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ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.
SUITE 200
WASHINGTON, D.C.

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

20006-2973

(202) 393-2266

FAX (202) 393-2156

OF COUNSEL
URBAN A. LESTER

September 29, 1995

Mr. Vernon A. Williams
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two (2) copies of a Memorandum of Railroad Equipment Lease, dated as of September 29, 1995, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177 and two (2) copies of each of the following secondary documents related thereto: Security Agreement and Assignment of Lease, Consent and Agreement and Bill of Sale.

The names and addresses of the parties to the enclosed documents are:

Memorandum of Railroad Equipment Lease

Lessor: The First National Bank of Maryland
25 South Charles Street
Baltimore, Maryland 21201

Lessee: Consolidated Rail Corporation
2001 Market Street
Philadelphia, Pennsylvania 19101

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OFFICE OF THE
SECRETARY

Counter parts - [Signature]

Mr. Vernon A. Williams
September 29, 1995
Page 2

Security Agreement and Assignment of Lease

Debtor: The First National Bank of Maryland
25 South Charles Street
Baltimore, Maryland 21201

Secured Party: First Fidelity Bank, N.A.
123 South Broad Street
Philadelphia, Pennsylvania 19109

Consent and Agreement

Lessee: Consolidated Rail Corporation
2001 Market Street
Philadelphia, Pennsylvania 19101

Bill of Sale

Seller: Consolidated Rail Corporation
2001 Market Street
Philadelphia, Pennsylvania 19101

Purchaser: The First National Bank of Maryland
25 South Charles Street
Baltimore, Maryland 21201

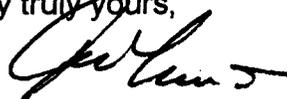
A description of the railroad equipment covered by the enclosed documents is:

56 GP38-2 locomotives bearing CR reporting marks and road numbers as set forth on Exhibit A attached to the Memorandum of Railroad Equipment Lease.

Also enclosed is a check in the amount of \$84.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return stamped copies of the enclosed documents to the undersigned.

Very truly yours,



Robert W. Alvord

RECORDATION NO. 9622 FILED 1425

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INDIANAPOLIS COMMERCE COMMISSION

**SECURITY AGREEMENT
AND
ASSIGNMENT OF LEASE**

Between

THE FIRST NATIONAL BANK OF MARYLAND

Debtor

and

FIRST FIDELITY BANK, N.A.

Secured Party

Dated as of September 29, 1995

**Fifty-six (56) 1978, GP 38-2 Diesel Electric Locomotives
Originally Manufactured by General Motors Corporation**

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SECURITY AGREEMENT AND ASSIGNMENT OF LEASE

THIS SECURITY AGREEMENT AND ASSIGNMENT OF LEASE dated as of September 29, 1995 (the "Security Agreement") is executed by and between The First National Bank of Maryland (the "Debtor"), and First Fidelity Bank, N.A. (the "Secured Party").

BACKGROUND

A. Debtor simultaneous herewith has acquired from and leased back to Consolidated Rail Corporation (the "Lessee") certain locomotives (the "Units"). Secured Party simultaneous herewith has facilitated the financing of such Units by the purchase this day (the "Closing Date") of the limited recourse note (the "Note") of Debtor. The Note is dated the date hereof, and is in the form attached hereto as Exhibit A.

B. The Note and all principal amounts outstanding thereunder and interest and Premium, if any, thereon and all additional amounts and other sums at any time due and owing from or required to be paid by Debtor under the terms of the Note, this Security Agreement or any other Operative Agreement to which Debtor is party, the performance of all covenants made by Debtor in any such instruments or agreements, the accuracy of all representations and warranties made by Debtor in any such instruments and agreements and the performance by Lessee of its obligations to indemnify Secured Party under the Lease and Lessee's obligations under any other Operative Agreement to which Lessee is party are hereinafter sometimes referred to as "Indebtedness Hereby Secured."

C. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Note have been done and performed.

D. All capitalized terms which are used herein but which are not otherwise defined shall have the meanings given to such terms in Exhibit C hereto.

NOW THEREFORE the parties hereto for the good and valuable consideration and intending to be legally bound hereby agree as follows:

SECTION 1. GRANT OF SECURITY.

Debtor, in consideration of the premises, the sum of Ten Dollars and the principal amount of the Note and other good and valuable consideration, receipt of which is hereby acknowledged and in order to secure the payment of the principal of and interest and Premium, if any, on the Note according to its tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured, does hereby convey, warrant, assign, pledge and grant to Secured Party, its successors and assigns, a security interest in all of Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof, subject

always to those limitations set forth in Section 1.5 hereof and to the Excepted Rights in Collateral as defined in Section 1.6 hereof (all of which properties hereby assigned and pledged or intended so to be or in which a security interest is granted or intended to be so, and all proceeds and products thereof, are hereinafter collectively referred to as the "Collateral").

1.1 Equipment Collateral. Collateral includes all Units now or hereafter leased and delivered under the Lease, which Units are more specifically described in Exhibit B attached hereto. The Units and the Collateral hereunder include all accessories, equipment, parts, appurtenances, substitutions, renewals or replacements of and additions, improvements and accessions to any and all of said Units, whether now owned or hereafter acquired, including, without limitation, those which in accordance with any provisions of the Lease may be and are acquired by Lessor as substitute Units together with all proceeds, rents, issues, income, profits and revenues therefrom, provided, however, that neither "Units" nor "Collateral" or the grant of a security interest therein shall include "Excluded Equipment".

