

Counterparts - C.T. Korman

9883-A
RECORDATION NO. Filed 1425

DEC 4 1978 -1 15 PM
INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Washington, D.C. 20424

2-333A060

9883
RECORDATION NO. Filed 1425

Date DEC 4 1978
Fee \$ 100
DEC 4 1978 -1 15 PM

INTERSTATE COMMERCE COMMISSION
ICC Washington, D.C.

Dear Sir:

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act and the regulations promulgated thereunder, as amended, are the original and two counterparts each of a Security Agreement dated November 24, 1978, and a Lease and Management Agreement dated November 24, 1978.

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

One hundred (100) 50'6" 70-ton single sheaved, boxcars without side posts, with 10' sliding doors and rigid under-frame, bearing reporting marks and numbers NSL 150413 through 150437 inclusive, PT 201148 through PT 201157 inclusive, NSL 151250 through 151302 inclusive, and NSL 156046 through NSL 156057 inclusive; with AAR Mechanical Designation XM.

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

A. Security Agreement:

DEBTOR: Funding Systems Railcars, Inc.
1000 RIDC Plaza, Pittsburgh, Pa. 15238

SECURED PARTY: Lincoln First Bank of Rochester
One Lincoln First Square
Rochester, N.Y. 14643

B. Lease and Management Agreement:

LESSOR: Funding Systems Railcars, Inc.
1000 RIDC Plaza
Pittsburgh, Pa. 15238

LESSEE: Upper Merion and Plymouth Railroad Company
P.O. Box 12
Conshohochen, Pa. 19428

The undersigned is an executive officer of the Debtor and Lessor mentioned in the enclosed documents and has knowledge of the matters set forth therein.

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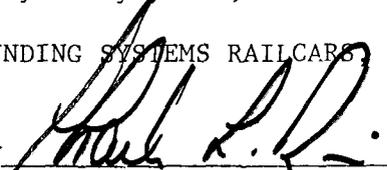
Please return the original of the enclosed Security Agreement and Lease and Management Agreement to Charles Kappler, Esq., Alvord and Alvord, 200 World Center Building, 918 Sixteenth Street, N.W., Washington, D.C. 20006, or to the bearer hereof.

Also enclosed is a remittance in the amount of \$100, the required recording fee.

Very truly yours,

FUNDING SYSTEMS RAILCARS, INC.

By


Charles L. Rucquoi
VICE PRESIDENT

Interstate Commerce Commission
Washington, D.C. 20423

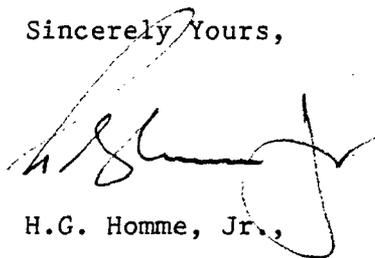
OFFICE OF THE SECRETARY

Charles L. Lucquoi
Funding Systems Trailcars, Inc.
1000 RIBC Plaza
Pittsburgh, Pa 15238

Dear Mr. Lucquoi:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on December 4, 1978 at 1:15pm , and assigned recordation number(s) 9883 and 9883-A

Sincerely Yours,



H.G. Homme, Jr.,
Secretary

Enclosure(s)

SE-30-T
(2/78)

CRAVATH, SWAINE & MOORE

RECEIVED

ONE CHASE MANHATTAN PLAZA
NEW YORK, N.Y. 10005

212 HANOVER 2-3000

TELEX

RCA 233663

WUD 125547

WUI 620976

MAURICE T. MOORE
BRUCE BROMLEY
WILLIAM B. MARSHALL
RALPH L. MCAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DE KOSMIAN
ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN

JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
DOUGLAS D. BROADWATER
ALAN C. STEPHENSON

DEC 28 4 31 PM '78

I. C. C.
FEE OPERATION BR.

COUNSEL
ROSWELL L. GILPATRICK
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER

CARLYLE E. MAW
L. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES R. LINTON

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

33 THROMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-606-1421
TELEX: 8814901

CABLE ADDRESSES
CRAVATH, N. Y.
CRAVATH, PARIS
CRAVATH, LONDON E. C. 2

RECORDATION NO. 9883-1
Filed 1425

DEC 28 1978 - 4 35 PM
INTERSTATE COMMERCE COMMISSION

No. 8-33001
Date DEC 28 1978
Fee \$ 30.00

ICC Washington, D. C.

RECORDATION NO. 9883-12
Filed 1425

DEC 28 1978 - 4 35 PM
December 28, 1978

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9883-F
Filed 1425

DEC 28 1978 - 4 35 PM

INTERSTATE COMMERCE COMMISSION

International Paper Credit Corporation

Dear Sir:

Pursuant to 49 U.S.C. § 11303(a) and the Commission's Rules and Regulations thereunder, as amended, I enclose herewith on behalf of International Paper Credit Corporation ("IPCC") for filing and recordation the following documents:

1. (a) Amended and Restated Security Agreement dated as of December 28, 1978, among Funding Systems Railcars, Inc., debtor, Lincoln First Bank of Rochester, interim lender, and IPCC, secured party. This Amended and Restated Security Agreement amends the Security Agreement dated as of November 24, 1978, between Funding Systems Railcars, Inc. and Lincoln First Bank of Rochester which was filed with the Commission on December 4, 1978, recordation No. 9883.

(b) Acknowledgment of Security Assignment dated December 28, 1978, among Upper Merion & Plymouth Railroad Company, National Railway Utilization Corporation, Funding Systems Corporation and Film Properties, Inc.

2. Amendment to Sublease and Management Agreement dated as of December 28, 1978, between Upper Merion & Plymouth Railroad Company, sublessor and National Railway Utilization Corporation, sublessee/manager. This Amendment

Handwritten signature and initials on the left margin.

9883-C

9883-D

to Sublease and Management Agreement amends the Sublease and Management Agreement dated as of November 24, 1978, between Upper Merion & Plymouth Railroad Company, sublessor and National Railway Utilization Corporation, sublessee/manager, which was filed with the Commission on December 24, 1978, recordation No. 9883-b.

5283-E
3. Amendment to Lease and Management Agreement dated as of December 28, 1978, between Funding Systems Railcars, Inc., lessor, and Upper Merion & Plymouth Railroad Company, lessee/manager. This Amendment to Lease and Management Agreement amends the Lease and Management Agreement dated as of November 24, 1978, between Funding Systems Railcars, Inc., lessor, and Upper Merion & Plymouth Railroad Company, lessee/manager, which was filed with the Commission on December 24, 1978, recordation No. 9883-A.

Names and addresses of the parties to the aforementioned agreements are as follows:

(a) Secured Party:

International Paper Credit Corporation
220 East 42nd Street
New York, N. Y.

(b) Debtor:

Funding Systems Railcars, Inc.
In care of Funding Systems Corporation
1000 RIDC Plaza (Suite 401)
Pittsburgh, Pennsylvania 15238.

(c) Interim Lender:

Lincoln First Bank of Rochester
One Lincoln First Square
Rochester, New York

(d) Sublessor:

Upper Merion & Plymouth Railroad Company
In care of Funding Systems Corporation
1000 RIDC Plaza (Suite 401)
Pittsburgh, Pennsylvania 15238.

(e) Sublessee:

National Railway Utilization Corporation
100 Center Square East
1500 Market Street
Philadelphia, Pennsylvania 19102.

(f) Funding Systems Corporation:

1000 RIDC Plaza (Suite 401)
Pittsburgh, Pennsylvania 15238.

(g) Lessor:

Funding Systems Railcars, Inc.
In care of Funding Systems Corporation
1000 RIDC Plaza (Suite 401)
Pittsburgh, Pennsylvania 15238.

(h) Lessee/Manager:

Upper Merion & Plymouth Railroad Company
In care of Funding Systems Corporation
1000 RIDC Plaza (Suite 401)
Pittsburgh, Pennsylvania 15238

(i) Film Properties, Inc.:

39 South LaSalle Street
Chicago, Illinois

Please file and record the documents referred to in this letter and cross-index them under the names set forth above. The equipment covered by the aforementioned documents consists of the following:

One hundred (100) 70-ton 5'6" single sheaved boxcars bearing the identifying numbers NSL 150413 through NSL 150437, NSL 156046 through NSL 156057, PT 201148 through PT 201157, NSL 151250 through NSL 151302. There is also enclosed a check for \$30 payable to the Interstate Commerce Commission, representing the fee for recording the Amended and Restated Security Agreement and related Acknowledgment of Security Assignment (together constituting one document), the Amendment

to the Sublease and Management Agreement and the Amendment to the Lease and Management Agreement. Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



George S. Balis,
as Agent for IPCC

H. G. Homme, Jr., Esq.,
Acting Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

31

BY HAND

Interstate Commerce Commission
Washington, D.C. 20423

12/28/78

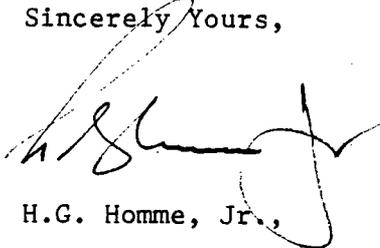
OFFICE OF THE SECRETARY

George S. Dalis
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 12/28/78 at 4:35pm, and assigned recordation number(s) 9883-C, 9883-D, 9883-E

Sincerely Yours,



H.G. Homme, Jr.,
Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 9883-C Filed 1425

DEC 28 1978 -4 35 PM

INTERSTATE COMMERCE COMMISSION

AMENDED AND RESTATED SECURITY AGREEMENT

Dated as of December 28, 1978

AMONG

FUNDING SYSTEMS RAILCARS, INC.,
DEBTOR,

LINCOLN FIRST BANK OF ROCHESTER,
INTERIM LENDER,

AND

INTERNATIONAL PAPER CREDIT CORPORATION,
SECURED PARTY

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AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT dated as of December 28, 1978, among FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation (the "Debtor"), LINCOLN FIRST BANK OF ROCHESTER (the "Interim Lender") and INTERNATIONAL PAPER CREDIT CORPORATION (the "Secured Party") hereby amends and restates the Security Agreement dated as of November 24, 1978, between the Debtor and the Interim Lender (the "Original Security Agreement").

A. The Interim Lender has provided interim financing to enable the Debtor to purchase certain railroad equipment described on Schedule A hereto (the "Previously Acquired Equipment").

B. The Debtor's obligation to pay the Interim Lender is evidenced by a promissory note or notes (the "AE Note" or "AE Notes") of the Debtor.

C. The Original Security Agreement was filed and recorded with the Interstate Commerce Commission on December 4, 1978, recordation No. 9883.

D. The Interim Lender wishes to sell the AE Note or AE Notes, and the Secured Party wishes to purchase such Note or Notes from the Interim Lender.

E. The Secured Party is making a loan to the Debtor to enable it to purchase the balance of the railroad equipment described on Schedule A hereto (such equipment and the Previously Acquired Equipment collectively called the "Equipment"). Such loan is being evidenced by the Debtor's promissory note in the form of Exhibit A hereto. In addition, upon acquisition by the Secured Party, the AE Notes are being canceled by the Debtor and a like principal amount of promissory notes in the form of Exhibit A hereto are being issued to the Secured Party in substitution therefor. All such promissory notes in the form of Exhibit A hereto issued to the Secured Party are hereinafter called collectively the Notes.

F. The Original Security Agreement as amended by this Amended and Restated Security Agreement is hereinafter called the "Security Agreement".

G. All of the requirements of law relating to the transactions 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 Notes have been done and performed.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto hereby agree as follows:

Section 1. THE NOTE AND GUARANTY

1.1. Purchase and Sale of the AE Notes. The Interim Lender has sold to the Secured Party and the Secured Party has purchased from the Interim Lender, the AE Notes in the aggregate principal amount of \$1,353,397.50, and the Debtor has paid the interest accrued on the AE Notes to the date hereof. The Interim Lender has endorsed the AE Notes, without recourse, to the Secured Party, and the Secured Party has surrendered the AE Notes to the Debtor in exchange for the Note referred to in Section 1.2.

1.2. The New Loan and the Notes. On the date hereof the Secured Party has made an additional loan to the Debtor to finance the acquisition of the balance of the Equipment, such loan being in the principal amount of \$1,347,500, and the Debtor has issued to the Secured Party a Note in the principal amount of \$2,700,897.50 (being the sum of the principal amount of the AE Notes and the principal amount of the additional loan made on the date hereof).

1.3. Guarantee Agreement. Funding Systems Corporation (the "Guarantor") has unconditionally guaranteed the due and punctual payment of the principal of, and interest on the Notes and the performance and observance by the Debtor of all the covenants contained therein, pursuant to a Guarantee Agreement substantially in the form of Exhibit B attached hereto.

Section 2. GRANT OF SECURITY

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and premium and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebted-

ness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement contained, does hereby convey, warrant, mortgage, pledge, assign, and grant the Secured Party, its successors and assigns, a first superior purchase money security interest in, all and singular of the Debtor's rights, title and interest in and to the properties, rights, interests and privileges described in Sections 2.1, 2.2 and 2.3 hereof subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

2.1. Equipment Collateral. Collateral includes the railroad equipment described in Schedule A attached hereto and made a part hereof constituting Equipment leased and delivered under that certain Lease and Management Agreement dated as of November 24, 1978 (the "Lease and Management Agreement"), between the Debtor and the Upper Merion & Plymouth Railroad Company ("UMP"), a Pennsylvania corporation, and that certain Sublease and Management Agreement dated as of November 24, 1978, between UMP and the National Railway Utilization Corporation ("NRUC"), a South Carolina corporation, including any and all amendments thereto whether now existing or hereafter entered into together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, except such thereof as remain the property of UMP under the Lease and Management Agreement and NRUC under the Sublease and Management Agreement, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

2.2. Lease and Management Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease and Management Agreement, and of Debtor, as assignee of UMP in, to and under the Sublease and Management Agreement (hereinafter collectively referred to as the "Agreements") including any and all amendments thereto whether now existing or hereafter entered into, including all extensions of the term of said Agreements, together with all rights, powers, privileges, options and other benefits of the Debtor under the said Agreements, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof,

(1) the immediate and continuing right to receive and collect all rentals, payments for the Casualty Value (as defined in the Agreements), insurance proceeds, condemnation awards, indemnity payments and all other payments, tenders and security now or hereafter payable or receivable by the Debtor or UMP under the Agreements or pursuant thereto;

(2) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications under or in respect of the Agreements; and

(3) the right to take such action upon the occurrence of an Event of Default under either of the Agreements or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under either of the Agreements, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Agreements or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Agreements, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said rentals, Casualty Value payments, insurance proceeds, condemnation awards, indemnity payments and other payments for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

2.3. Purchase Order Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Purchase Order Agreements dated as of November 24, 1978 (the "Purchase Orders"), between the Debtor and NRUC, Rail Fleet Corporation and Berwick Forge and Fabricating Division of Whittaker Corp. and any and all other contracts and agreements relating to the Equipment or any rights or interests therein to which the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the

Debtor under the Purchase Orders and each and every other such contract and agreement, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective immediately and operative immediately and shall continue in full force and effect until the indebtedness hereby secured has been fully paid and discharged.

