") between the Pledgor and Consolidated Rail Corporation (the "Lessee") pursuant to which the Pledgor has leased certain railcars to the Lessee (the "Railcars"). The Lender has required, as a condition to the making of the Loan, the execution of this Agreement by the Pledgor.

NOW, THEREFORE, in order to secure (a) the prompt payment of all past, present, and future indebtedness, liabilities, and obligations of the Pledgor to the Lender of any nature whatsoever in connection with the Financial Accommodations (collectively, the "Pledgor's Liabilities"), and (b) the performance by the Pledgor of all of the terms, conditions, and

provisions of this Agreement, the Note, the LOC Note, the Security Agreement, the LOC Security Agreement, and of any other note, security agreement, pledge agreement, guaranty agreement, mortgage, deed of trust, loan agreement, hypothecation agreement, subordination agreement, indemnity agreement, letter of credit application, assignment, or any other document previously, simultaneously, or hereafter executed and delivered by the Pledgor and/or any other person, singly or jointly with another person or persons, evidencing, securing, guarantying, or in connection with any of the Pledgor's Liabilities (collectively, the "Loan Documents"), the Pledgor hereby pledges, assigns, and grants to the Lender a security interest in and assigns to the Lender all now existing or hereafter created leases of all or any portion of the Railcars (collectively the "Leases"), together with all rents, payments with respect to casualty, royalties, issues, income, profits, revenues, other benefits, and security deposits arising from the Leases and the Railcars and all cash and non-cash proceeds thereof and the proceeds of all insurance policies covering all or any part of such property (all of the foregoing is herein collectively referred to as the "Collateral").

A. TO PROTECT THE SECURITY OF THIS AGREEMENT, PLEDGOR COVENANTS:

1. To observe and perform all of the obligations imposed upon the lessor in the Leases and not to do or permit to be done anything to impair the security thereof; that the Leases are or will be valid and enforceable and that the lessees are not in default under any of the terms thereof; that no rents reserved in the Leases have been anticipated or assigned; not to collect any of the rents, payments with respect to casualty, income, and profits arising or accruing from the Railcars in advance of the time when the same becomes due under the terms of the Leases; not to discount any future accruing rents; not to execute any other assignment of the Leases or assignment of rents of the Railcars; and not to alter, modify, or change the terms of the Leases or surrender, cancel, or terminate the same, without the prior written consent of the Lender.

2. To assign and transfer to the Lender any and all further Leases upon all or any part of the Railcars and to execute and deliver, at the request of the Lender, all such further assurances and assignments as the Lender shall from time to time require.

B. IT IS MUTUALLY AGREED THAT:

1. All rents, payments with respect to casualty, income, and profits from the Railcars shall be paid to the account of the Pledgor maintained with the Lender (the "Collateral Account"). The Pledgor hereby assigns to and grants a security interest in the Collateral Account to the Lender. After the occurrence of an event of default under the Loan Documents, the Pledgor hereby authorizes and directs the lessees under any Leases, including the Lessee under the Lease, to pay all rents, payments with respect to casualty, income and profits from the Leases due to the Pledgor under the Leases directly to the Lender and to continue to do so until otherwise notified by the Lender.

2. The Lender shall have the right to apply any moneys in the Collateral Account to the payment of the Pledgor's Liabilities in accordance with the Note, the LOC Note, the Security Agreement and the LOC Security Agreement. Prior to the occurrence of an event of default under the Loan Documents, after such payment, any moneys in the Collateral Account may be disbursed to the Pledgor by the Lender at the Pledgor's direction.

3. The Lender shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty, or liability under the Leases, or under or by reason of this Agreement, and the Pledgor shall and does hereby agree to indemnify the Lender for and to hold the Lender harmless of and from any and all liability, loss, or damage which the Lender may or might incur under the Leases or under or by reason of this Agreement, and of and from any and all claims and demands whatsoever which may be asserted against the Lender by reason of any alleged obligations or undertakings on the Lender's part to perform or discharge any of the terms, covenants, or agreements contained in the Leases. Should the Lender incur any such liability, loss, or damage under the Leases or under or by reason of this Agreement or in the defense of any such claims or demands, the amount thereof including costs, expenses, and reasonable attorneys' fees shall be secured hereby, and the Pledgor shall reimburse the Lender therefor immediately upon demand, and upon the failure of the Pledgor so to do, the Lender may declare all sums secured hereby immediately due and payable.

4. Upon the payment in full of all indebtedness secured hereby, this Agreement shall become and be void and of no

effect, but the affidavit, certificate, letter, or statement of any officer, supervisor, or attorney of the Lender showing any part of said indebtedness to remain unpaid shall be and constitute conclusive evidence (except in an action between Pledgor and the Lender or its assigns) of the validity, effectiveness, and continuing force of this Agreement, and any person may and is hereby authorized to rely thereon.

5. The Lender may take or release other security; may release any party primarily or secondarily liable for any indebtedness secured hereby; may grant extensions, renewals, or indulgences with respect to such indebtedness; and may apply any other security therefor held by it to the satisfaction of such indebtedness without prejudice to any of its rights hereunder.

6. The term "Leases" as used herein means the Leases hereby assigned and any extension or renewal thereof, and any lease subsequently executed by the Pledgor covering the Railcars or any part thereof.

7. Nothing herein contained and no act done or omitted by the Lender pursuant to the powers and rights granted to the Lender herein shall be deemed to be a waiver by the Lender of its rights and remedies under the Loan Documents, but this Agreement is made and accepted without prejudice to any of the rights and remedies possessed by the Lender under the terms thereof. The right of the Lender to collect the indebtedness and to enforce any other security therefor owned by it may be exercised by the Lender either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

8. In the event the Note or the LOC Note is transferred by the Lender to any other person or entity, the Pledgor covenants and agrees that all the provisions herein contained shall be applied to and inure to the benefit of the holder of the Note or the LOC Note in the same manner and to the same extent as if it was the original assignee of the Leases herein named.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

WITNESS the signature and seal of the Pledgor as of the day and year first above written.

ATTEST:

SRL PARTNERS #3

By: Southern Rail Leasing, Inc.,
Managing Partner

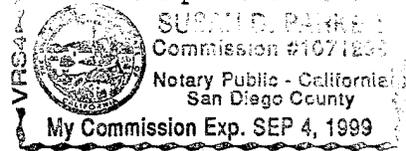
By: _____ (SEAL)

Philip W. Hoffman
Vice President

STATE OF CALIFORNIA, COUNTY OF SAN DIEGO

On January __, 1998, before me, SUSAN D. PARKER personally appeared Philip W. Hoffman, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature

[Handwritten Signature]

(Seal)