1.2 Other Collateral. Collateral also includes all rights, title, interest, claims and demands of Debtor now or hereafter existing in, to and under the Lease, any bill of sale relating to the Units, all subleases under the Lease, the Purchase Agreement and all purchase orders with respect to the Units and any purchase order assignment (collectively "Related Collateral"), including all extensions of the Term of the Lease, together with all rights, powers, privileges, options and other benefits of Debtor as lessor under the Lease or created in its favor under other Related Collateral, including, without limitation:

(1) the exclusive, immediate and continuing right to receive and collect all Base Rentals, Gross Rentals, insurance proceeds, condemnation awards, payments as a result of any Casualty Occurrence, and other payments, tenders and security now or hereafter payable or receivable by the Lessor under the Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof;

(2) the requirement that Debtor obtain in advance in writing from Secured Party its consent to any termination, amendment or modification of, or waiver by or determination of satisfaction by or request from or election, approval or consent of or other action by Lessor in respect of any of the provisions of the Lease or of the other Related Collateral and no such termination, amendment, modification or waiver shall be effective unless Secured Party shall have joined Debtor therein in writing or shall have given its prior written consent thereto, it being the intent of Debtor and Secured Party that so long as no Event of Default shall exist hereunder no waiver or consent under or modification or amendment to the Lease shall be effective without the consent of both Debtor and Secured Party, provided, however, that if an Event of Default hereunder shall have occurred and be continuing, subject always to Section 5.3(d) hereof, the sole right to terminate or make or give any such amendment, modification, waiver, determination of satisfaction, request, election, consent, approval or action shall be vested in Secured Party, except with regard to those which solely affect the Excepted Rights in Collateral under Section 1.6 hereof, and

(3) the exclusive right to take such action in respect of any such Collateral upon the occurrence of an Event of Default hereunder, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by this Security Agreement, the Lease or by law, and to do any and all other things whatsoever which Debtor is or may be entitled to do under the Lease;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.6 hereof) the assignment and transfer to Secured Party of said rights, powers, privileges, options and other benefits hereunder shall be effective and operative immediately and shall continue in full force and effect, and Secured Party shall have the right to collect and receive all Gross Rentals, including without limitation, insurance proceeds, condemnation awards, payments as a result of any Casualty Occurrence and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until all Indebtedness Hereby Secured has been fully paid and discharged. Notwithstanding anything herein to the contrary, Debtor retains for itself, but not to the exclusion of Secured Party whether or not an Event of Default shall have occurred hereunder or under the Lease (i) a right to exercise the rights of Debtor as lessor under the Lease to inspect the Units, and (ii) a right to receive from Lessee all notices, reports, certificates, opinions of counsel and other documents and all information that Lessee is required or permitted to give or furnish under the Lease.

All proceeds and products of items deemed to be Collateral shall also constitute Collateral.

1.3 Closing Conditions. Each of the following has been accomplished on or prior to the date hereof (the "Closing Date") to the satisfaction of Secured Party:

(a) Equity Investment. Debtor has paid over to Secured Party by wire transfer received not later than 11:00 a.m. Philadelphia time on the Closing Date its equity investment in the Units in the amount of _____ representing _____ of the Acquisition Cost of the Units (the "Equity Investment");

(b) Note. Debtor has issued to Secured Party the Note in an amount equal to the difference between the Equity Investment and the Acquisition Cost of the Units;

(c) Consent of Lessee. Secured Party has received the executed consent and agreement of Lessee (the "Lessee's Consent and Agreement") in form satisfactory to Secured Party;

(d) ICC Filings. The Lease (and any supplement thereto) and this Security Agreement (and any supplement thereto) have each been filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act, and no other filing or recording of the Lease or the Security Agreement or any notice thereof shall be necessary in any other public office and all the foregoing has been

confirmed to Secured Party in the written opinion of its counsel, in form and in substance satisfactory to Secured Party;

(e) Bill of Sale. Secured Party has received an original or certified copy of a bill of sale covering all of the Units to be financed on the Closing Date conveying and warranting good title to such Units in Debtor free and clear of all liens and encumbrances except only the Lease;

(f) Payment Instructions. Secured Party has received from Lessee and Debtor payment instructions directing the disbursement of the equity investment and the loan proceeds of the Note;

(g) Original Counterpart No. 1 of the Lease. Secured Party has received the Original Counterpart No. 1 of the Lease and any Lease Supplement, duly certified as such to the satisfaction of Secured Party;

(h) Acceptance Certificate. Secured Party has received the original Acceptance Certificate executed by Lessee under the Lease;

(i) Financing Statements. Secured Party has received in form and in substance satisfactory to Secured Party financing statements for filing against Debtor and Lessee;

(j) Evidence of Insurance. Secured Party has received evidence of insurance in favor of Secured Party consistent with the requirements of the Lease and otherwise to the satisfaction of Secured Party.

(k) Debtor's Authority. Secured Party has received a certified copy of Debtor's by-laws authorizing the Lease, this Security Agreement and the Note, together with an incumbency certificate confirming the office and signature of any of Debtor's officers signing any agreement or instrument to be delivered to Security Party on the Closing Date;

(l) Opinion of Debtor's Counsel. Secured Party has received the opinion of Debtor's counsel in form and in substance satisfactory to Secured Party;

(m) Lessee's Authority. Secured Party has received a certified copy of the resolutions of Lessee's Board of Directors authorizing the Lease and Lessee's Consent, together with an incumbency certificate confirming the office and signature of any of Lessee's officers signing any agreement or instrument to be delivered to Secured Party on the Closing Date; and

(n) Opinion of Lessee's Counsel. Secured Party has received the opinion of Lessee's counsel in form and in substance satisfactory to Secured Party.

1.4 Limitations to Security Interest. The security interest granted by this Section 1 is subject to the right and interest of Lessee in and to the Units under the Lease so long as no Event of Default under the Lease has occurred and is continuing and at all times prior thereto Secured Party shall respect the quiet enjoyment of the Units by Lessee under the Lease.