2.4. Duration of Security Interest. The 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 the 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 herein and in the Notes contained, 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.

2.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement any rights or interests obtained by the Debtor pursuant to any transfer of its interest to Film Properties, Inc., in accordance with Section 7 hereof (hereinafter sometimes referred to as the Excepted Rights in Collateral) and nothing herein or in any other agreement contained shall constitute an assignment of the Excepted Rights in Collateral to the Secured Party.

Section 3. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

3.1. Debtor's Duties. The 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 in this Agreement and in each and every supplement thereto or amendment 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.

3.2. Warranty of Title; Discharge of Liens. The Debtor has the right, power and authority to grant and does hereby grant a first superior purchase money security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of any person whatsoever. The Debtor agrees that it will not grant any security interests in or otherwise encumber the Collateral, except for the security interests granted prior to the date hereof and the security interest granted by this Security Agreement. The Debtor agrees to pay or discharge any and all claims, liens, charges or security interests claimed by any party equal or superior to the Secured Party's security interest in the Collateral which if unpaid might become a claim, lien, charge or security interest on or with respect to the Collateral, but the Debtor shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Secured Party, adversely affect the security interest of the Secured Party in or to the Collateral or any portion thereof.

3.3. Further Assurances; Direct Payment Under Agreements. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Agreements, the Debtor covenants and agrees that it will cause UMP and NRUC to be notified of such assignment pursuant to Section 17 of the Lease and Management Agreement and Section 17 of the Sublease and Management Agreement and direct UMP and NRUC to make all payments of such revenues and other sums due and to become due under the Lease and Management Agreement, and the Sublease and Management Agreement directly to the Secured Party or as the Secured Party may direct.

3.4. After-acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the

security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 3.3 hereof.

3.5. Recordation and Filing. The Debtor will cause this Security Agreement and any supplements hereto, the Lease and Management Agreement, and the Sublease and Management Agreement, and any supplements thereto and all financing and continuation statements and similar notices 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, including without limitation, filing with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303, in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplement hereto an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

3.6. Modification of the Agreements. The Debtor will not:

(a) declare a default or exercise the remedies of the Debtor or UMP under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, the Lease and Management Agreement and/or the Sublease and Management Agreement or, except as permitted by Section 7 hereof, by affirmative act consent to the creation or permit the existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease and Management Agreement and/or the Sublease and Management Agreement or any part thereof; or

(b) receive or collect or permit the receipt or collection of any payment under the Lease and Management Agreement, and/or the Sublease and Management Agreement, prior to the date for payment thereof provided for by the Lease and Management Agreement and/or Sublease and Management Agreement or assign, transfer or hypothecate (other than to the Secured Party hereunder or as provided in Section 7 hereof) any rental payment then due or to

accrue in the future under the Lease and Management Agreement, and/or the Sublease and Management Agreement in respect of the Equipment; or

(c) except as permitted pursuant to the terms of Section 7 hereof, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

3.7. Power of Attorney. Debtor does hereby irrevocably constitute and appoint the 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 hereunder 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 checks, drafts, notes or other instruments 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 the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

3.8. Maintenance; Use. The Debtor agrees that, at its own cost and expense, it will maintain and keep each unit of Equipment including any parts installed on or replacements made to any unit of Equipment in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads; that it will use the Equipment in accordance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use thereof; and that it will make the Equipment available for inspection by the Secured Party at all reasonable times.

3.9. Insurance. At its own expense, the Debtor shall carry and maintain, or cause others to carry and maintain, casualty insurance with respect to each unit of Equipment and public liability insurance, in each case in amounts, against risks and with companies satisfactory to the Secured Party. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior

notice of cancelation or material change in coverage to the Secured Party, (ii) name the Secured Party as an additional named insured as its interest may appear, and (iii) waive any right to claim premiums or commissions against the Secured Party.

Section 4. POSSESSION, OPERATION AND RELEASE OF PROPERTY.

4.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by UMP and NRUC under and subject to the Lease and Management Agreement and the Sublease and Management Agreement shall not constitute a violation of this Section 4.1.

4.2. Release of Property. So long as no default referred to in Section 15 of the Lease and Management Agreement and/or the Sublease and Management Agreement has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by UMP and/or NRUC for settlement pursuant to Section 12 of the Lease and Management Agreement and/or the Sublease and Management Agreement upon receipt from UMP and/or NRUC of written notice designating the Item of Equipment in respect of which the Lease and Management Agreement and/or the Sublease and Management Agreement will terminate, such release to be effective only upon the receipt by the Secured Party from UMP and/or NRUC of payment for the Casualty Value for such Item of Equipment in compliance with Section 12 of the Agreements.

4.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 5. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

5.1. Application of Rentals; Certain Prepayments.

So long as no default or Event of Default (as defined in Section 6.1 hereof) has occurred and is continuing, the amounts from time to time received by the Secured Party under the Lease and Management Agreement and/or the Sublease and Management Agreement shall be applied first, to the payment of the installments of principal and premium and interest (and in each case first to interest and then to principal and premium) on the installments of the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party and second, any balance shall be paid over to the Debtor or as the Debtor may direct.

5.2. Application of Casualty Value Payments. The amounts from time to time received by the Secured Party which constitute settlement by UMP and/or NRUC of the Casualty Value for any Item of Equipment pursuant to Section 12 of the Agreements shall be paid and applied as follows:

(a) first, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (b) shall be applied on the Notes;

(b) second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

(c) third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (a) and (b) shall, so long as no default or Event of Default has occurred and is continuing, be released promptly to or upon the order of the Debtor.

For purposes of this Section 5.2, the Loan Value, in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price of such Item of Equipment

for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject to the Lease and Management Agreement and the Sublease and Management Agreement (including the Purchase Price of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 5.2 (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 5.2).

5.3. Application of Casualty Insurance Proceeds.

The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by UMP and/or NRUC and/or any other carrier in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) so long as no Event of Default has occurred and is continuing, the proceeds of such insurance shall, if the Equipment is to be repaired, be released to the Debtor to reimburse UMP and/or NRUC for expenditures made for such repair upon receipt by the Secured Party of a certificate of an appropriate officer of UMP and/or NRUC as required by the last paragraph of Section 12.1 of the Lease and Management Agreement and the last paragraph of Section 12.1 of the Sublease and Management Agreement; and

(b) if the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (a) within 180 days from the receipt thereof by the Secured Party, or if within such period UMP and/or NRUC shall have notified the Secured Party in writing that the Lease and Management Agreement and/or the Sublease and Management Agreement in respect to any Item of Equipment is to be terminated in accordance with the provisions of Section 12, then the insurance proceeds shall be applied by the Secured Party as follows:

(i) first, to the prepayment of the Notes all in the manner and to the extent provided for by Section 5.2 hereof; and

(ii) second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preced-

ing subparagraph (i) shall, so long as no Event of Default has occurred and is continuing, be released promptly to or upon the order of the Debtor.

5.4. Multiple Notes. If more than one Note is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

5.5. Default. If an Event of Default has occurred and is continuing, all amounts received by the Secured Party in respect of the Collateral shall be applied in the manner provided for in Section 6.

Section 6. DEFAULTS AND OTHER PROVISIONS

6.1. Events of Default. The term Event of Default shall mean one or more of the following:

(a) default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for any prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days; or

(b) an Event of Default, as defined and set forth in Section 15 of the Lease and Management Agreement, shall occur and be continuing;

(c) an Event of Default, as defined and set forth in Section 15 of the Sublease and Management Agreement, shall occur and be continuing;

(d) default on the part of the Debtor or UMP in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement, or in the Lease and Management Agreement, or by UMP under the Sublease and Management Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied; or

(e) any representation or warranty on the part of the Debtor or UMP made herein, or in the Lease and Management Agreement, or the Sublease and Management

Agreement, or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease and Management Agreement, or Sublease and Management Agreement or the transactions contemplated herein or therein shall prove to be false or misleading in any material respect when made; or

(f) any claim, lien or charge (other than those permitted under Section 3.2 hereinabove or created pursuant to Section 7 hereinafter) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor demanding the discharge or removal thereof; or

(g) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of any of the Debtor, or the Guarantor, or UMP or NRUC, or adjudging any of the Debtor, or UMP or NRUC a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization arrangement, adjustment or composition of or in respect of any of the Debtor, or UMP or NRUC under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal or State bankruptcy law or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of any of the Debtor, or UMP or NRUC or of any substantial part of their respective property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(h) the institution by any of the Debtor, or the Guarantor, UMP or NRUC of proceedings to be adjudicated a bankrupt or insolvent, or the consent by any of them to the institution of bankruptcy or insolvency proceedings against any of them, or the filing by any of them of a petition or answer or consent seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal or state bankruptcy law or other similar law, or the consent by any of them to the institution of proceedings thereunder or to the filing of any such petition or to the appointment or taking possession of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of any of them or of any

substantial part of any of their respective property, or the making by any of them of an assignment for the benefit of creditors, or the admission by any of them in writing of its inability to pay its debts generally as they become due, or the failure of any of them generally to pay its debts as such debts become due, or the taking of corporate action by any of them in furtherance of any such action.

6.2. Secured Party's Rights. The Debtor agrees that when any Event of Default has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the Commonwealth of Pennsylvania (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted). In addition:

(a) the Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, together with premium computed as if the Notes were then being voluntarily prepaid, shall be and become immediately due and payable. Notwithstanding anything to the contrary contained herein, the Debtor, and/or its successors and assigns including any transferee of Debtor pursuant to Section 7 hereof (a "Redeeming Party") shall have the right to redeem all but not less than all of the Collateral by paying to Secured Party, within ten (10) days of the receipt by Debtor of the notice from the Secured Party, an amount equal to the unpaid principal amount of the Notes plus accrued and unpaid premium and interest as of the date of payment, plus any and all costs and expenses incurred by Secured Party hereunder as would have been paid under Paragraph 6.6(a) hereinafter from the proceeds and/or avails of any sale. Upon payment of the foregoing the redeemed Collateral shall be released from all liens, claims or encumbrances of the Secured Party;

(b) the 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 the 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, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold;

(c) the Secured Party may, with or without retaking possession thereof and either before or after taking possession and without instituting any legal proceedings whatsoever, at its election and upon 10 days' written notice to the Debtor, sell the Equipment, or one or more of the units thereof, free from any and all claims of the Debtor, or any other party claiming from, through or under the Debtor, at law or in equity, at public or private sale and with or without advertisement as the Secured Party may determine. Any sale hereunder may be held or conducted at such place and such time or times as the Secured Party may specify in the notice referred to above in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Secured Party may determine, so long as such sale shall be in a commercially reasonable manner. The Secured Party may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Debtor may not directly or indirectly bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale, unless the Debtor's bid is an amount not less than the pro rata amount then owing to the Secured Party on the Equipment which is the subject of the Debtor's bid. In addition, if such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Debtor to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Secured Party shall be the purchaser of the Equipment, it shall not be accountable to the Debtor;

(d) the Secured Party may proceed to protect and enforce this Security Agreement and said Notes 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, 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;

(e) in case the Secured Party shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Secured Party, Debtor shall at its own expense and risk:

(i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any unit or units have been interchanged or which may have possession thereof to return the unit or units) place such units upon such storage tracks as the Secured Party reasonably may designate;

(ii) cause such units to be stored on such tracks without charge for insurance, rent or storage until all such units or Equipment have been sold, leased or otherwise disposed of by the Secured Party; and

(iii) cause the same to be transported to any reasonable place, as directed by the Secured Party.

During any storage period, the Debtor agrees, at its own cost and expense, to maintain and keep each such unit in good order and repair and to permit the inspection of the Equipment by the Secured Party, the Secured Party's representatives and prospective purchasers and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence to the agreement between the parties, and the Debtor acknowledges that 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 hereof. The Debtor hereby waives any and all claims against the Secured Party and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner; and

(f) the Secured Party may proceed to exercise all

rights, privileges and remedies of the Debtor under the Lease and Management Agreement and/or the Sublease and Management Agreement, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

6.3. 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 the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, and premium as herein provided, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum owing on the Notes.

6.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, to the fullest extent permitted by law, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

6.5. Effect of Sale. 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 property 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.

6.6. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails 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 property expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest and premium; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium with application on each Note to be made, first to unpaid interest thereof, second to unpaid principal thereof, and third to unpaid premium, if any; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancelation thereof, if fully paid; and

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

6.7 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, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

6.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy 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 now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 7. TRANSFER OF DEBTOR'S INTEREST.

The Secured Party acknowledges that the Debtor has transferred its interest in the Collateral pursuant to the terms and conditions hereinafter set forth to Film Properties, Inc., a Delaware corporation (the "Owner"), provided and that:

(a) the Debtor will deliver to the Secured Party any and all documents and will make such additional filing, registering or depositing of such documents at its sole cost and expense as may be required by the Secured Party to continue in effect the perfected first security interest of the Secured Party in and to the Collateral;

(b) the Debtor has delivered an opinion of counsel, in form and substance satisfactory to the Secured Party, to the effect that all action necessary to maintain the first superior purchase money security interest of the Secured Party in the Collateral upon and subsequent to such transfer has been performed and the Secured Party continues to have a valid and perfected first security interest in the Collateral enforceable in accordance with the terms of this Agreement;

(c) the Owner has expressly acknowledged and agreed in writing that the interest transferred to it by the Debtor is subject and subordinate in all respects to the security interest of the Secured Party in the Collateral under this Agreement;

(d) the Debtor hereby acknowledges and agrees that such transfer shall not in any way discharge or limit any of the Debtor's obligations under the Security Agreement;

(e) the Debtor has furnished the Secured Party with copies of all documents relating to such transfer;

(f) the Owner has provided to the Secured Party a certificate signed by a responsible officer thereof representing and warranting as follows:

(i) that the purchase from Debtor of the Equipment and any management arrangement with Debtor with regard to such Equipment is subject and subordinate in all respects to the security interest of Secured Party in the Collateral;

(ii) that the Owner shall pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Owner, its successors or assigns (including tax liens arising out of the receipt by transferee of income and proceeds from the Equipment) which if unpaid might become a claim, lien, charge or security interest on or with respect to such Collateral; provided, however, that the Owner shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of Secured Party, adversely affect its security interest in or to such Collateral or any portion thereof;

(iii) that the Owner has full right, power and authority and all necessary licenses and permits to execute and deliver and to carry out the terms and provisions of the agreements and related documents (the "Transfer Documents")

relating to the purchase from Debtor and management by Debtor of the Equipment;

(iv) that there are no proceedings pending, or to the Owner's knowledge threatened, and to the Owner's knowledge there is no existing basis for any such proceedings, against or affecting transferee in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect transferee's right, power and authority to enter into or perform the Transfer Documents;

(v) that the Equipment acquired by the Owner is free and clear of any liens or encumbrances which result from claims against the Owner not relating to ownership of such Equipment. The Owner has not by affirmative act conveyed title to such Equipment to any person or entity or subjected the Equipment to any lien or encumbrance other than the previously existing Lease and Management Agreement between Debtor and UMP and the Sublease and Management Agreement between UMP and NRUC and this Security Agreement and the security interest of the Debtor, the management arrangement with Debtor and the remarketing arrangement with Debtor under the Transfer Documents;

(vi) that the Owner is not acquiring the Equipment or entering into any other transaction contemplated hereby, directly or indirectly in connection with any arrangement in any way including any employee benefit plan (other than a government plan) with respect to which transferee, or, insofar as is known to transferee, any Builder, Secured Party, UMP or NRUC is a party in interest, all within the meaning of the Employee Retirement Security Act of 1974 (ERISA) and that the Owner will not transfer its interests in the Equipment to any other person or entity which is at the time a party in interest with respect to any employee benefit plan, the assets of which were used by any successor or assign of Secured Party in making its investment all within the meaning of ERISA;

(vii) that neither the Owner nor anyone acting on its behalf will offer any security for issue or

sale to, or solicit any offer to acquire any security so as to bring the transactions under the Transfer Documents within the provisions of Section 5 of the Securities Act of 1933, as amended;

(viii) that the Owner is purchasing the interests to be acquired by it pursuant to the Transfer Documents, with no present intention of reselling such interests or any part thereof, but subject, nevertheless, to any requirement of law that the disposition of its property be at all times within transferee's control.

Section 8. MISCELLANEOUS.

8.1. Registration and Execution. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

8.2. Payment of the Notes.

(a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds or as the Secured Party shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, first class, certified, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 8.3. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Notes agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 8.4 and 8.5.

(b) All amounts constituting payment of the installments of revenue under the Lease and Management Agreement and/or the Sublease and Management Agreement or Casualty Value received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to

satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

8.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Notes (herein called the Register). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

8.4. Transfers and Exchanges of Notes; List or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor and the Debtor shall execute in the name of the transferee a new Note or Notes in denominations not less than \$50,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Debtor for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and deliver such new Note or Notes to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 8.4, and the holder of any Note issued as provided in this Section 8.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be

destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risk, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such Note purchaser setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Note purchaser to indemnify the Debtor for the claims or action against it (and for its attorneys' fees) resulting from the issuance of such new Note or the reappearance of the old Note.

8.5. Cancelation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancelation or, if surrendered to the Debtor, shall be canceled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

8.6. Business Days. As used herein, the term "business days" means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in the Commonwealth of Pennsylvania are authorized or obligated to remain closed.

8.7. 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, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

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

8.9. Communications. All 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 when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Debtor:

Funding System Railcars, Inc.
In care of Funding Systems Corporation
Suite 401
1000 RIDC Plaza
Pittsburgh, Pennsylvania 15238

Attention of Stanley B. Scheinman,
President

If to the Secured Party:

International Paper Credit Corporation
220 East 42nd Street
New York, N. Y. 10017

Attention of David E. DuVernay,
Vice-President

If to the Interim Lender:

Lincoln First Bank of Rochester
One Lincoln First Square
Rochester, New York

Attention of Peter Possun,
Vice President

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

8.10. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

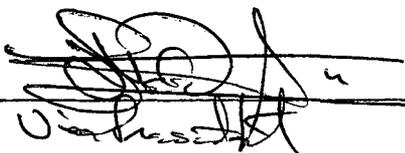
8.11. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

8.12. 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.

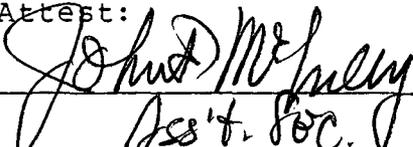
8.13. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor, the Secured Party and the Interim Lender have executed this Security Agreement as of the day and year first above written.

FUNDING SYSTEMS RAILCARS, INC.,

by 

[Corporate Seal]

Attest:

Ass't. Sec.

INTERNATIONAL PAPER CREDIT CORPORATION,

by

James A. Hays
Credit Manager - NVB

[Corporate Seal]

Attest:

LINCOLN FIRST BANK OF ROCHESTER,

by

[Corporate Seal]

Attest:

STATE OF PENNSYLVANIA,)
) ss.:
COUNTY OF ALLEGHENY,)

On this day of December 1978, before me personally appeared ²Allen E. Nugent II, to me personally known, who being by me duly sworn, says that he is a Vice President of FUNDING SYSTEMS RAILCARS, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Charles S. DePalma
Notary Public

[Notarial Seal]

CHARLES S. DePALMA
Notary Public, State of New York
No. 31-5990695
Qualified in New York County
Commission Expires March 30, 1980

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of December 1978, before me personally appeared James S. Hayes, to me personally known, who being by me duly sworn, says that he is a Credit Manager of INTERNATIONAL PAPER CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Charles S. DePalma
Notary Public

[Notarial Seal]

CHARLES S. DePALMA
Notary Public, State of New York
No. 31-5990695
Qualified in New York County
Commission Expires March 30, 1980

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-Ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	63	PT 201148- PT 201157; NSL 151250- NSL 151302	\$38,500	\$2,425,500	Pickens, South Carolina
Total		63	Total		\$2,425,500	

SCHEDULE A
DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-Ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	25	NSL 150413- NSL 150437	\$38,837	\$970,925	Renovo, Penn- sylvania
Total		25	Total		\$970,925	

BUILDER RAIL FLEET

SCHEDULE A
DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-Ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	12	NSL 156046- NSL 156057	\$38,500	\$462,000	Pickens, South Carolina
Total		12	Total		\$462,000	

PROMISSORY NOTE

\$

December 28, 1978

FOR VALUE RECEIVED, FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation ("Borrower"), with its principal office at 1000 RIDC Plaza, Pittsburgh, Pennsylvania 15238, hereby promises to pay to International Paper Credit Corporation, 220 East 42nd Street, New York, New York ("IPCC"), or registered assigns, the principal sum of Two million, seven hundred thousand, eight hundred and ninety-seven Dollars and fifty cents (\$ _____), together with interest from the date hereof until maturity (computed on the basis of a 360-day year of twelve 30-day months, except that partial months shall be computed on an actual elapsed day, 365-day year, basis) on the unpaid principal hereof at a rate (the "Interest Rate") per annum equal to 4% above the rate of The Chase Manhattan Bank, N.A., New York, New York, in effect on the dates hereinafter provided for prime commercial loans of 90-day maturities to its most creditworthy commercial customers. The Interest Rate on the date hereof is _____ % per annum. The Interest Rate shall be adjusted upward or downward, as the case may be, effective as of and for the period following each date on which an installment of interest is payable as provided in the following paragraph, to reflect the rate of The Chase Manhattan Bank, N.A., for

such prime commercial loans in effect on the first day of the calendar month preceding any such date on which interest is payable hereunder. Any change in the Interest Rate shall not affect interest theretofore accrued. Interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof shall be payable, to the extent lawful, at a rate per annum equal to 2% above the Interest Rate.

The Note shall be payable in installments as follows:

(i) two installments of interest only payable on April 1, 1979, and June 1, 1979; and

(ii) thirty consecutive quarterly installments of principal and interest, payable on each September 1, December 1, March 1 and June 1, commencing September 1, 1979 (each such installment date being hereinafter called a "Payment Date" and collectively called the "Payment Dates").

The amount payable with respect to principal on each of the first 29 Payment Dates shall be an amount equal to the amount required in the aggregate to completely amortize the principal amount of this Note in 58 consecutive quarters as set forth in the attached schedule, and the amount payable with respect to interest on each of

the first 29 Payment Dates shall be (in addition to any amount required by the following paragraph) an amount equal to interest on the unpaid principal amount of this Note at a rate per annum of 14% (the "Scheduled Rate", and each such interest payment is hereinafter called a "Scheduled Interest Payment"). The final quarterly installment shall be in an amount equal to the sum of the remaining unpaid principal amount of this Note and the interest accrued and unpaid on this Note at the Interest Rate.

In addition to the Scheduled Interest Payment on each Payment Date, the Borrower shall pay to IPCC with respect to interest on this Note on each Payment Date an amount equal to the difference, if any, between (y) the actual amount of interest accrued with respect to this Note at the Interest Rate and payable on such Payment Date and (z) the amount of the Scheduled Interest Payment paid on such Payment Date. On each Payment Date, IPCC shall pay to the Borrower so long as no Event of Default shall have occurred and be continuing, the amount, if any, by which (y) the Scheduled Interest Payment made on such Payment Date exceeds (z) the actual amount of interest accrued with respect to this Note at the Interest Rate and payable on such Payment Date. All payments made on the Payment Dates shall be applied first to interest and then to principal.

Upon at least 30 days' prior written notice to IPCC, the Borrower may prepay the principal of the Note in whole, at any time, plus a premium equal to the applicable percentage set forth below of the principal amount then being prepaid, together with accrued interest at the Interest Rate on the amount so prepaid to the prepayment date and any other amounts then owed by the Borrower to IPCC pursuant to this Note and the Security Agreement (as hereinafter defined):

<u>If Prepaid</u>	<u>Applicable Percentage</u>
Prior to December 28, 1979	4
Thereafter, and prior to December 28, 1980	3-1/2
Thereafter, and prior to December 28, 1981	3
Thereafter, and prior to December 28, 1982	2-1/2
Thereafter, and prior to December 28, 1983	2
Thereafter, and prior to December 28, 1984	1-1/2
Thereafter, and prior to December 28, 1985	1
Thereafter, and prior to December 28, 1986	1/2

Both the principal and premium hereof and interest hereon are payable at the office of IPCC referred to above

or at such other place as IPCC shall designate in writing to the Borrower in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is secured by that certain Amended and Restated Security Agreement dated as of December 28, 1978 (the "Security Agreement"), among IPCC, the Borrower and Lincoln First Bank of Rochester providing for a security interest in the Equipment (as defined therein), the Lease and Management Agreement dated as of November 24, 1978, between the Borrower, as lessor, and Upper Merion & Plymouth Railroad Company ("UMP"), as lessee, and the Sublease and Management Agreement dated as of November 24, 1978, between UMP, as sublessor, and National Railway Utilization Corporation, as sublessee. Reference is made to the Security Agreement for a description of the security interest provided thereby, and of the rights of the holder of this Note. As provided in the Security Agreement, the principal of this Note may be declared due and payable prior to the stated maturity hereof on the occurrence of certain events.

Borrower and all guarantors of this Note hereby waive presentment for payment, protest and notice of dishonor.

This Note shall be construed in accordance with,
and shall be governed by, the laws of the State of New York.

FUNDING SYSTEMS RAILCARS, INC.,

By _____

Title _____

GUARANTEE AGREEMENT

International Paper Credit Corporation
220 East 42nd Street
New York, New York

Dear Sirs:

In consideration of and in order to induce you to make a loan to FUNDING SYSTEMS RAILCARS, INC. ("Borrower"), in the principal amount of \$ _____ to be evidenced by the Borrower's note in the form attached hereto as Exhibit A (such note and all notes issued in exchange or substitution therefor being collectively called the "Notes") in that amount dated the date hereof, the undersigned, FUNDING SYSTEMS CORPORATION (the "Guarantor"), irrevocably and unconditionally guarantees to you and your successors and assigns the full and prompt payment when due of principal, premium and interest on the Notes and any and all other amounts which may be or become due to you from the Borrower under or by reason of the Notes or the Security Agreement referred to in the Note. All payments made hereunder by the Guarantor shall be made in lawful money of the United States of America.

The obligations of the Guarantor hereunder shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and

interest on the Notes and such other amounts shall have been indefeasibly paid. The liability of the Guarantor hereunder shall not be affected or impaired by any extension of time, renewal, modification or indulgence which you may grant to Borrower with respect to any obligation. You may exchange, release or surrender any and all collateral security which you may at any time hold in connection with any obligation hereby guaranteed, and you may settle or compromise with Borrower any obligation hereby guaranteed without in any case affecting the Guarantor's liability hereunder. Any delay by you in exercising any right hereunder or in taking any action to collect or endorse payment of any obligation hereby guaranteed shall not operate as a waiver of any such right or in any manner prejudice your rights against the Guarantor.