1.5 Duration of Security Interest. Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured and shall observe, keep and perform all the terms and conditions, covenants and agreements contained herein, in the Note and the other Operative Agreement to which it is party, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.6 Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein shall constitute an assignment of said Excepted Rights in Collateral to Secured Party:

(a) all payments of any indemnity under Section 8 of the Lease, all payments made under any tax indemnification agreement between Debtor and Lessee which is separate from and not made a part of the Lease, and any payment under Section 9 of the Lease which by its terms is intended solely for Debtor;

(b) all rights of Debtor under the Lease to give notice or demand, collect, sue for or issue waivers, consents or approvals but only for amounts from the Lessee due Debtor on account of any such indemnities or payments referred to in clause 1.6(a) above, provided that Debtor's exercise of said rights shall be subject to the limitations of Section 2.7(c) hereof;

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee which are intended solely to cover an indemnification obligation due to Debtor and not otherwise assigned hereunder; and

(d) all right, powers, privileges, benefits and obligations of Debtor under any remarketing agreement for the Units.

SECTION 2. COVENANTS AND WARRANTIES OF DEBTOR.

Debtor covenants, warrants and agrees so long as the Indebtedness Hereby Secured remains outstanding as follows:

2.1 Payment of Principal and Premium, if any, and Interest. Debtor will duly and punctually pay the principal of and Premium, if any, and interest on the Note, and all other

Indebtedness Hereby Secured in accordance with, and subject to, the terms of the Note and this Security Agreement.

2.2 Debtor's Duties. Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth herein and in the Operative Agreements and in each and every supplement hereto and thereto or amendment hereof and thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as through any amendment or supplement hereto or thereto was fully set out in an amendment or supplement to this Security Agreement. Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreement and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Agreement against Debtor.

2.3 Warranty of Title. DEBTOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE TO, OR THE VALUE OF, COMPLIANCE WITH SPECIFICATIONS, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR FITNESS FOR USE OF, THE UNITS (OR ANY PORTION THEREOF) OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS (OR ANY PORTION THEREOF), except that Debtor hereby represents and warrants that: (i) on the date hereof Debtor has received whatever title to such Units was conveyed to it on such date, and (ii) so long as any Indebtedness Hereby Secured remains outstanding Debtor will not interfere in the quiet enjoyment of any Units by Lessee. Debtor further represents and warrants, that it has the right, power and authority to grant a security interest in the Collateral to Secured Party for the uses and purposes herein set forth; and Debtor agrees that it will warrant and defend such title to the Collateral and promptly take such action as may be necessary to duly discharge any lien and encumbrance on the Collateral which results from a claim against Debtor arising, by, through or under Debtor which is not related (i) to the ownership of the Units and any transaction contemplated by the Operative Agreements; or (ii) to the failure of Lessee to perform any obligation under the Operative Agreements.

2.4 Further Assurances. Debtor agrees that it will do, execute, acknowledge and deliver all and every further acts, conveyances, transfers and assurances requested by Secured Party and reasonably necessary or proper to more fully evidence, establish or perfect the security interest being herein provided for in the Collateral or any part thereof, whether now owned or hereafter acquired, provided, however, that no such further act, conveyance, transfer or assurance as requested shall be inconsistent with any term hereof or increase the obligations of Debtor hereunder.

2.5 After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by Debtor and leased to Lessee under the Lease shall ipso facto, and without any further conveyance, assignment or act or the part of

Debtor or Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein.

2.6 Recordation and Filing. Debtor will cause Lessee to make such recordations and filings as may from time to time be required by law in order fully to preserve and protect the rights of Secured Party hereunder. Debtor represents and warrants to Secured Party that its chief executive office and office where its records concerning the Collateral are maintained is in Baltimore, Maryland and that Debtor will give Secured Party prompt notice of any change in this location.

2.7 Negative Covenants. So long as Indebtedness Hereby Secured remains outstanding, except as otherwise permitted in the Operative Agreement, Debtor agrees that it will not:

(a) by affirmative act, terminate or accept a surrender of, or offer or agree to any termination or surrender of, the Lease or any of the Related Collateral or, except in respect of Excepted Rights in Collateral agree to any modification thereof;

(b) except in respect of Excepted Rights in Collateral, receive or collect any payment of Gross Rentals under the Lease;

(c) declare an Event of Default under the Lease or terminate, amend, modify, release or waive or offer to terminate, amend, modify or release or waive any provision thereunder or exercise any of the remedies of the Lessor provided for in the Lease, except that Debtor may exercise the remedies provided in Section 15(a)(vi) of the Lease insofar as said remedies relate solely to Excepted Rights in Collateral.

(d) declare a default or exercise remedies of Debtor under, or terminate, modify or release, or offer or agree to any termination, modification or release of, or offer or agree to any termination, modification or release of, any of the Related Collateral; or

(e) sell, transfer, encumber or otherwise dispose of the Units or the Collateral or any interest therein without the prior consent of Secured Party.

2.8 Power of Attorney. Debtor does hereby irrevocably constitute and appoint Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Section 1.1, 1.2 and 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as Debtor could itself do, and to endorse the name of 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 proceedings, either in its own name or in the name of Debtor or otherwise, which Secured Party may deem necessary or appropriate to protect and preserve the right, title and

interest of Secured Party in and to such rents and other sums and the security intended to be afforded hereby and if an Event of Default hereunder shall have occurred and be continuing, to settle, adjust and compromise any claim under the Lease or any of the Related Collateral fully as Debtor itself could so do.

2.9 Unmatured Events of Default and Events of Default. Debtor further covenants and agrees that it will give Secured Party prompt written notice of any event or condition constituting an Unmatured Event of Default or an Event of Default hereunder, under the Lease or any of the Related Collateral, if Debtor has actual knowledge of such event or condition. Debtor further agrees that, except as permitted in Section 2.7(d), it will not exercise any remedies under the Lease or any of the Related Collateral without the consent of Secured Party. For purposes hereof, Debtor shall have actual knowledge only if an officer of Debtor directly or indirectly responsible for the Lease and/or this Security Agreement has actual knowledge or has received notice of such event or condition.