In the event the maturity of any obligation hereby guaranteed is accelerated as against Borrower, such maturity shall be deemed accelerated for the purpose of this Guarantee and without demand upon or notice to the Guarantor. You are hereby authorized in the event of default by Borrower under any of its obligations to you, to proceed immediately against the Guarantor for payment of all obligations which are owed to you by Borrower without the necessity of having to proceed against Borrower or any security relating to the obligations of Borrower.

The Guarantor hereby expressly waives notice of acceptance of this Guarantee; presentment, demand, protest, notice of nonpayment and any other notice which would otherwise be required in connection with this Guarantee, acceptance on your part of this Guarantee being conclusively presumed by your request for same and delivery of it to you. This is a guarantee of payment and not of collection.

The Guarantor hereby agrees to indemnify and hold you harmless from and against any liability, loss, damage, or expense, including legal fees, which you may incur or sustain by reason of Borrower's failure to perform or to comply with the terms and obligations of the Notes and the Security Agreement referred to in the Note.

The Guarantor agrees to pay all costs, expenses and fees, including legal fees, which you may incur in enforcing or attempting to enforce this Guarantee.

The Guarantor hereby represents and warrants that it is a corporation duly incorporated and in good standing under the laws of the state of its incorporation, is not in violation of any provisions of its certificate of incorporation, its by-laws or the laws of the state of its incorporation, has power to enter into this Guarantee, has duly authorized the execution and delivery of this Guarantee by proper corporate action and neither this Guarantee nor the agreements herein contained

contravene or constitute a default under any agreement, instrument or indenture or any provisions of its certificate of incorporation or any other requirement of law.

The Guarantor hereby further represents and warrants that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another corporation; provided, that the Guarantor may consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of the United States or of one of the states of the United States) or sell or otherwise transfer to another domestic corporation all or substantially all its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee corporation, as the case may be, assumes and agrees in writing to perform all the obligations of the Guarantor hereunder.

This Guarantee Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of New York.

This Guarantee shall be binding upon the Guarantor, its successors and assigns, and shall inure to the benefit of your successors and assigns.

IN WITNESS WHEREOF, the Guarantor has executed

this Guarantee as of the 28th day of December 1978.

FUNDING SYSTEMS CORPORATION,

By

Title _____

AMENDED AND RESTATED SECURITY AGREEMENT

Dated as of December 28, 1978

AMONG

FUNDING SYSTEMS RAILCARS, INC.,

DEBTOR,

LINCOLN FIRST BANK OF ROCHESTER,

INTERIM LENDER,

AND

INTERNATIONAL PAPER CREDIT CORPORATION,

SECURED PARTY

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AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT dated as of December 28, 1978, among FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation (the "Debtor"), LINCOLN FIRST BANK OF ROCHESTER (the "Interim Lender") and INTERNATIONAL PAPER CREDIT CORPORATION (the "Secured Party") hereby amends and restates the Security Agreement dated as of November 24, 1978, between the Debtor and the Interim Lender (the "Original Security Agreement").

A. The Interim Lender has provided interim financing to enable the Debtor to purchase certain railroad equipment described on Schedule A hereto (the "Previously Acquired Equipment").

B. The Debtor's obligation to pay the Interim Lender is evidenced by a promissory note or notes (the "AE Note" or "AE Notes") of the Debtor.

C. The Original Security Agreement was filed and recorded with the Interstate Commerce Commission on December 4, 1978, recordation No. 9883.

D. The Interim Lender wishes to sell the AE Note or AE Notes, and the Secured Party wishes to purchase such Note or Notes from the Interim Lender.

E. The Secured Party is making a loan to the Debtor to enable it to purchase the balance of the railroad equipment described on Schedule A hereto (such equipment and the Previously Acquired Equipment collectively called the "Equipment"). Such loan is being evidenced by the Debtor's promissory note in the form of Exhibit A hereto. In addition, upon acquisition by the Secured Party, the AE Notes are being canceled by the Debtor and a like principal amount of promissory notes in the form of Exhibit A hereto are being issued to the Secured Party in substitution therefor. All such promissory notes in the form of Exhibit A hereto issued to the Secured Party are hereinafter called collectively the Notes.

F. The Original Security Agreement as amended by this Amended and Restated Security Agreement is hereinafter called the "Security Agreement".

G. All of the requirements of law relating to the transactions 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 Notes have been done and performed.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto hereby agree as follows:

Section 1. THE NOTE AND GUARANTY

1.1. Purchase and Sale of the AE Notes. The Interim Lender has sold to the Secured Party and the Secured Party has purchased from the Interim Lender, the AE Notes in the aggregate principal amount of \$1,353,397.50, and the Debtor has paid the interest accrued on the AE Notes to the date hereof. The Interim Lender has endorsed the AE Notes, without recourse, to the Secured Party, and the Secured Party has surrendered the AE Notes to the Debtor in exchange for the Note referred to in Section 1.2.

1.2. The New Loan and the Notes. On the date hereof the Secured Party has made an additional loan to the Debtor to finance the acquisition of the balance of the Equipment, such loan being in the principal amount of \$1,347,500, and the Debtor has issued to the Secured Party a Note in the principal amount of \$2,700,897.50 (being the sum of the principal amount of the AE Notes and the principal amount of the additional loan made on the date hereof).

1.3. Guarantee Agreement. Funding Systems Corporation (the "Guarantor") has unconditionally guaranteed the due and punctual payment of the principal of, and interest on the Notes and the performance and observance by the Debtor of all the covenants contained therein, pursuant to a Guarantee Agreement substantially in the form of Exhibit B attached hereto.

Section 2. GRANT OF SECURITY

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and premium and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebted-

ness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement contained, does hereby convey, warrant, mortgage, pledge, assign, and grant the Secured Party, its successors and assigns, a first superior purchase money security interest in, all and singular of the Debtor's rights, title and interest in and to the properties, rights, interests and privileges described in Sections 2.1, 2.2 and 2.3 hereof subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

2.1. Equipment Collateral. Collateral includes the railroad equipment described in Schedule A attached hereto and made a part hereof constituting Equipment leased and delivered under that certain Lease and Management Agreement dated as of November 24, 1978 (the "Lease and Management Agreement"), between the Debtor and the Upper Merion & Plymouth Railroad Company ("UMP"), a Pennsylvania corporation, and that certain Sublease and Management Agreement dated as of November 24, 1978, between UMP and the National Railway Utilization Corporation ("NRUC"), a South Carolina corporation, including any and all amendments thereto whether now existing or hereafter entered into together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, except such thereof as remain the property of UMP under the Lease and Management Agreement and NRUC under the Sublease and Management Agreement, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

2.2. Lease and Management Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease and Management Agreement, and of Debtor, as assignee of UMP in, to and under the Sublease and Management Agreement (hereinafter collectively referred to as the "Agreements") including any and all amendments thereto whether now existing or hereafter entered into, including all extensions of the term of said Agreements, together with all rights, powers, privileges, options and other benefits of the Debtor under the said Agreements, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof,

(1) the immediate and continuing right to receive and collect all rentals, payments for the Casualty Value (as defined in the Agreements), insurance proceeds, condemnation awards, indemnity payments and all other payments, tenders and security now or hereafter payable or receivable by the Debtor or UMP under the Agreements or pursuant thereto;

(2) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications under or in respect of the Agreements; and

(3) the right to take such action upon the occurrence of an Event of Default under either of the Agreements or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under either of the Agreements, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Agreements or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Agreements, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said rentals, Casualty Value payments, insurance proceeds, condemnation awards, indemnity payments and other payments for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

2.3. Purchase Order Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Purchase Order Agreements dated as of November 24, 1978 (the "Purchase Orders"), between the Debtor and NRUC, Rail Fleet Corporation and Berwick Forge and Fabricating Division of Whittaker Corp. and any and all other contracts and agreements relating to the Equipment or any rights or interests therein to which the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the

Debtor under the Purchase Orders and each and every other such contract and agreement, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 2.5 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective immediately and operative immediately and shall continue in full force and effect until the indebtedness hereby secured has been fully paid and discharged.

2.4. Duration of Security Interest. The 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 the 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 herein and in the Notes contained, 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.

2.5. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement any rights or interests obtained by the Debtor pursuant to any transfer of its interest to Film Properties, Inc., in accordance with Section 7 hereof (hereinafter sometimes referred to as the Excepted Rights in Collateral) and nothing herein or in any other agreement contained shall constitute an assignment of the Excepted Rights in Collateral to the Secured Party.

Section 3. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

3.1. Debtor's Duties. The 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 in this Agreement and in each and every supplement thereto or amendment 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.

3.2. Warranty of Title; Discharge of Liens. The Debtor has the right, power and authority to grant and does hereby grant a first superior purchase money security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of any person whatsoever. The Debtor agrees that it will not grant any security interests in or otherwise encumber the Collateral, except for the security interests granted prior to the date hereof and the security interest granted by this Security Agreement. The Debtor agrees to pay or discharge any and all claims, liens, charges or security interests claimed by any party equal or superior to the Secured Party's security interest in the Collateral which if unpaid might become a claim, lien, charge or security interest on or with respect to the Collateral, but the Debtor shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Secured Party, adversely affect the security interest of the Secured Party in or to the Collateral or any portion thereof.

3.3. Further Assurances; Direct Payment Under Agreements. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Agreements, the Debtor covenants and agrees that it will cause UMP and NRUC to be notified of such assignment pursuant to Section 17 of the Lease and Management Agreement and Section 17 of the Sublease and Management Agreement and direct UMP and NRUC to make all payments of such revenues and other sums due and to become due under the Lease and Management Agreement, and the Sublease and Management Agreement directly to the Secured Party or as the Secured Party may direct.

3.4. After-acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the

security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 3.3 hereof.

3.5. Recordation and Filing. The Debtor will cause this Security Agreement and any supplements hereto, the Lease and Management Agreement, and the Sublease and Management Agreement, and any supplements thereto and all financing and continuation statements and similar notices 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, including without limitation, filing with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303, in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplement hereto an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

3.6. Modification of the Agreements. The Debtor will not:

(a) declare a default or exercise the remedies of the Debtor or UMP under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, the Lease and Management Agreement and/or the Sublease and Management Agreement or, except as permitted by Section 7 hereof, by affirmative act consent to the creation or permit the existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease and Management Agreement and/or the Sublease and Management Agreement or any part thereof; or

(b) receive or collect or permit the receipt or collection of any payment under the Lease and Management Agreement, and/or the Sublease and Management Agreement, prior to the date for payment thereof provided for by the Lease and Management Agreement and/or Sublease and Management Agreement or assign, transfer or hypothecate (other than to the Secured Party hereunder or as provided in Section 7 hereof) any rental payment then due or to

accrue in the future under the Lease and Management Agreement, and/or the Sublease and Management Agreement in respect of the Equipment; or

(c) except as permitted pursuant to the terms of Section 7 hereof, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

3.7. Power of Attorney. Debtor does hereby irrevocably constitute and appoint the 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 hereunder 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 checks, drafts, notes or other instruments 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 the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

3.8. Maintenance; Use. The Debtor agrees that, at its own cost and expense, it will maintain and keep each unit of Equipment including any parts installed on or replacements made to any unit of Equipment in good operating order, repair and condition, ordinary wear and tear excepted, in accordance with the Interchange Rules of the Association of American Railroads; that it will use the Equipment in accordance with any and all statutes, laws, ordinances and regulations of any governmental agency applicable to the use thereof; and that it will make the Equipment available for inspection by the Secured Party at all reasonable times.

3.9. Insurance. At its own expense, the Debtor shall carry and maintain, or cause others to carry and maintain, casualty insurance with respect to each unit of Equipment and public liability insurance, in each case in amounts, against risks and with companies satisfactory to the Secured Party. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior

notice of cancelation or material change in coverage to the Secured Party, (ii) name the Secured Party as an additional named insured as its interest may appear, and (iii) waive any right to claim premiums or commissions against the Secured Party.

Section 4. POSSESSION, OPERATION AND RELEASE OF PROPERTY.

4.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by UMP and NRUC under and subject to the Lease and Management Agreement and the Sublease and Management Agreement shall not constitute a violation of this Section 4.1.

4.2. Release of Property. So long as no default referred to in Section 15 of the Lease and Management Agreement and/or the Sublease and Management Agreement has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by UMP and/or NRUC for settlement pursuant to Section 12 of the Lease and Management Agreement and/or the Sublease and Management Agreement upon receipt from UMP and/or NRUC of written notice designating the Item of Equipment in respect of which the Lease and Management Agreement and/or the Sublease and Management Agreement will terminate, such release to be effective only upon the receipt by the Secured Party from UMP and/or NRUC of payment for the Casualty Value for such Item of Equipment in compliance with Section 12 of the Agreements.

4.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 5. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

5.1. Application of Rentals; Certain Prepayments.

So long as no default or Event of Default (as defined in Section 6.1 hereof) has occurred and is continuing, the amounts from time to time received by the Secured Party under the Lease and Management Agreement and/or the Sublease and Management Agreement shall be applied first, to the payment of the installments of principal and premium and interest (and in each case first to interest and then to principal and premium) on the installments of the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party and second, any balance shall be paid over to the Debtor or as the Debtor may direct.

5.2. Application of Casualty Value Payments. The amounts from time to time received by the Secured Party which constitute settlement by UMP and/or NRUC of the Casualty Value for any Item of Equipment pursuant to Section 12 of the Agreements shall be paid and applied as follows:

(a) first, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (b) shall be applied on the Notes;

(b) second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

(c) third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (a) and (b) shall, so long as no default or Event of Default has occurred and is continuing, be released promptly to or upon the order of the Debtor.

For purposes of this Section 5.2, the Loan Value, in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price of such Item of Equipment

for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject to the Lease and Management Agreement and the Sublease and Management Agreement (including the Purchase Price of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 5.2 (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 5.2).

5.3. Application of Casualty Insurance Proceeds.

The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by UMP and/or NRUC and/or any other carrier in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) so long as no Event of Default has occurred and is continuing, the proceeds of such insurance shall, if the Equipment is to be repaired, be released to the Debtor to reimburse UMP and/or NRUC for expenditures made for such repair upon receipt by the Secured Party of a certificate of an appropriate officer of UMP and/or NRUC as required by the last paragraph of Section 12.1 of the Lease and Management Agreement and the last paragraph of Section 12.1 of the Sublease and Management Agreement; and

(b) if the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (a) within 180 days from the receipt thereof by the Secured Party, or if within such period UMP and/or NRUC shall have notified the Secured Party in writing that the Lease and Management Agreement and/or the Sublease and Management Agreement in respect to any Item of Equipment is to be terminated in accordance with the provisions of Section 12, then the insurance proceeds shall be applied by the Secured Party as follows:

(i) first, to the prepayment of the Notes all in the manner and to the extent provided for by Section 5.2 hereof; and

(ii) second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preced-

ing subparagraph (i) shall, so long as no Event of Default has occurred and is continuing, be released promptly to or upon the order of the Debtor.

5.4. Multiple Notes. If more than one Note is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

5.5. Default. If an Event of Default has occurred and is continuing, all amounts received by the Secured Party in respect of the Collateral shall be applied in the manner provided for in Section 6.

Section 6. DEFAULTS AND OTHER PROVISIONS

6.1. Events of Default. The term Event of Default shall mean one or more of the following:

(a) default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for any prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days; or

(b) an Event of Default, as defined and set forth in Section 15 of the Lease and Management Agreement, shall occur and be continuing;

(c) an Event of Default, as defined and set forth in Section 15 of the Sublease and Management Agreement, shall occur and be continuing;

(d) default on the part of the Debtor or UMP in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement, or in the Lease and Management Agreement, or by UMP under the Sublease and Management Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied; or

(e) any representation or warranty on the part of the Debtor or UMP made herein, or in the Lease and Management Agreement, or the Sublease and Management

Agreement, or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease and Management Agreement, or Sublease and Management Agreement or the transactions contemplated herein or therein shall prove to be false or misleading in any material respect when made; or

(f) any claim, lien or charge (other than those permitted under Section 3.2 hereinabove or created pursuant to Section 7 hereinafter) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor demanding the discharge or removal thereof; or

(g) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of any of the Debtor, or the Guarantor, or UMP or NRUC, or adjudging any of the Debtor, or UMP or NRUC a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization arrangement, adjustment or composition of or in respect of any of the Debtor, or UMP or NRUC under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal or State bankruptcy law or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of any of the Debtor, or UMP or NRUC or of any substantial part of their respective property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(h) the institution by any of the Debtor, or the Guarantor, UMP or NRUC of proceedings to be adjudicated a bankrupt or insolvent, or the consent by any of them to the institution of bankruptcy or insolvency proceedings against any of them, or the filing by any of them of a petition or answer or consent seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable Federal or state bankruptcy law or other similar law, or the consent by any of them to the institution of proceedings thereunder or to the filing of any such petition or to the appointment or taking possession of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of any of them or of any

substantial part of any of their respective property, or the making by any of them of an assignment for the benefit of creditors, or the admission by any of them in writing of its inability to pay its debts generally as they become due, or the failure of any of them generally to pay its debts as such debts become due, or the taking of corporate action by any of them in furtherance of any such action.

6.2. Secured Party's Rights. The Debtor agrees that when any Event of Default has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the Commonwealth of Pennsylvania (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted). In addition:

(a) the Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, together with premium computed as if the Notes were then being voluntarily prepaid, shall be and become immediately due and payable. Notwithstanding anything to the contrary contained herein, the Debtor, and/or its successors and assigns including any transferee of Debtor pursuant to Section 7 hereof (a "Redeeming Party") shall have the right to redeem all but not less than all of the Collateral by paying to Secured Party, within ten (10) days of the receipt by Debtor of the notice from the Secured Party, an amount equal to the unpaid principal amount of the Notes plus accrued and unpaid premium and interest as of the date of payment, plus any and all costs and expenses incurred by Secured Party hereunder as would have been paid under Paragraph 6.6(a) hereinafter from the proceeds and/or avails of any sale. Upon payment of the foregoing the redeemed Collateral shall be released from all liens, claims or encumbrances of the Secured Party;

(b) the 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 the 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, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold;

(c) the Secured Party may, with or without retaking possession thereof and either before or after taking possession and without instituting any legal proceedings whatsoever, at its election and upon 10 days' written notice to the Debtor, sell the Equipment, or one or more of the units thereof, free from any and all claims of the Debtor, or any other party claiming from, through or under the Debtor, at law or in equity, at public or private sale and with or without advertisement as the Secured Party may determine. Any sale hereunder may be held or conducted at such place and such time or times as the Secured Party may specify in the notice referred to above in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Secured Party may determine, so long as such sale shall be in a commercially reasonable manner. The Secured Party may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Debtor may not directly or indirectly bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale, unless the Debtor's bid is an amount not less than the pro rata amount then owing to the Secured Party on the Equipment which is the subject of the Debtor's bid. In addition, if such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Debtor to purchase or provide a purchaser, within ten days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Secured Party shall be the purchaser of the Equipment, it shall not be accountable to the Debtor;

(d) the Secured Party may proceed to protect and enforce this Security Agreement and said Notes 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, 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;

(e) in case the Secured Party shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Secured Party, Debtor shall at its own expense and risk:

(i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any unit or units have been interchanged or which may have possession thereof to return the unit or units) place such units upon such storage tracks as the Secured Party reasonably may designate;

(ii) cause such units to be stored on such tracks without charge for insurance, rent or storage until all such units or Equipment have been sold, leased or otherwise disposed of by the Secured Party; and

(iii) cause the same to be transported to any reasonable place, as directed by the Secured Party.

During any storage period, the Debtor agrees, at its own cost and expense, to maintain and keep each such unit in good order and repair and to permit the inspection of the Equipment by the Secured Party, the Secured Party's representatives and prospective purchasers and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence to the agreement between the parties, and the Debtor acknowledges that 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 hereof. The Debtor hereby waives any and all claims against the Secured Party and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner; and

(f) the Secured Party may proceed to exercise all

rights, privileges and remedies of the Debtor under the Lease and Management Agreement and/or the Sublease and Management Agreement, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

6.3. 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 the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, and premium as herein provided, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum owing on the Notes.

6.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, to the fullest extent permitted by law, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

6.5. Effect of Sale. 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 property 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.

6.6. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails 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 property expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest and premium; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium with application on each Note to be made, first to unpaid interest thereof, second to unpaid principal thereof, and third to unpaid premium, if any; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancelation thereof, if fully paid; and

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

6.7 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, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

6.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy 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 now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 7. TRANSFER OF DEBTOR'S INTEREST.

The Secured Party acknowledges that the Debtor has transferred its interest in the Collateral pursuant to the terms and conditions hereinafter set forth to Film Properties, Inc., a Delaware corporation (the "Owner"), provided and that:

(a) the Debtor will deliver to the Secured Party any and all documents and will make such additional filing, registering or depositing of such documents at its sole cost and expense as may be required by the Secured Party to continue in effect the perfected first security interest of the Secured Party in and to the Collateral;

(b) the Debtor has delivered an opinion of counsel, in form and substance satisfactory to the Secured Party, to the effect that all action necessary to maintain the first superior purchase money security interest of the Secured Party in the Collateral upon and subsequent to such transfer has been performed and the Secured Party continues to have a valid and perfected first security interest in the Collateral enforceable in accordance with the terms of this Agreement;

(c) the Owner has expressly acknowledged and agreed in writing that the interest transferred to it by the Debtor is subject and subordinate in all respects to the security interest of the Secured Party in the Collateral under this Agreement;

(d) the Debtor hereby acknowledges and agrees that such transfer shall not in any way discharge or limit any of the Debtor's obligations under the Security Agreement;

(e) the Debtor has furnished the Secured Party with copies of all documents relating to such transfer;

(f) the Owner has provided to the Secured Party a certificate signed by a responsible officer thereof representing and warranting as follows:

(i) that the purchase from Debtor of the Equipment and any management arrangement with Debtor with regard to such Equipment is subject and subordinate in all respects to the security interest of Secured Party in the Collateral;

(ii) that the Owner shall pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Owner, its successors or assigns (including tax liens arising out of the receipt by transferee of income and proceeds from the Equipment) which if unpaid might become a claim, lien, charge or security interest on or with respect to such Collateral; provided, however, that the Owner shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of Secured Party, adversely affect its security interest in or to such Collateral or any portion thereof;

(iii) that the Owner has full right, power and authority and all necessary licenses and permits to execute and deliver and to carry out the terms and provisions of the agreements and related documents (the "Transfer Documents")

relating to the purchase from Debtor and management by Debtor of the Equipment;

(iv) that there are no proceedings pending, or to the Owner's knowledge threatened, and to the Owner's knowledge there is no existing basis for any such proceedings, against or affecting transferee in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect transferee's right, power and authority to enter into or perform the Transfer Documents;

(v) that the Equipment acquired by the Owner is free and clear of any liens or encumbrances which result from claims against the Owner not relating to ownership of such Equipment. The Owner has not by affirmative act conveyed title to such Equipment to any person or entity or subjected the Equipment to any lien or encumbrance other than the previously existing Lease and Management Agreement between Debtor and UMP and the Sublease and Management Agreement between UMP and NRUC and this Security Agreement and the security interest of the Debtor, the management arrangement with Debtor and the remarketing arrangement with Debtor under the Transfer Documents;

(vi) that the Owner is not acquiring the Equipment or entering into any other transaction contemplated hereby, directly or indirectly in connection with any arrangement in any way including any employee benefit plan (other than a government plan) with respect to which transferee, or, insofar as is known to transferee, any Builder, Secured Party, UMP or NRUC is a party in interest, all within the meaning of the Employee Retirement Security Act of 1974 (ERISA) and that the Owner will not transfer its interests in the Equipment to any other person or entity which is at the time a party in interest with respect to any employee benefit plan, the assets of which were used by any successor or assign of Secured Party in making its investment all within the meaning of ERISA;

(vii) that neither the Owner nor anyone acting on its behalf will offer any security for issue or

sale to, or solicit any offer to acquire any security so as to bring the transactions under the Transfer Documents within the provisions of Section 5 of the Securities Act of 1933, as amended;

(viii) that the Owner is purchasing the interests to be acquired by it pursuant to the Transfer Documents, with no present intention of reselling such interests or any part thereof, but subject, nevertheless, to any requirement of law that the disposition of its property be at all times within transferee's control.

Section 8. MISCELLANEOUS.

8.1. Registration and Execution. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

8.2. Payment of the Notes.

(a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds or as the Secured Party shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, first class, certified, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 8.3. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Notes agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 8.4 and 8.5.

(b) All amounts constituting payment of the installments of revenue under the Lease and Management Agreement and/or the Sublease and Management Agreement or Casualty Value received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to

satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

8.3. The Register. The Debtor will keep at its principal office a register for the registration and transfer of Notes (herein called the Register). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

8.4. Transfers and Exchanges of Notes; List or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor and the Debtor shall execute in the name of the transferee a new Note or Notes in denominations not less than \$50,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Debtor for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and deliver such new Note or Notes to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 8.4, and the holder of any Note issued as provided in this Section 8.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be

destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risk, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such Note purchaser setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Note purchaser to indemnify the Debtor for the claims or action against it (and for its attorneys' fees) resulting from the issuance of such new Note or the reappearance of the old Note.

8.5. Cancelation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancelation or, if surrendered to the Debtor, shall be canceled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

8.6. Business Days. As used herein, the term "business days" means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in the Commonwealth of Pennsylvania are authorized or obligated to remain closed.

8.7. 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, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

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

8.9. Communications. All 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 when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Debtor:

Funding System Railcars, Inc.
In care of Funding Systems Corporation
Suite 401
1000 RIDC Plaza
Pittsburgh, Pennsylvania 15238

Attention of Stanley B. Scheinman,
President

If to the Secured Party:

International Paper Credit Corporation
220 East 42nd Street
New York, N. Y. 10017

Attention of

If to the Interim Lender:

Lincoln First Bank of Rochester
One Lincoln First Square
Rochester, New York

Attention of Peter Possun,
Vice President

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

8.10. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

8.11. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

8.12. 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.

8.13. Headings. 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, the Debtor, the Secured Party and the Interim Lender have executed this Security Agreement as of the day and year first above written.

FUNDING SYSTEMS RAILCARS, INC.,

by

[Corporate Seal]

Attest:

INTERNATIONAL PAPER CREDIT
CORPORATION,

by

(Corporate Seal)

Attest:

LINCOLN FIRST BANK OF ROCHESTER,

by

Peter P. Brown, V.P.