2.10 Maintenance of Existence. Debtor agrees that it will preserve and keep in full force and effect its existence, and will maintain all rights and franchises and all licenses and permits necessary for the performance of its obligations hereunder. Debtor will provide Secured Party prompt written notice of any change in its chief place of business, its chief executive office or the office where it keeps its records concerning the Lease.

2.11 Inspection. Subject to the rights of Lessee under the Lease, Debtor agrees to provide Secured Party with the same rights to inspect the Units from time to time as are provided to Debtor in the Lease.

2.12 Fundamental Representations. Debtor represents and warrants that:

(a) Debtor has full right, power and authority to execute and perform this Security Agreement, the Note and the Lease and to issue the Note and to borrow the funds evidenced thereby;

(b) Debtor is a national banking association duly organized, legally existing and in good standing under the laws of the United States and has full right, power and authority to execute this Security Agreement, the Note and the Lease and to perform the obligations of Debtor or Maker thereunder; the performance or observance by Debtor of any of its obligations under each such instrument does not violate any provision of any law, any order of any court or governmental agency, the charter documents or bylaws of Debtor or any indenture, agreement or other instrument to which Debtor is a party or by which it, or any of its property, is bound, and will not be in conflict with, result in a breach of or constitute (with notice and/or lapse of time or both) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Debtor;

payable in respect of such Unit in compliance with Section 12 of the Lease and all other Indebtedness Hereby Secured which is then due and owing.

3.2 Release of Units upon Payment. Secured Party shall, upon receipt of all principal and interest and Premium, if any, due under the Note and all other Indebtedness Hereby Secured, release the Units subject hereto. Following payments of all Indebtedness Hereby Secured, Secured Party will upon the request of Debtor, give written notice to the Lessee that Secured Party's security interest hereunder has been terminated.

SECTION 4. APPLICATION OF ASSIGNED BASE RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY SECURED PARTY.

4.1 Application of Base Rentals and Other Payments. As more fully set forth in Section 1.2 hereof, Debtor has hereby granted to Secured Party a security interest in, inter alia, all rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Units as security for, inter alia, the Note, excluding however the Excepted Rights in Collateral. So long as no Event of Default hereunder has occurred and is continuing:

(a) All amounts (which do not constitute Excepted Rights in Collateral) from time to time received by Secured Party which constitute payment by the Lessee under the Lease of the installments of Base Rental and interest on past due Base Rentals under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Note, then to any other sums then due and which is Indebtedness Hereby Secured and then balance, if any, of such amounts shall be paid to Debtor not later than the first business day following the receipt thereof at the address for wire transfers set forth in Section 7.7 hereof.

(b) Any amount received by Secured Party which constitutes settlement by the Lessee of the "Casualty Value" for a Unit pursuant to Section 12 of the Lease shall be applied by Secured Party as follows:

(i) First, to the payment of an amount equal to the Premium, if any, due with respect to the repayment of principal of the Note by reason thereof;

(ii) Second, to the payment of an amount equal to the remaining principal loan balance relating to such Unit.

(iii) Third, to the payment of any other Indebtedness Hereby Secured which is then due and owing; and

(iv) Fourth, the balance, if any, of any such amount held by Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) shall be paid to Debtor not later than the first Business Day following the receipt thereof at the address for wire transfers set forth in Section 7.7 hereof.

For purposes of this Section 4.1(b), the remaining loan balance for any Unit shall be determined by multiplying the remaining principal loan balance under the Note by a fraction the numerator of which is the original Acquisition Cost for the Unit suffering the Casualty Occurrence and the denominator of which is the original Acquisition Cost for all Units then remaining under the Lease prior to such Casualty Occurrence.

(c) The amounts, if any, received by Secured Party from time to time which constitute proceeds of casualty insurance maintained by Lessee, or payments, proceeds or awards from a requisition, condemnation or taking by any governmental entity, in respect of the Units, shall be held by Secured Party as a part of the Collateral and shall be applied by Secured Party from time to time to any one or more of the following purposes:

(i) The payments of such insurance or from such requisition, condemnation or taking shall be paid over by Secured Party to the Lessee, if the Unit is replaced or restored or a substitute is provided pursuant to Section 12 of the Lease, to reimburse the Lessee for expenditures made for the same upon compliance by Lessee with the Lease; and

(ii) If a Casualty Occurrence shall have occurred then such payments, proceeds or awards shall be applied by Secured Party as provided in the preceding clause (b) above.

(d) Any other amounts received by Secured Party for which provision as to the application thereof is made in the Lease shall be applied forthwith to the purpose for which such payment was made in accordance with the terms of the Lease.

4.2 Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, then notwithstanding any other provision of this Section 4, all amounts held or received by Secured Party hereunder, other than Excepted Rights in Collateral which Secured Party shall in all events distribute to Debtor as and when received, shall be applied in the manner provided for in Section 5 hereof in the respect of proceeds of the Collateral.

SECTION 5. DEFAULT AND OTHER PROVISIONS.

5.1 Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default on payment of the First Payment on the date due under the Note;

(b) Default in payment of an installment of the principal of, or interest and Premium, if any, on the Note (other than the First Payment) when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue

unremedied for five (5) Business Days after notice of such failure except that no notice shall be necessary under this provision when Secured Party shall have provided to Debtor a copy of any notice when and as required for such circumstance by the provisions of Section 14 of the Lease;

(c) An Event of Default under and as defined in the Lease shall have occurred;

(d) Default on the part of Debtor in the due observance or performance of any covenant or agreement to be observed or performed by Debtor under this Security Agreement or the Note and such default shall continue unremedied for thirty (30) days after written notice from Secured Party to Debtor specifying the default and demanding the same to be remedied (or if such default is curable, the continuance of such failure for up to 90 days after such notice if during such 90 day period Debtor shall be diligently attempting to cure such default);

(e) Any representation or warranty on the part of Debtor made herein or in the Note or in any report, certificate, or other statement furnished in connection with this Security Agreement, the Lease or the Note or the transactions contemplated therein, is untrue as of the date of issuance or making thereof, and is material at the time in question and remains uncured for a period of thirty (30) days after written notice from Secured Party to Debtor specifying the default and demanding same to be remedied;

(f) Debtor becomes insolvent or bankrupt or fails generally to pay its debts as such debts become due, or causes or suffers an order for relief to be entered against it under applicable federal or state bankruptcy law, or makes a general assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Debtor, or for the major part of Debtor's property;

(g) A custodian, trustee or receiver is appointed for Debtor or for the major part of Debtor's property and is not discharged within 60 days after such appointment;

(h) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy or similar law for the relief of debtors, are instituted by or against Debtor and, if instituted against Debtor are consented to or are not dismissed within 60 days after such institution;

(i) A court shall order the dissolution or liquidation of Debtor, or such dissolution or liquidation shall in any manner be commence.