(Corporate Seal)

Attest:

Robert H. Smith

STATE OF PENNSYLVANIA,)
) ss.:
COUNTY OF ALLEGHENY,)

On this day of December 1978, before me personally appeared , to me personally known, who being by me duly sworn, says that he is a of FUNDING SYSTEMS RAILCARS, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of December 1978, before me personally appeared , to me personally known, who being by me duly sworn, says that he is a of INTERNATIONAL PAPER CREDIT CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

STATE OF NEW YORK,)
) ss.:
COUNTY OF MONROE,)

On this 27th day of December 1978, before me personally appeared Peter G. Posson, to me personally known, who being by me duly sworn, says that he is a Vice President of LINCOLN FIRST BANK OF ROCHESTER, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Alana Laura

Notary Public

[Notarial Seal]



Notary Public
State of New York
My Comm. Expires

79

SCHEDULE A
DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-Ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	63	PT 201148- PT 201157; NSL 151250- NSL 151302	\$38,500	\$2,425,500	Pickens, South Carolina
Total		63	Total		\$2,425,500	

SCHEDULE A
DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-Ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	25	NSL 150413- NSL 150437	\$38,837	\$970,925	Renovo, Penn- sylvania
Total		25	Total		\$970,925	

BUILDER RAIL FLEET

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-Ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	12	NSL 156046- NSL 156057	\$38,500	\$462,000	Pickens, South Carolina
Total		12	Total		\$462,000	

PROMISSORY NOTE

\$

December 28, 1978

FOR VALUE RECEIVED, FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation ("Borrower"), with its principal office at 1000 RIDC Plaza, Pittsburgh, Pennsylvania 15238, hereby promises to pay to International Paper Credit Corporation, 220 East 42nd Street, New York, New York ("IPCC"), or registered assigns, the principal sum of Two million, seven hundred thousand, eight hundred and ninety-seven Dollars and fifty cents (\$ _____), together with interest from the date hereof until maturity (computed on the basis of a 360-day year of twelve 30-day months, except that partial months shall be computed on an actual elapsed day, 365-day year, basis) on the unpaid principal hereof at a rate (the "Interest Rate") per annum equal to 4% above the rate of The Chase Manhattan Bank, N.A., New York, New York, in effect on the dates hereinafter provided for prime commercial loans of 90-day maturities to its most creditworthy commercial customers. The Interest Rate on the date hereof is _____ % per annum. The Interest Rate shall be adjusted upward or downward, as the case may be, effective as of and for the period following each date on which an installment of interest is payable as provided in the following paragraph, to reflect the rate of The Chase Manhattan Bank, N.A., for

such prime commercial loans in effect on the first day of the calendar month preceding any such date on which interest is payable hereunder. Any change in the Interest Rate shall not affect interest theretofore accrued. Interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof shall be payable, to the extent lawful, at a rate per annum equal to 2% above the Interest Rate.

The Note shall be payable in installments as follows:

(i) two installments of interest only payable on April 1, 1979, and June 1, 1979; and

(ii) thirty consecutive quarterly installments of principal and interest, payable on each September 1, December 1, March 1 and June 1, commencing September 1, 1979 (each such installment date being hereinafter called a "Payment Date" and collectively called the "Payment Dates").

The amount payable with respect to principal on each of the first 29 Payment Dates shall be an amount equal to the amount required in the aggregate to completely amortize the principal amount of this Note in 58 consecutive quarters as set forth in the attached schedule, and the amount payable with respect to interest on each of

the first 29 Payment Dates shall be (in addition to any amount required by the following paragraph) an amount equal to interest on the unpaid principal amount of this Note at a rate per annum of 14% (the "Scheduled Rate", and each such interest payment is hereinafter called a "Scheduled Interest Payment"). The final quarterly installment shall be in an amount equal to the sum of the remaining unpaid principal amount of this Note and the interest accrued and unpaid on this Note at the Interest Rate.

In addition to the Scheduled Interest Payment on each Payment Date, the Borrower shall pay to IPCC with respect to interest on this Note on each Payment Date an amount equal to the difference, if any, between (y) the actual amount of interest accrued with respect to this Note at the Interest Rate and payable on such Payment Date and (z) the amount of the Scheduled Interest Payment paid on such Payment Date. On each Payment Date, IPCC shall pay to the Borrower so long as no Event of Default shall have occurred and be continuing, the amount, if any, by which (y) the Scheduled Interest Payment made on such Payment Date exceeds (z) the actual amount of interest accrued with respect to this Note at the Interest Rate and payable on such Payment Date. All payments made on the Payment Dates shall be applied first to interest and then to principal.

Upon at least 30 days' prior written notice to IPCC, the Borrower may prepay the principal of the Note in whole, at any time, plus a premium equal to the applicable percentage set forth below of the principal amount then being prepaid, together with accrued interest at the Interest Rate on the amount so prepaid to the prepayment date and any other amounts then owed by the Borrower to IPCC pursuant to this Note and the Security Agreement (as hereinafter defined):

<u>If Prepaid</u>	<u>Applicable Percentage</u>
Prior to December 28, 1979	4
Thereafter, and prior to December 28, 1980	3-1/2
Thereafter, and prior to December 28, 1981	3
Thereafter, and prior to December 28, 1982	2-1/2
Thereafter, and prior to December 28, 1983	2
Thereafter, and prior to December 28, 1984	1-1/2
Thereafter, and prior to December 28, 1985	1
Thereafter, and prior to December 28, 1986	1/2

Both the principal and premium hereof and interest hereon are payable at the office of IPCC referred to above

or at such other place as IPCC shall designate in writing to the Borrower in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is secured by that certain Amended and Restated Security Agreement dated as of December 28, 1978 (the "Security Agreement"), among IPCC, the Borrower and Lincoln First Bank of Rochester providing for a security interest in the Equipment (as defined therein), the Lease and Management Agreement dated as of November 24, 1978, between the Borrower, as lessor, and Upper Merion & Plymouth Railroad Company ("UMP"), as lessee, and the Sublease and Management Agreement dated as of November 24, 1978, between UMP, as sublessor, and National Railway Utilization Corporation, as sublessee. Reference is made to the Security Agreement for a description of the security interest provided thereby, and of the rights of the holder of this Note. As provided in the Security Agreement, the principal of this Note may be declared due and payable prior to the stated maturity hereof on the occurrence of certain events.

Borrower and all guarantors of this Note hereby waive presentment for payment, protest and notice of dishonor.

This Note shall be construed in accordance with,
and shall be governed by, the laws of the State of New York.

FUNDING SYSTEMS RAILCARS, INC.,

By

Title

GUARANTEE AGREEMENT

International Paper Credit Corporation
220 East 42nd Street
New York, New York

Dear Sirs:

In consideration of and in order to induce you to make a loan to FUNDING SYSTEMS RAILCARS, INC. ("Borrower"), in the principal amount of \$ _____ to be evidenced by the Borrower's note in the form attached hereto as Exhibit A (such note and all notes issued in exchange or substitution therefor being collectively called the "Notes") in that amount dated the date hereof, the undersigned, FUNDING SYSTEMS CORPORATION (the "Guarantor"), irrevocably and unconditionally guarantees to you and your successors and assigns the full and prompt payment when due of principal, premium and interest on the Notes and any and all other amounts which may be or become due to you from the Borrower under or by reason of the Notes or the Security Agreement referred to in the Note. All payments made hereunder by the Guarantor shall be made in lawful money of the United States of America.

The obligations of the Guarantor hereunder shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and

interest on the Notes and such other amounts shall have been indefeasibly paid. The liability of the Guarantor hereunder shall not be affected or impaired by any extension of time, renewal, modification or indulgence which you may grant to Borrower with respect to any obligation. You may exchange, release or surrender any and all collateral security which you may at any time hold in connection with any obligation hereby guaranteed, and you may settle or compromise with Borrower any obligation hereby guaranteed without in any case affecting the Guarantor's liability hereunder. Any delay by you in exercising any right hereunder or in taking any action to collect or endorse payment of any obligation hereby guaranteed shall not operate as a waiver of any such right or in any manner prejudice your rights against the Guarantor.

In the event the maturity of any obligation hereby guaranteed is accelerated as against Borrower, such maturity shall be deemed accelerated for the purpose of this Guarantee and without demand upon or notice to the Guarantor. You are hereby authorized in the event of default by Borrower under any of its obligations to you, to proceed immediately against the Guarantor for payment of all obligations which are owed to you by Borrower without the necessity of having to proceed against Borrower or any security relating to the obligations of Borrower.

The Guarantor hereby expressly waives notice of acceptance of this Guarantee; presentment, demand, protest, notice of nonpayment and any other notice which would otherwise be required in connection with this Guarantee, acceptance on your part of this Guarantee being conclusively presumed by your request for same and delivery of it to you. This is a guarantee of payment and not of collection.

The Guarantor hereby agrees to indemnify and hold you harmless from and against any liability, loss, damage, or expense, including legal fees, which you may incur or sustain by reason of Borrower's failure to perform or to comply with the terms and obligations of the Notes and the Security Agreement referred to in the Note.

The Guarantor agrees to pay all costs, expenses and fees, including legal fees, which you may incur in enforcing or attempting to enforce this Guarantee.

The Guarantor hereby represents and warrants that it is a corporation duly incorporated and in good standing under the laws of the state of its incorporation, is not in violation of any provisions of its certificate of incorporation, its by-laws or the laws of the state of its incorporation, has power to enter into this Guarantee, has duly authorized the execution and delivery of this Guarantee by proper corporate action and neither this Guarantee nor the agreements herein contained

contravene or constitute a default under any agreement, instrument or indenture or any provisions of its certificate of incorporation or any other requirement of law.

The Guarantor hereby further represents and warrants that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another corporation; provided, that the Guarantor may consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of the United States or of one of the states of the United States) or sell or otherwise transfer to another domestic corporation all or substantially all its assets as an entirety and thereafter dissolve, provided that the surviving, resulting or transferee corporation, as the case may be, assumes and agrees in writing to perform all the obligations of the Guarantor hereunder.

This Guarantee Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of New York.

This Guarantee shall be binding upon the Guarantor, its successors and assigns, and shall inure to the benefit of your successors and assigns.

IN WITNESS WHEREOF, the Guarantor has executed

this Guarantee as of the 28th day of December 1978.

FUNDING SYSTEMS CORPORATION,

By

Title _____

ACKNOWLEDGMENT OF SECURITY ASSIGNMENT

To: International Paper Credit Corporation

The undersigned, UPPER MERION & PLYMOUTH RAILROAD COMPANY, a Pennsylvania corporation ("UMP"), NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation ("NRUC"), FUNDING SYSTEMS CORPORATION, a Delaware corporation ("FSC") and FILM PROPERTIES, INC., a Delaware corporation ("FPI"), hereby acknowledge receipt of an executed counterpart of the Amended and Restated Security Agreement (the "Security Agreement") dated as of December 28, 1978, among Funding Systems Railcars, Inc., a Delaware corporation (the "Debtor"), Lincoln First Bank of Rochester and International Paper Credit Corporation (the "Secured Party") and knowing and intending that the Secured Party shall rely hereon in making a loan to the Debtor, UMP, NRUC, FSC and FPI hereby further acknowledge, covenant and agree to and with the Secured Party as follows:

1. Terms used in this Acknowledgment which are not otherwise defined as provided herein shall, for all purposes of this Acknowledgment, have the meanings defined for them in the Security Agreement.

2. Under and by virtue of the Security Agreement, the Secured Party, its successors and assigns, has during the period specified in Section 2.4 thereof, among other things:

(a) the immediate and continuing exclusive right, under the Lease and Management Agreement (the "Lease and Management Agreement") dated November 24, 1978, between Debtor, as lessor, and UMP, as lessee, and under the Sublease and Management Agreement (the "Sublease and Management Agreement") dated November 24, 1978, between UMP, as sublessor, and NRUC, as sublessee and manager, to receive and collect all rentals, payments for the Casualty Value, insurance proceeds, condemnation awards, indemnity payments and all other payments, tenders and security which would otherwise now or hereafter be payable to or receivable by the Debtor or UMP under the Lease and Management Agreement or under the Sublease and Management Agreement or pursuant thereto. The Lease and Management Agreement and the Sublease and Management Agreement are hereinafter collectively referred to as the "Agreements";

(b) the exclusive right to make all waivers and agreements which would otherwise now or hereafter be made by the Debtor or UMP under the Agreements or pursuant thereto, and the right to give and receive duplicate copies of all notices and other instruments or communications under the Agreements or pursuant thereto;

(c) the exclusive right to take such action upon the occurrence of an Event of Default under either of the

Agreements or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under either of the Agreements, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Agreements, or by law, and to do any and all other things whatsoever which the Debtor or UMP or any lessor would otherwise now or hereafter be entitled to do under the Agreements; and

(d) all right, title, interest, claims and demands of the Debtor in, to and under the Purchase Order Agreements (the "Purchase Orders") all dated as of November 24, 1978, between the Debtor and NRUC, Rail Fleet Corporation and Berwick Forge & Fabricating Division of Whittaker Corporation and any and all other contracts and agreements relating to the Equipment, as defined in the Security Agreement, or any rights or interests therein to which the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under the Purchase Orders and each and every other such contract and agreement.

3. The Secured Party has all of the rights of an assignee of the Debtor and UMP which are provided in Section 17 of the Agreements.

4. Prior to the release of the Security Agreement and the security interests granted therein:

(a) neither NRUC nor UMP may terminate or surrender the Agreements, or assign, transfer or encumber its leasehold interest thereunder, without the prior written consent of the Secured Party;

(b) the respective obligations of NRUC and the UMP under the Agreements may not be amended, modified, altered, changed or waived in any manner or to any extent without the prior written consent of the Secured Party; and

(c) the respective obligations of NRUC and the Debtor under the Purchase Order may not be amended, modified, altered, changed or waived in any manner or to any extent without the prior written consent of the Secured Party.

5. FPI and FSC hereby expressly acknowledge and agree that the interest transferred to FPI by the Debtor in and to the Collateral, as defined in the Security Agreement, is subject and subordinate in all respects to the prior security interest of the Secured Party in the Collateral under the Security Agreement. FPI agrees promptly to turn over to the Secured Party all cash and other property which may at any time be received by FPI in respect of the Collateral for application as provided in the Security Agreement, so long as the Security Agreement shall remain in effect, provided, however, that this obligation does not apply to sums paid by the Debtor to FPI under that certain Agreement of Lease dated October 30, 1978, between FPI as lessor and Debtor as lessee.

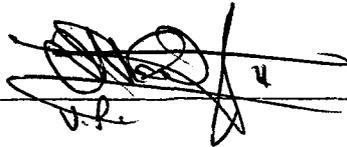
IN WITNESS WHEREOF, intending to be legally bound hereby, Debtor, UMP, NRUC, FSC and FPI have caused this Acknowledgment to be executed and delivered to the Secured Party on this 28th day of December 1978.

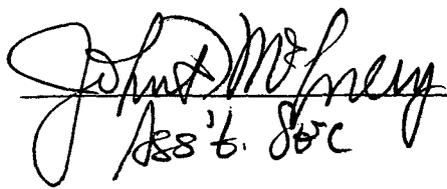
NATIONAL RAILWAY UTILIZATION CORPORATION,

by _____

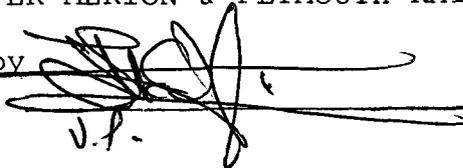
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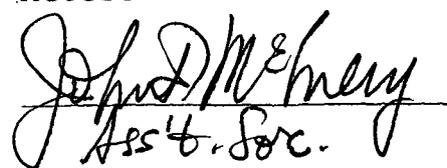
FUNDING SYSTEMS RAILCARS, INC.,

by 

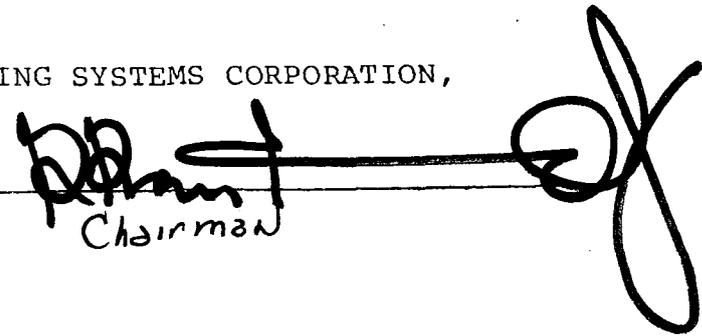
Attest:

Ass't. Sec.

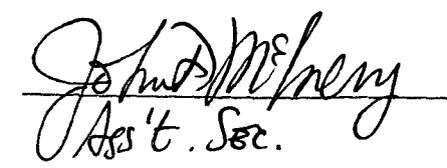
UPPER MERION & PLYMOUTH RAILROAD COMPANY,

by 

Attest:

Ass't. Sec.

FUNDING SYSTEMS CORPORATION,

by 
Chairman

Attest:

Ass't. Sec.

FILM PROPERTIES, INC.,

by Allen P. Hall
Vice Pres.



Attest:

Judith R. Cairick
ASST. SECY.

ACKNOWLEDGMENT OF SECURITY ASSIGNMENT

To: International Paper Credit Corporation

The undersigned, UPPER MERION & PLYMOUTH RAILROAD COMPANY, a Pennsylvania corporation ("UMP"), NATIONAL RAILWAY UTILIZATION CORPORATION, a South Carolina corporation ("NRUC"), FUNDING SYSTEMS CORPORATION, a Delaware corporation ("FSC") and FILM PROPERTIES, INC., a Delaware corporation ("FPI"), hereby acknowledge receipt of an executed counterpart of the Amended and Restated Security Agreement (the "Security Agreement") dated as of December 28, 1978, among Funding Systems Railcars, Inc., a Delaware corporation (the "Debtor"), Lincoln First Bank of Rochester and International Paper Credit Corporation (the "Secured Party") and knowing and intending that the Secured Party shall rely hereon in making a loan to the Debtor, UMP, NRUC, FSC and FPI hereby further acknowledge, covenant and agree to and with the Secured Party as follows:

1. Terms used in this Acknowledgment which are not otherwise defined as provided herein shall, for all purposes of this Acknowledgment, have the meanings defined for them in the Security Agreement.

2. Under and by virtue of the Security Agreement, the Secured Party, its successors and assigns, has during the period specified in Section 2.4 thereof, among other things:

(a) the immediate and continuing exclusive right, under the Lease and Management Agreement (the "Lease and Management Agreement") dated November 24, 1978, between Debtor, as lessor, and UMP, as lessee, and under the Sublease and Management Agreement (the "Sublease and Management Agreement") dated November 24, 1978, between UMP, as sublessor, and NRUC, as sublessee and manager, to receive and collect all rentals, payments for the Casualty Value, insurance proceeds, condemnation awards, indemnity payments and all other payments, tenders and security which would otherwise now or hereafter be payable to or receivable by the Debtor or UMP under the Lease and Management Agreement or under the Sublease and Management Agreement or pursuant thereto. The Lease and Management Agreement and the Sublease and Management Agreement are hereinafter collectively referred to as the "Agreements";

(b) the exclusive right to make all waivers and agreements which would otherwise now or hereafter be made by the Debtor or UMP under the Agreements or pursuant thereto, and the right to give and receive duplicate copies of all notices and other instruments or communications under the Agreements or pursuant thereto;

(c) the exclusive right to take such action upon the occurrence of an Event of Default under either of the

Agreements or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under either of the Agreements, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Agreements, or by law, and to do any and all other things whatsoever which the Debtor or UMP or any lessor would otherwise now or hereafter be entitled to do under the Agreements; and

(d) all right, title, interest, claims and demands of the Debtor in, to and under the Purchase Order Agreements (the "Purchase Orders") all dated as of November 24, 1978, between the Debtor and NRUC, Rail Fleet Corporation and Berwick Forge & Fabricating Division of Whittaker Corporation and any and all other contracts and agreements relating to the Equipment, as defined in the Security Agreement, or any rights or interests therein to which the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under the Purchase Orders and each and every other such contract and agreement.

3. The Secured Party has all of the rights of an assignee of the Debtor and UMP which are provided in Section 17 of the Agreements.

4. Prior to the release of the Security Agreement and the security interests granted therein:

(a) neither NRUC nor UMP may terminate or surrender the Agreements, or assign, transfer or encumber its leasehold interest thereunder, without the prior written consent of the Secured Party;

(b) the respective obligations of NRUC and the UMP under the Agreements may not be amended, modified, altered, changed or waived in any manner or to any extent without the prior written consent of the Secured Party; and

(c) the respective obligations of NRUC and the Debtor under the Purchase Order may not be amended, modified, altered, changed or waived in any manner or to any extent without the prior written consent of the Secured Party.

5. FPI and FSC hereby expressly acknowledge and agree that the interest transferred to FPI by the Debtor in and to the Collateral, as defined in the Security Agreement, is subject and subordinate in all respects to the prior security interest of the Secured Party in the Collateral under the Security Agreement. FPI agrees promptly to turn over to the Secured Party all cash and other property which may at any time be received by FPI in respect of the Collateral for application as provided in the Security Agreement, so long as the Security Agreement shall remain in effect.

IN WITNESS WHEREOF, intending to be legally bound hereby, Debtor, UMP, NRUC, FSC and FPI have caused this Acknowledgment to be executed and delivered to the Secured Party on this 28th day of December 1978.

NATIONAL RAILWAY UTILIZATION CORPORATION

by

[Handwritten signature]

Attest:

[Handwritten signature]

FUNDING SYSTEMS RAILCARS, INC.,

by

Attest:

UPPER MERION & PLYMOUTH RAILROAD COMPANY,

by

Attest:

FUNDING SYSTEMS CORPORATION,

by

Attest:

FILM PROPERTIES, INC.,

by _____

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INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of November 24, 1978

BETWEEN

FUNDING SYSTEMS RAILCARS, INC.

DEBTOR

AND

LINCOLN FIRST BANK OF ROCHESTER

SECURED PARTY

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SCHEDULE A -- Description of Equipment

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as November 24, 1978 (the "Security Agreement") is between FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation (the "Debtor"), and LINCOLN FIRST BANK OF ROCHESTER (the "Secured Party").

RECITALS:

A. Secured Party has agreed to provide interim financing to enable Debtor to purchase some of that certain railroad equipment described on Schedule A hereto (collectively, the "Equipment" or Items of Equipment" and individually, an "Item of Equipment").

B. Debtor's obligation to pay Secured Party (and the Assignee referred to below) shall be evidenced a promissory note or notes (the "Note" or "Notes") of Debtor.

C. Secured Party shall assign all of its right, title and interest in and to this Security Agreement, the Note or Notes and all collateral securing payment of the Note or Notes to a third party (the "Assignee") who is to provide permanent financing for all of the Equipment.

D. The Note or Notes (whether payable to Secured Party for interim financing and assigned to Assignee or payable to Assignee for permanent financing and all amendments thereto) and all principal thereof and interest 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 Notes or this Security Agreement or any other agreements between Debtor and Secured Party and/or Assignee whether now existing or hereinafter entered into which relate to the Equipment (the "Other Agreements") are hereinafter sometimes referred to as "indebtedness hereby secured."

E. 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 Notes have been done and performed.

Section 1. GRANT OF SECURITY

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Other Agreements contained, does hereby convey, warrant, mortgage, pledge, assign, and grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's rights, title and interest in and to the properties, rights,

interests and privileges described in Sections 1.1., 1.2 and 1.3 hereof subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1 Equipment Collateral. Collateral includes the railroad equipment described in Schedule A attached hereto and made a part hereof constituting Equipment leased and delivered under that certain Lease and Management Agreement dated as of the date hereof (the "Lease and Management Agreement") between the Debtor and the Upper Marion & Plymouth Railroad Company ("UMP") a Pennsylvania corporation and that certain Sublease and Management Agreement dated as of the date hereof between UMP and the National Railway Utilization Corporation, a South Carolina corporation ("NRUC"), including any and all amendments thereto whether now existing or hereafter entered into together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, except such thereof as remain the property of UMP under the Lease and Management Agreement and NRUC under the Sublease and Management Agreement, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, except such thereof as remain the property of the Debtor under the Lease and Management Agreement and the Sublease and Management Agreement together with all the rents, issues, income, profits and avails therefrom.

1.2. Lease and Management Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease and Management Agreement, and Sublease and Management Agreement (hereinafter collectively referred to as "Agreements") including any and all amendments thereto whether now existing or hereafter entered into, including all extensions of the term of said Agreements, together with all rights, powers, privileges, options and other benefits of the Debtor under the said Agreements, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof,

(1) the immediate and continuing right to receive and collect all rentals, payments for the Casualty Value (as defined in the Lease and Management Agreement and the Sublease and Management Agreement), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Debtor under said Agreements or pursuant thereto;

(2) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications; and

(3) the right to take such action upon the occurrence of an Event of Default under said Agreements or an event which with the lapse of time or giving of notice, or both, would constitute an Event of

Default under said Agreements, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by said Agreements or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Agreements, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said revenue, Casualty Value payments, insurance proceeds, condemnation awards and other payments 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 the indebtedness hereby secured has been fully paid and discharged.

1.3 Purchase Order Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Purchase Order Agreements dated as of the date hereof (the Purchase Orders) between the Debtor and NRUC, Rail Fleet Corporation and Berwick Forge and Fabricating Division of Whittaker Corp. and any and all other contracts and agreements relating to the Equipment or any rights or interests therein to which the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under the Purchase Orders and each and every other such contract and agreement, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective immediately and operative immediately and shall continue in full force and effect until the indebtedness hereby secured has been fully paid and discharged.

1.4 Limitations to Security Interest. The security interest granted by Section 1 is subject to (a) the right, title and interest of UMP under the Lease and Management Agreement, (b) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith and by appropriate legal or administrative proceedings and the nonpayment thereof does not, in the reasonable opinion of the Secured Party, affect the properties, rights, interests and privileges of the Secured Party in or to the Equipment or otherwise under this Security Agreement and (c) liens and charges, if any, permitted by the Lease and Management Agreement, the Sublease and Management Agreement or Section 6 hereof.

1.5 Duration of Security Interest. The 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 the 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 herein and in the other Agreements and the Notes contained, 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 or in any other agreement contained shall constitute an assignment of the Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 6 and 10.2 of the Lease and Management Agreement and of the Sublease and Management Agreement which by the terms of said Agreements are payable to the Debtor for its own account;

(b) all rights of the Debtor respectively, under the Lease and Management Agreement and/or maintained by NRUC pursuant to Section 12.1 of the Sublease and Management Agreement to demand, collect, sue for or otherwise obtain all amounts from UMP and/or NRUC due the Debtor on account of any such indemnities or payments due pursuant to said Sections 6 and 10.2 of the Lease and Management Agreement and/or maintained by NRUC pursuant to Section 12.1 of the Sublease and Management Agreement; provided, however, that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 15 of the Lease and Management Agreement and/or maintained by NRUC pursuant to Section 12.1 of the Sublease and Management Agreement except those contained in Section 15.1(1) thereof;

(c) any insurance proceeds payable under general public liability policies maintained by UMP pursuant to Section 12.1 of the Lease and Management Agreement and/or maintained by NRUC pursuant to Section 12.1 of the Sublease and Management Agreement which by the terms of such policies or the terms of the Lease and Management Agreement and/or the Sublease and Management Agreement are payable directly to the Debtor for its own account;

(d) all rights of the Debtor to purchase the Equipment under the Purchase Orders; and

(e) any rights or interests obtained by the Debtor pursuant to any transfer if its interest in accordance with Section 6 hereof.

Section 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1 Debtor's Duties. The 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 in this Agreement and in the Other Agreements, and in each and every supplement thereto or amendment 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 though any amendment or supplement to the Other Agreements were fully set out in an amendment or supplement to this Security Agreement.

2.2 Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only the right, title and interest of UMP under the Lease and Management Agreement and the right, title or interest of NRUC under the Sublease and Management Agreement). The Debtor agrees to pay or discharge any and all claims, liens, charges or security interests claimed by any party from through or under the Debtor or its successors or assigns equal or superior to the Secured Party's security interest in the Collateral which if unpaid might become a claim, lien, charge or security interest on or with respect to the Collateral, but the Debtor shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Secured Party, adversely affect the security interest of the Secured Party in or to the Collateral or any portion thereof.

2.3 Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Lease and Management Agreement and the Sublease and Management Agreement, the Debtor covenants and agrees that it will cause UMP and NRUC to be notified of such assignment pursuant to Section 17 of the Lease and Management Agreement and Section 17 of the Sublease and Management Agreement and direct UMP and NRUC to make all payments of such revenues and other sums due and to become due under the Lease and Management Agreement, and the Sublease and Management Agreement, other than the Excepted Rights in Collateral, directly to the Secured Party or as the Secured Party may direct.