5.2 Secured Party's Rights. When any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof, Secured Party shall have the rights, options, duties and remedies of a secured party under applicable law, and, without limiting the foregoing, Secured Party may exercise any one or more of all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred

is intended to be exclusive of any other remedy or remedies, but each and every remedy given herein or now or hereafter existing at law or in equity or by statute.

(a) Secured Party may, by notice in writing to Debtor declare the entire unpaid principal balance of the Note to be immediately due and payable; and thereupon all such unpaid principal balance, together with all accrued interest thereon, and Premium, if any, payable in respect thereto shall be and become immediately due and payable;

(b) Subject always to the rights if any of Lessee under the Lease, Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to 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 Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of Lessee under the Lease, Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings, whatsoever, and having first given notice of such sale by registered mail to Debtor and Lessee once at least ten (10) days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, either for cash or on credit and on such terms as Secured Party may determine, and at any place (whether or not it be the location of the Collateral) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercial reasonable manner. Any such sale may be adjourned from time to time by announcement at the time and place appointed for such sale, or for any such adjourned sale, without further published notice, and Secured Party may bid and become the purchaser at any such sale;

(d) Subject always to the rights of Lessee under the Lease, Secured Party may proceed to protect and enforce this Security Agreement and the Note by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for 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 or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the Indebtedness Hereby Secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of Lessee under the Lease, Secured Party may proceed to exercise all rights, privileges and remedies of Debtor under the Lease, and

may exercise all such rights and remedies either in the name of Secured Party or in the name of Debtor for the use and benefit of Secured Party;

provided, however, that if the Event of Default hereunder shall arise solely by reason of an Event of Default under and as defined in the Lease, Secured Party may take no action hereunder which impairs the rights of Lessee or otherwise take any action against Debtor, in each case for a period of ten (10) days from the date of notice under Section 5.3(a) by Secured Party to Debtor of such Event of Default.

5.3 Certain Rights of Debtor.

(a) Right to Cover.

(i) Notwithstanding any provision hereof to the contrary, if one or more Events of Default under the Lease shall have occurred solely as a result of failure by Lessee to pay Base Rental, thereby creating an Event of Default under Section 5.1(b) or 5.1(c) hereof, Secured Party shall not pursue any of its remedies hereunder, except as permitted pursuant to the provisions of this Section 5.3(a);

(ii) If Debtor elects to exercise its right to cover as herein provided, then Debtor shall, not later than ten (10) days following the later of (x) telephonic notice of such Event of Default from Secured Party, or (y) the date upon which Debtor or Secured Party shall have the right to exercise the remedies provided for in the Lease (which date as measured shall include any period under Section 1168 of the Bankruptcy Code), deliver to Secured Party a written notice stating that it has elected to exercise such right to cover and follow such notice by same day payment to Secured Party in immediately available funds, of (aa) any Indebtedness Hereby Secured and then due and owing, except any principal on the Note which shall have become due by acceleration and (bb) any Gross Rental then due under the Lease, except Premium, if any, which shall have become due by reason of such acceleration. If Debtor does not after ten (10) days give notice of its election to cover the default and in fact make the payment necessary in connection therewith, then Secured Party may take any action or remedy provided by the terms hereof.

(iii) Notwithstanding anything contained herein to the contrary, Debtor's rights to cover any Event of Default hereunder which arises solely from a failure to pay Base Rentals shall be limited to one (1) such election during the Term of the Lease.

(iv) Debtor shall not, by exercising the right to cover any such Event of Default, obtain any lien, charge or encumbrance of any kind on any of

the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of Debtor against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of Secured Party in and to the Collateral.

(b) Right to Repurchase

(i) If one or more Events of Default under the Lease shall have occurred and Secured Party shall have determined to exercise any remedy against Lessee that would include termination of the Lease or repossession of all or any portion of the Collateral, then Secured Party before taking such action shall give notice to Debtor and advise Debtor that Secured Party is prepared to terminate the Lease and/or repossess Collateral.

(ii) Upon receipt of the notice referred to in clause (i), Debtor may give notice to Secured Party that Debtor is repurchasing the Note at par and shall tender together with such notice an amount equal to the unpaid principal balance of the Note and all accrued interest. If Debtor does not after ten (10) days following the later of (x) its receipt of the notice provided for in clause (i) above, or (y) the date upon which Debtor or Secured Party shall have the right to exercise the intend remedy (which date as measured shall include any period under Section 1168 of the Bankruptcy Code), elect to and repurchase the Note as provided for herein, then Secured Party may in its discretion proceed to exercise any and all remedies hereunder and Debtor shall have no further right hereunder to repurchase the Note.

(c) Exercise of Remedies Under Lease

Notwithstanding anything contained in this Security Agreement to the contrary, if any Event of Default hereunder results solely from the occurrence of one or more Events of Default under the Lease and at such time no other Event of Default shall then exist hereunder, Secured Party shall not exercise any remedy under this Security Agreement against Debtor unless it is then exercising in good faith one or more remedies under the Lease and, in addition, shall not foreclose the lien and security interest of this Security Agreement unless Secured Party is then attempting to exercise in good faith one or more remedies under the Lease for the purpose of repossessing the Units; provided, however that Secured Party shall not be limited in exercising remedies against Debtor under the provisions of this clause (c) if and to the extent Secured Party is then prevented by operation of law (other than Section 1168 of the Bankruptcy

Code), court order or judgment from exercising such remedy or remedies against Lessee.