2.4 After-acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5 Recordation and Filing. The Debtor will cause this Security Agreement and any supplements hereto, the Lease and Management Agreement, and the Sublease and Management Agreement, and any supplements thereto and all financing and continuation statements and similar notices 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 fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.6 Modification of the Lease and Management Agreement. The Debtor will not:

(a) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, the Lease and Management Agreement and/or the Sublease and Management Agreement or, except as permitted by Section 6 hereof, by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease and Management Agreement and/or the Sublease and Management Agreement or any part thereof; or

(b) receive or collect or permit the receipt or collection of any payment under the Lease and Management Agreement, and/or the Sublease and Management Agreement, prior to the date for payment thereof provided for by the Lease and Management Agreement and/or Sublease and Management Agreement or assign, transfer or hypothecate (other than to the Secured Party hereunder or as provided in Section 6 hereof) any rental payment then due or to accrue in the future under the Lease and Management Agreement, and/or the Sublease and Management Agreement in respect of the Equipment; or

(c) except as permitted pursuant to the terms of Section 6 hereof, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7 Power of Attorney in Respect of the Lease and Management Agreement. Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power or 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 Sections 1.1, 1.2 and 1.3 hereof 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 proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

Section 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1 Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observances and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by UMP and NRUC under and subject to the Lease and Management Agreement and the Sublease and Management Agreement shall not constitute a violation of this Section 3.1.

3.2 Release of Property. So long as no default referred to in Section 15 of the Lease and Management Agreement and/or the Sublease and Management Agreement has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by UMP and/or NRUC for settlement pursuant to Section 12 of the Lease and Management Agreement and/or the Sublease and Management Agreement upon receipt from UMP and/or NRUC of written notice designating the Item of Equipment in respect of which the Lease and Management Agreement and/or the Sublease and Management Agreement will terminate and the receipt from UMP and/or NRUC of payment for the Casualty Value for such Item of Equipment in compliance with Section 12 of the Agreements.

3.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN
OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1 Application of Rentals; Certain Prepayments. So long as no default or Event of Default (as defined in Section 5.1 hereof) has occurred and is continuing, the amounts from time to time received by the Secured Party which constitute payment of the installments of rental under the Lease and Management Agreement and/or the Sublease and Management Agreement 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 installments of the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party.

4.2 Application of Casualty Value Payments. The amounts from time to time received by the Secured Party which constitute settlement by UMP and/or NRUC of the Casualty Value for any Item of Equipment pursuant to Section 12 of the Agreements shall be paid and applied as follows:

(a) First, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (b) shall be applied on the Notes;

(b) Second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

(c) Third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (a) and (b) shall be released promptly to or upon the order of the Debtor.

For purposes of this Section 4.2, the Loan Value, in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject to the Lease and Management Agreement and the Sublease and Management Agreement (including the Purchase Price of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 4.2 (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.2.

4.3 Application of Casualty Insurance Proceeds. The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by UMP and/or NRUC in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) So long as no Event of Default has occurred and is continuing, the proceeds of such insurance shall, if the Equipment is to be repaired, be released to the Debtor to reimburse UMP and/or NRUC for expenditures made for such repair upon receipt by the Secured Party of a certificate of an appropriate officer of UMP and/or NRUC as required by the last paragraph of Section 12.1 of the Lease and Management Agreement and the last paragraph of Section 12.1 of the Sublease and Management Agreement;

(b) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (a) within 180 days from the receipt thereof by the Secured Party, or if within such period UMP and/or NRUC shall have notified the Secured Party in writing that the Lease and Management Agreement and/or the Sublease and Management Agreement in respect to any Item of Equipment is to be terminated in accordance with the provisions of Section 12, then so long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(i) First, to the prepayment of the Notes all in the manner and to the extent provided for by Section 4.2 hereof; and

(ii) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (i) shall be released promptly to or upon the order of the Debtor.

4.4 Multiple Notes. If more than one Note of any series is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.5 Default. If an Event of Default has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

Section 5. DEFAULTS AND OTHER PROVISIONS.

5.1 Events of Default. The term Event of Default shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for any prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days; or

(b) An Event of Default, as defined and set forth in Section 15 of the Lease and Management Agreement;

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or any Other Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty on the part of the Debtor made herein or in any Other Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease and Management Agreement, or any Other Agreement, or the transactions contemplated herein or therein shall prove to be false or misleading in any material respect when made; or

(e) Any claim, lien or charge (other than those permitted under Section 1.4 hereinabove or created pursuant to Section 6 hereinafter) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor demanding the discharge or removal thereof.

5.2 Secured Party's Rights. The Debtor agrees that when any Event of Default has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the Commonwealth of Pennsylvania (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted).

(a) The Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable. Notwithstanding anything to the contrary contained herein, the Debtor, and/or its successors and assigns including any transferee of Debtor pursuant to Section 6 hereof (a "Redeeming Party") shall have the right to redeem all but not less than all of the Items of Equipment owned by said Redeeming Party by paying to Secured Party, within ten (10) days of the receipt by Debtor of the notice from the Secured Party, an amount equal to the Redemption Value (as hereinafter defined) for each Item of Equipment to be redeemed. For the purposes of this Section 5.2(a), the Redemption Value, in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price (as defined in the Participation Agreement) of the Item or Items of Equipment to be redeemed and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject to the Lease, times (B) the unpaid principal amount of the Notes plus accrued and unpaid interest as of the date of payment of the Redemption Value. In addition to the Redemption Value, the Redeeming Party must also pay any and all costs and expenses incurred by Secured Party applicable to those items of Equipment to be redeemed as would have been paid under Paragraph 5.6(a) hereinafter from the proceeds and/or avails of any sale. Upon payment of the Redemption Value and the costs and expenses referred to above, the redeemed Items of Equipment shall be released from all liens, claims or encumbrances of the Secured Party.

(b) The 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 the 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, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold;

(c) The Secured Party may, if at the time such action may be lawful (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 the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part

thereof) designated in the notice above referred to; provided, however, that any such sale should be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Security Agreement and said Notes 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, 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) The Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and Management Agreement and/or the Sublease and Management Agreement, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3 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 the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

5.4 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or

hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.5 Effect of Sale. 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 property 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.

5.6 Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails 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 property expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment of the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first to unpaid principal thereof, second, to unpaid premium, if any, and third, to unpaid interest thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

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

5.7 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, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8 Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy 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 now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 6. TRANSFER OF DEBTOR'S INTEREST.

The Secured Party agrees that the Debtor may transfer (including transfers prior to delivery and acceptance of the Equipment by UMP under the Lease and Management Agreement and/or by NRUC under the Sublease and Management Agreement) its interest in the Collateral pursuant to the terms and conditions hereinafter set forth and the Debtor agrees that it will not sell its interest in the Collateral, or any part thereof, unless the following conditions are met:

(a) The Debtor will deliver to the Secured Party any and all documents and will make such filing, registering or depositing of such documents at its sole cost and expense as may be required to continue in effect the perfected first security interest of the Secured Party in and to the Collateral.

(b) The Debtor will deliver an opinion of counsel, in form and substance satisfactory to the Secured Party, to the effect that all action necessary to maintain the first security interest of the Secured Party in the Collateral upon and subsequent to any such transfer has been performed and the Secured Party continues to have a valid and perfected first security interest in the Collateral enforceable in accordance with the terms of this Agreement.

(c) Such transferee shall expressly acknowledge and agree in writing that the interest transferred to it by the Debtor is subject, and subordinate in all respects, to the security interest of the Secured Party in the Collateral under this Agreement.

(d) The Debtor shall expressly acknowledge and agree in writing that no such transfer shall in any way discharge or limit any of the Debtor's obligations under any of the Fundamental Agreements.

(e) The Debtor shall promptly furnish the Secured Party with copies of all documents relating to such transfer.

(f) The transferee shall provide to the Secured Party a certificate signed by a responsible officer thereof representing and warranting as follows:

(i) that the purchase from Debtor of the Equipment and any management arrangement with Debtor with regard to such Equipment is subject, and subordinate in all respects, to the security interest of Secured Party in the Equipment (and any other Collateral as defined in the aforementioned Security Agreement).

(ii) that the transferee shall pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the transferee, its successors or assigns not arising out of the transactions contemplated by the Security Agreement (but including tax liens arising out of the receipt by transferee of income and proceeds from the Equipment) equal or superior to the security interest of Secured Party in the Collateral which if unpaid might become a claim, lien, charge or security interest on or with respect to such Collateral; provided, however, that transferee shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of Secured Party, adversely affect its security interest in or to such Collateral or any portion thereof.

(iii) that the transferee has full right, power and authority and all necessary licenses and permits to execute and deliver and to carry out the terms and provisions of the agreements and related documents (the "Transfer Documents") relating to the purchase from Debtor and management by Debtor of the Equipment;

(iv) that there are no proceedings pending, or to transferee's knowledge threatened, and to transferee's knowledge there is no existing basis for any such proceedings, against or affecting transferee in any court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would materially and adversely affect transferee's right, power and authority to enter into or perform the Transfer Documents;

(v) that the Equipment acquired by transferee is free and clear of any liens or encumbrances which result from claims against transferee not relating to ownership of such Equipment. Transferee has not by affirmative act conveyed title to such Equipment to any person or entity or subjected the Equipment to any lien or encumbrance other than the previously existing Lease and Management Agreement between Funding and Upper Merion & Plymouth Railroad Company ("UMP") and the Sublease and Management Agreement between UMP and National Railway Utilization Corporation ("NRUC") and the aforementioned Security Agreement and the security interest of Debtor, the management arrangement with Debtor and the remarketing arrangement with Debtor under the Transfer Documents;

(vi) that transferee is not entering into the Transfer Documents, or any other transaction contemplated thereby, directly or indirectly in connection with any arrangement in any way including any employee benefit plan (other than a governmental plan) with respect to which transferee, or, insofar as is known to transferee, any Builder, Secured Party, UMP or NRUC is a party in interest, all within the meaning of the Employee Retirement Security Act of 1974 (ERISA) and that transferee will not transfer its interests acquired pursuant to the Transfer Documents (and the transactions contemplated therein) to any other person or entity which is at the time a party in interest with respect to any employee benefit plan, the assets of which were used by any successor or assign of Secured Party in making its investment all within the meaning of ERISA.

(vii) that neither transferee nor anyone acting on its behalf will offer any security for issue or sale to, or solicit any offer to acquire any security so as to bring the transactions under the Transfer Documents within the provisions of Section 5 of the Securities Act of 1933, as amended;

(viii) that transferee is purchasing the interests to be acquired by it pursuant to the Transfer Documents, with no present intention of reselling such interests or any part thereof, but subject, nevertheless, to any requirement of law that the disposition of its property be at all times within transferee's control.

Section 7. MISCELLANEOUS.

7.1 Registration and Execution. The Notes shall be registered as to principal and interest and shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

7.2 Payment of the Notes.

(a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds or as the Secured Party shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of a such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, first class, certified, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 7.3. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Notes agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 7.4 and 7.5.

(b) All amounts constituting payment of the installments of revenue under the Lease and Management Agreement and/or the Sublease and Management Agreement or Casualty Value received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

7.3 The Register. The Debtor will keep at its principal office a register for the registration and transfer of Notes (herein called the Register). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

7.4 Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor and the Debtor shall execute in the name of the transferee a new Note or Notes in denominations not less than \$50,000 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Debtor for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and deliver such new Note or Notes to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such Note purchaser setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Note purchaser to indemnify the Debtor for any claims or action against it (and for its attorneys' fees) resulting from the issuance of such new Note or the reappearance of the old Note.

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

7.6 Business Days. As used herein, the term "business days" means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in the Commonwealth of Pennsylvania are authorized or obligated to remain closed.

7.7 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, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expresses or not.

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

7.9 Communications. All 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 when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Debtor: Funding System Railcars, Inc.
c/o Funding Systems Corporation
Suite 401
1000 RIDC Plaza
Pittsburgh, Pa. 15238
Attn: Stanley B. Scheinman
President

If to the Secured Party: Lincoln First Bank of Rochester
One Lincoln First Square
Rochester, New York
Attn: Peter Possun
Vice President

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

7.10 Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

7.11 Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the secured jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

7.12 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.

7.13 Headings. 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, the Debtor and the Secured Party have executed this Security Agreement as of the day and year first above written.

FUNDING SYSTEMS RAILCARS, INC.

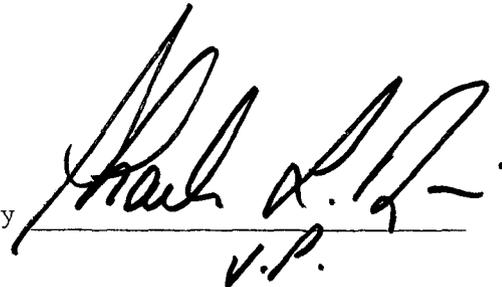
(CORPORATE SEAL)

ATTEST:


Ass't Sec.

(CORPORATE SEAL)

By


V.P.

ATTEST:

LINCOLN FIRST BANK OF ROCHESTER

By


Attorney

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
mechanical designation	50'6" 70-ton single sheaved boxcars without side posts, 10'0" sliding doors, rigid underframe	25	NSL 150413- NSL 150437	\$38,837	\$970, 925	Renovo, Pennsylvania
Total		25	Total		\$970,925	

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-ton single sheaved boxcars without side posts, 10'0" sliding doors, rigid underframe	12	NSL 156046- NSL 156057	\$38,500	\$462,000	Pickens, South Carolina
Total		12	Total		\$462,000	

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6" 70-ton single sheaved boxcars without sideposts, 10'0" sliding doors, rigid underframe	63	PT 201148- PT 201157; NSL 151250- NSL 151302	\$38,500	\$2,425,500	Pickens, South Carolina
Total		63	Total		\$2,425,500	