(d) Amendment to Lease

So long as no Event of Default shall have occurred and be continuing hereunder other than an Event of Default under the Lease (or an Event of Default hereunder directly or indirectly resulting from an Event of Default under the Lease), then Secured Party will not in the exercise of its powers hereunder execute any amendment to the Lease or issue any waiver or consent thereunder which by its terms would alter the economic value to Debtor of any term or provision thereof unless Secured Party is also attempting to foreclose the lien and security interest under this Security Agreement consistent with the provisions of Section 5.3(c) hereof.

5.4 Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with enforcement of any of the terms of this Security Agreement, the entire principal balance of the Note, if not previously due, and the interest accrued thereon, and Premium, if any, shall at once become and be immediately due and payable.

5.5 Purchase of Collateral by Secured Party. Secured Party may be a purchaser of the Collateral or any part thereof or any interest therein at any sale thereof, whether pursuant to foreclosure or power of sale or otherwise. Secured Party may apply against the purchase price therefor the amount of any Indebtedness Hereby Secured which is then due and owing. Secured Party shall, upon any such purchase, acquire good title to the property so purchased, free of the lien of this Security Agreement and to the extent permitted by applicable law, free of all rights of redemption in Debtor.

5.6 Application of Sale Proceeds. The proceeds of any sale of the Collateral, or any part thereof resulting from Secured Party's enforcement of its remedies hereunder and the proceeds of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by Secured Party, and of all taxes, assessments or liens superior to the lien of Secured Party, except any taxes, assessments of other superior lien subject to which said sale may have been made;

(b) Second, to the payment to Secured Party of the amount then owing or unpaid on the Note for principal, interest and Premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the

Note, then such application shall be made, first, to the unpaid interest thereon, second, to unpaid Premium, if any, thereon, and third, to unpaid principal thereof;

(c) Third, to the payment of any other Indebtedness Hereby Secured which is then due and owing; and

(d) Fourth, to the payment of the surplus, if any, to Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.7 Discontinuance of Remedies. In case 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 discounted or abandoned for any reason or shall have been determined adversely, then and in every such case Debtor and Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest under this Security Agreement.

5.8 Cumulative Remedies. No delay or omission of Secured Party to exercise any right or power arising from any Event of Default hereunder shall exhaust or impair any such right or power or prevent its exercise during the continuance of such Event of Default. No waiver by Secured Party of any such default whether such waiver be full or partial, shall extend to or be taken to affect any subsequent Event of Default hereunder, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the Indebtedness Hereby Secured operate to prejudice, waive or affect the security of this Security Agreement or any rights, power or remedies hereunder, nor shall Secured Party be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Note, the Lease, any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, all obligations to make payments on the Note and all other obligations hereunder or thereunder shall be "non-recourse" to Debtor and neither Secured Party nor its successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against Debtor hereof for the payment of any deficiency or any other sum owing on account of the Indebtedness Hereby Secured; provided, however, that the foregoing limitation shall not apply (i) to Section 2.13 of this Security Agreement and to the First Payment due under the Note on March 29, 1995 which is and shall be in all respects a full recourse obligation of Debtor, (ii) to all damages arising from breach by the Debtor of the covenants and agreements set forth in Sections 2.3 and 2.4, the second sentence of 2.6, and Sections 2.7, 2.9, 2.10, 2.11 and 2.12 of this Security Agreement, and (3) to any Premium due

upon prepayment of the Note when such prepayment is occasioned by a repurchase of the Note under Section 5.3(b) hereof.

SECTION 7. MISCELLANEOUS.

7.1 Payment of the Note.

The principal of, and Premium, if any, and interest on the Note shall be payable by wire transfer of immediately available funds as set forth in Section 7.7 hereof or as Secured Party shall otherwise direct in writing. Secured Party reserves the right to sell, transfer or otherwise dispose of the Note and the Collateral. However, until Debtor and Lessee receive written notification from Secured Party of such sale, transfer or disposition, Debtor and Lessee shall be entitled to make payments as provided herein and any sums so paid shall be valid and effective to satisfy and discharge the liability upon the Note regardless of whether such payments are received by Secured Party's assignee.

7.2 Transfer of Note; Lost or Mutilated Note.

(a) Secured Party may transfer the Note without notice to and without the prior consent of Debtor, subject to Section 7.1 hereof. Notwithstanding the foregoing, upon notice from Secured Party, Debtor shall execute in the name of the transferee a new Note in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note to Secured Party for delivery to such transferee.

(b) The Note or any replacement Notes, if presented or surrendered for transfer, shall be accompanied (if so required by Debtor) by a written instrument or instruments of assignment or transfer, in form reasonably satisfactory to Debtor, duly executed by Secured Party or by its attorney duly authorized in writing.

(c) No notarial act shall be necessary for the transfer of the Note pursuant to this Section 7.2, and the transferee of the Note issued as provided in this Section 7.2 shall be entitled to any and all rights and privileges and obligations granted imposed under this Security Agreement to Secured Party.

(d) In case the Note shall become mutilated or be destroyed, lost or stolen, Debtor, upon the written request of Secured Party, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for a Note so destroyed, lost or stolen. Secured Party shall furnish to Debtor such security or indemnity as may be reasonably required by Debtor to save it harmless from all risks, and shall also furnish to Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the Note.

7.3 The New Note.

(a) New Note (herein, in this Section 7.3, called "New Note") issued pursuant to Section 7.2(a) or (d) in exchange for or in substitution or in lieu of the outstanding Note (herein, in this Section 7.3, called an "Old Note") shall be dated the date of such Old Note. Debtor shall mark on the New Note (i) the dates to which principal and interest and Premium, if any, have been paid on the Old Note, (ii) all payments and prepayments of principal and interest and Premium, if any, previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall be the same as the installment payment payable on the Old Note on such date. Interest shall be deemed to have been paid on such Old Note, and all payments and prepayments of principal and interest and Premium, if any, marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) New Note issued pursuant to Section 7.2(a) or (d) in exchange for or in substitution or in lieu of Old Note shall be a valid obligation of Debtor evidencing the same debt as the Old Note and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Note.

7.4 Cancellation of Note. The Note, if surrendered for the purpose of payment, redemption or transfer shall be delivered to Debtor for cancellation or, if surrendered to Debtor, shall be cancelled by it, and no Note shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.5 Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of Debtor or by or on behalf of Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.6 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid.

7.7 Notices. All notices and communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or two (2) business days following deposit in the United States mail, registered mail, postage prepaid, addressed as follows:

IF TO FIRST FIDELITY BANK, N.A.:

123 South Broad Street
Philadelphia, PA 19109
Attn: Drew Ries, Relationship Manager
PMBO06

With a copy to:

(1) First Fidelity Leasing Group, Inc.
7 East Baltimore Street
Baltimore, Maryland 21202
Attn: Keith Hahn

and

(2) First Fidelity Leasing Group, Inc.
123 South Broad Street
Philadelphia, PA 19109
Attn: David Kovacs, Vice President

Directions for payments and wire transfers:
Account No. 0703249910
ABA No. 031201467
Attn: First Fidelity Leasing Group/Bank 250/Class 57

IF TO THE FIRST NATIONAL BANK OF MARYLAND:

25 South Charles Street
15th Floor
Baltimore, MD 21201
Attn: Whitney H. Kerridge

With a copy to:

John A. Stalfort, Esq.
Miles & Stockbridge
10 Light Street
Baltimore, MD 21202

Directions for payments and wire transfers:
Account No. 0589259-9
ABA No. 052-000-113

7.8 Governing Law. This Security Agreement and Note shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania; provided, however, that Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

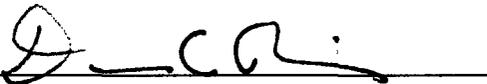
7.9 Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

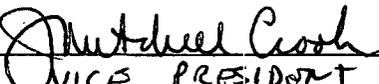
7.10 Headings. The Table of Contents and any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, Debtor and Secured Party has caused this Security Agreement to be executed, by their duly authorized officers as of the day and year first above written.

FIRST FIDELITY BANK, N.A.

THE FIRST NATIONAL BANK OF
MARYLAND

By: 
Its: SENIOR BANKING OFFICER

By: 
Its: VICE PRESIDENT

COUNTY OF PHILA

SS:

STATE OF ~~MARYLAND~~ PA

On this 29th day of September 1995, before me personally appeared Mitchell Crook, to me personally known, who being by me duly sworn, says that he is V.P. of The First National Bank of Md., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[SEAL]

Susan M. Metrow
Notary Public

My Commission Expires: _____

NOTARIAL SEAL
SUSAN M. METROW, Notary Public
City of Philadelphia, Phila. County
My Commission Expires Nov. 30, 1995

COUNTY OF PHILADELPHIA

SS:

COMMONWEALTH OF PENNSYLVANIA

On this 29th day of September 1995, before me personally appeared Drew C. Ries, to me personally known, who being by me duly sworn, says that he is Senior Banking Officer, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[SEAL]

Pauline M. Zenner
Notary Public

My Commission Expires: _____

NOTARIAL SEAL
PAULINE M. ZENNER, Notary Public
Pa Commissioner of Deeds
My Commission Expires August 2, 1998

EXHIBIT A

_____ % LIMITED RECOURSE SECURED NOTE

DUE SEPTEMBER 29, 2000

\$ _____

September 29, 1995

FOR VALUE RECEIVED, the undersigned, The First National Bank of Maryland, a national banking association organized under the laws of the United States, ("Maker"), promises to pay, in installments as hereinafter provided, to the First Fidelity Bank, N.A. ("Payee"), or its order, in lawful money of the United States of America, at its principal office at Philadelphia, PA, or at such other place as Payee may direct, the principal amount of \$ _____, together with interest thereon from the date hereof at the rate of ____ % per annum. Interest hereon shall be computed on the basis of a 365-day year.

The principal and interest on this Note shall be payable in semi-annual installments, with the first such payment due March 29, 1995 (the "First Payment") and continuing thereafter on the twenty-ninth date of each succeeding September and March, with the First Payment and each succeeding payment in the amounts set forth on Schedule A attached hereto. The final payment of combined principal and interest shall be due and payable on September 29, 2000 and shall in all events be in such amount as shall fully pay the unpaid balance of the principal amount of this Note, together with accrued interest thereon. Each payment of this Note shall be applied first to accrued interest hereon at the applicable rate and then to the reduction of the unpaid balance of the principal amount hereof.

If any principal or interest hereunder shall remain unpaid for a period in excess of ten (10) days from the due date thereof, the same shall thereafter be payable with interest thereon (to the extent permitted by law) at greater of (a) the rate of 14% per annum and (b) the annual rate of five percent (5%) plus the prime rate announced from time to time by Chemical Bank of New York with changes in such rate effective immediately.

This Note has been issued under and pursuant to, and is secured by, among other things, a Security Agreement and Assignment of Lease dated as of September 29, 1995 (the "Security Agreement") for the benefit of Payee, its successors and assigns, consisting of a first lien and security interest upon the subject property described therein (the "Collateral"). Reference is made to such document for a description of the nature and extent of the security afforded thereby, the rights of the holder hereof in respect of such security and the terms and conditions upon which this Note is secured. The holder of this Note is entitled to the benefits of the Security Agreement and may enforce the agreements of Debtor contained therein and exercise

the remedies provided therein or otherwise in respect thereof, all in accordance with the terms thereof.

If an Event of Default, as defined in the Security Agreement, shall occur, all of the unpaid balance of the principal of this Note may be declared due and payable in the manner and with the effect provided in the Security Agreement.

This Note may not be prepaid prior to maturity, in whole or in part, except (i) in the event of a Casualty Occurrence under the Lease (and then only to the extent of unpaid principal balance of this loan relating to the Unit suffering the Casualty Occurrence) and (ii) upon the occasion of an Event of Default under the Security Agreement and then only as provided for therein.

Debtor hereby waives presentment for payment, demand, protest, notice of protest or other notice of dishonor and any right to cure except as permitted by the Security Agreement. To the extent permitted by law, Debtor hereby waives and releases all errors, defects and imperfections of the Security Agreement, as well as all benefit that might accrue to Debtor by virtue of any present or future laws exempting the Collateral, or any of its other property, real or personal, or any part of the proceeds arising from any sale of any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment.

The remedies provided herein and in the Security Agreement shall be cumulative and concurrent and may be pursued successively or concurrently against the Debtor and/or the Collateral securing this Note. No failure in exercising any right or remedy hereunder shall operate as a waiver or release thereof, nor shall any single or partial exercise of any such right or remedy preclude any other future exercise thereof or the exercise of any other right or remedy hereunder.

No modification or waiver of any provision of this Note shall be effective unless the same shall be in writing signed by the party against which enforcement of such modification or waiver is sought.

If any term or provision of this Note shall be held to be invalid, illegal or unenforceable, the validity of the other terms and provisions hereof shall in no way be affected thereby.

The Note shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

ANYTHING IN THIS NOTE, THE SECURITY AGREEMENT, THE LEASE, ANY CERTIFICATE, OPINION OR DOCUMENT OF ANY NATURE WHATSOEVER TO THE CONTRARY NOTWITHSTANDING, ALL OBLIGATIONS TO MAKE PAYMENTS ON THIS NOTE AND ALL OTHER OBLIGATIONS HEREUNDER OR THEREUNDER SHALL BE "NON-RECOURSE" TO THE MAKER AND NEITHER THE PAYEE NOR ITS SUCCESSORS OR ASSIGNS SHALL HAVE ANY CLAIM, REMEDY OR RIGHT TO

PROCEED (AT LAW OR IN EQUITY) AGAINST THE MAKER HEREOF FOR THE PAYMENT OF ANY DEFICIENCY OR ANY OTHER SUM OWING ON ACCOUNT OF THE INDEBTEDNESS EVIDENCED BY THIS NOTE; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATION SHALL NOT APPLY (1) TO SECTION 2.13 OF THE SECURITY AGREEMENT AND TO THE FIRST PAYMENT HEREUNDER WHICH IS AND SHALL BE IN ALL RESPECTS A FULL RECOURSE OBLIGATION OF THE MAKER AND (2) TO ALL DAMAGES ARISING FROM BREACH BY DEBTOR OF THE COVENANTS AND AGREEMENTS SET FORTH IN SECTIONS 2.3 AND 2.4, THE SECOND SENTENCE OF 2.6, AND SECTIONS 2.7, 2.9, 2.10, 2.11 AND 2.12 OF THE SECURITY AGREEMENT.

IN WITNESS WHEREOF, Debtor has caused this Note to be duly executed by its duly authorized officers.

THE FIRST NATIONAL BANK OF MARYLAND

By: _____
Its: Authorized Officer

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAW OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

EXHIBIT B

The following Locomotives are the Units subject to the Security Agreement and Assignment of Lease dated September 29, 1995:

Twenty-eight (28) GP38-2 locomotives bearing marks and numbers CR 8224 through CR8251, inclusive.

Twenty-eight (28) GP38-2 locomotives bearing marks and numbers CR 8252 through CR 8263; inclusive; CR 8265 through CR 8271, inclusive; and CR 8273 through CR 8281, inclusive.

Excluded Equipment:

1. Locomotive Speed Limiter
2. Cab Signal
3. Radios and Telemetry

EXHIBIT C

DEFINITIONS

The following capitalized terms shall have the meaning provided for in the Lease: **Base Rental, Gross Rental, Casualty Occurrence, Lessor's Portion of Rent and Term**. Other capitalized terms not otherwise defined in the Security Agreement shall have the meaning provided for hereinafter.

"Acquisition Cost" shall mean the cost of each Unit as evidenced by invoices and/or a bill of sale or a reconstruction agreement relating to the Units.

"Business Day" shall mean any day on which banks are open for business in both the Commonwealth of Pennsylvania and the State of Maryland.

"Collateral" shall have the meaning provided for in Section 1 of the Security Agreement.

"Equity Investment" shall have the meaning provided for in Section 1.3 of the Security Agreement.

"Excepted Rights in Collateral" shall have the meaning provided for in Section 1.6 of the Security Agreement.

"Excluded Equipment" shall mean the equipment specifically identified as such on Exhibit B to the Lease.

"Lease" shall mean that certain Railroad Equipment Lease By and Between Debtor as Lessor and Consolidated Rail Corporation as Lessee dated as of September 29, 1995.

"Lessee's Consent" shall mean the consent and agreement of Lessee to this Security Agreement in form and substance satisfactory to Secured Party.

"Operative Agreements" shall mean the Security Agreement and any supplement thereto, the Note, the Lease and all amendments and supplements thereto now or hereafter executed, any bill of sale relating to the Units, any purchase agreement, reconstruction agreement, or rebuilding agreement relating to the Units and any assignment thereof in favor of Debtor, any sublease, and Lessee's Consent.

"Premium" shall mean an amount equal to zero.

"Purchase Agreement" shall mean that certain Purchase and Sale Agreement dated September 29, 1995 between Lessee as Seller and Lessor as Purchase thereunder relating to the Units.

"Related Collateral" shall have the meaning provided for in Section 1.2 of the Security Agreement.