

RECORDATION NO. 10709-A Filed 1425

DEC 07 1979 - 11 15 AM

December 7, 1979

INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

No. S-341AUG60

Date DEC 7 1979

Fee \$ 10.00

Dear Sir:

ICC Washington, D. C.

Enclosed for recordation under the provisions of 49 U.S.C. §11303(a) and the regulations thereunder are the original and two copies each of the following documents: (i) Amended and Restated Security Agreement dated as of December 7, 1979 (which amends and restates a Security Agreement dated August 7, 1979 and recorded with the Interstate Commerce Commission on August 8, 1979, Recordation No.10709); and (ii) a Transferee Agreement dated as of December 7, 1979 assigning an interest in a Management and Maintenance Contract dated as of August 8, 1979 between Swig Investment Company as owner and Upper Merion and Plymouth Railroad Company as Manager and recorded with the Interstate Commerce Commission on August 8, 1979, Recordation No.10710, with the Consent and Agreement of the Manager attached thereto.

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

One hundred (100) 100-ton open-top hopper cars bearing reporting marks and numbers UMP 6820 through UMP 6919, both inclusive.

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

A. Amended and Restated Security Agreement

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

INTERIM LENDER: Lincoln First Bank N.A.
One Lincoln First Square
Rochester, New York 14643

SECURED PARTIES: (1) Northwestern National Life Insurance Company
P.O. Box 20
Minneapolis, Minnesota 55440
(2) Northern Life Insurance Company
c/o Northwestern National Life Insurance Company
P.O. Box 20
Minneapolis, Minnesota 55440

Counterspart
C.T. Kowaler

(3) The North Atlantic Life Insurance
Company of America
c/o Northwestern National Life
Insurance Company
P.O. Box 20
Minneapolis, Minnesota 55440

B. Transferee Agreement

TRANSFeree The Swig Investment Company
950 Mason Street
San Francisco, California 94106

SECURED

PARTIES:

(1) Northwestern National Life
Insurance Company
P.O. Box 20
Minneapolis, Minnesota 55440

(2) Northern Life Insurance Company
c/o Northwestern National Life
Insurance Company
P.O. Box 20
Minneapolis, Minnesota 55440

(3) The North Atlantic Life Insurance
Company of America
c/o Northwestern National Life
Insurance Company
P.O. Box 20
Minneapolis, Minnesota 55440

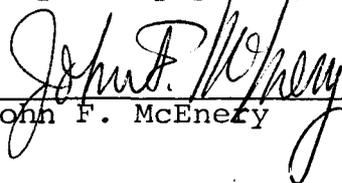
MANAGER: Upper Merion and Plymouth Railroad Company
c/o FSC Corporation
1000 RIDC Plaza
Pittsburgh, Pennsylvania 15230

The undersigned is attorney-in-fact for the Debtor and
Manager mentioned in the enclosed documents and has knowledge of
the matters set forth therein.

Please return the copies of the enclosed documents to Charles
T. 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 for the required recording
fee.

Very truly yours,



John F. McEnergy

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

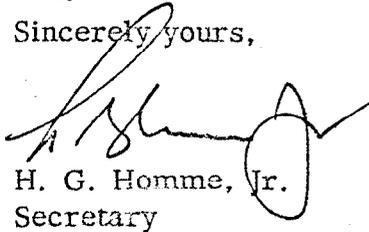
Charles T. Kappler, Esq.
Alvord and Alvord
200 World Center Building
918 Sixteenth Street, N. W.
Washington, D. C. 20006

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C.

11303, on 12/7/79 at 11:15AM, and assigned recordation number(s). 10709-A, & 10710-A.

Sincerely yours,



H. G. Homme, Jr.
Secretary

Enclosure(s)

SE-30
(3/79)

RECORDATION NO. 10709-A Filed 1025
DEC 07 1979 - 11 15 AM
INTERSTATE COMMERCE COMMISSION

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT dated as of December 7, 1979, among FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation ("Debtor"), LINCOLN FIRST BANK N.A., a national banking association ("Interim Lender"), NORTH-WESTERN NATIONAL LIFE INSURANCE COMPANY, a Minnesota corporation ("Northwestern"), NORTHERN LIFE INSURANCE COMPANY, a Washington corporation ("Northern") and THE NORTH ATLANTIC LIFE INSURANCE COMPANY OF AMERICA, a New York corporation ("North Atlantic" and together with Northwestern and Northern sometimes collectively called "Secured Parties" and individually called a "Secured Party"), hereby amends in its entirety and restates the Security Agreement dated as of August 7, 1979, between the Debtor and the Interim Lender ("Interim 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 "Equipment").

B. The Debtor's obligation to pay the Interim Lender is evidenced by a promissory note in the principal amount of \$3,442,500 dated August 8, 1979 (the "Interim Note") of the Debtor.

C. In order to secure the Interim Note and certain other obligations of Debtor to the Interim Lender, Debtor and the Interim Lender entered into the Interim Security Agreement which was filed and recorded with the Interstate Commerce Commission on August 8, 1979, Recordation No. 10709.

D. The Interim Lender has agreed to sell, without recourse, a portion of the indebtedness evidenced by the Interim Note, and each Secured Party has agreed to purchase from the Interim Lender a portion of the indebtedness evidenced by the Interim Note, which indebtedness is secured by the security interest granted by the Interim Security Agreement and in connection with such sale the Debtor will pay in full to the Interim Lender the remaining principal amount of the Interim Note.

E. The Interim Note will be surrendered to the Debtor against issuance and delivery to each Secured Party of a promissory note substantially in the form of Exhibit A hereto in substitution therefor which promissory notes shall be in the aggregate principal amount of the portion of the indebtedness evidenced by the Interim Note sold by the Interim Lender to the Secured Parties. Said promissory notes and any and all promissory notes issued in exchange therefor hereunder are hereinafter sometimes referred to individually as a "Note" and collectively as the "Notes."

F. The Debtor has sold the Equipment, subject to the security interest of the Interim Security Agreement, to The Swig Investment Company, a California partnership ("Owner"); the Owner

has entered into a Management⁴ and Maintenance Contract dated August 8, 1979 ("Management Contract") with Upper Merion and Plymouth Railroad Company, a Pennsylvania corporation ("UMP"), pursuant to which UMP agreed to manage the Equipment as manager for the Owner; and the Owner will enter into a Transferee Agreement with the Secured Parties ("Transferee Agreement") pursuant to which the Owner will grant to the Secured Parties a security interest in the Owner's rights under the Management Contract.

G. The Interim Security Agreement as amended by this Amended and Restated Security Agreement is hereinafter called "Security Agreement."

H. 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. INTERIM NOTE, NOTES, GUARANTEE AGREEMENT, TRANSFEREE AGREEMENT AND UMP CONSENT AND AGREEMENT

1.1 Purchase and Sale of the Interim Note. On the date hereof the Interim Lender has sold to the Secured Parties, and the Secured Parties have purchased from the Interim Lender \$2,590,000 in principal amount of the indebtedness evidenced by the Interim Note. On the date hereof, Debtor has paid in full to the Interim Lender the remaining principal amount of the Interim Note, together with interest accrued on the Interim Note to the date hereof.

1.2 The Notes. On the date hereof, the Debtor has issued to the Secured Parties, Notes in the aggregate principal amount of \$2,590,000 (evidencing the obligations of the Debtor to pay to the Secured Parties the \$2,590,000 in principal amount of the indebtedness evidenced by the Interim Note purchased by the Secured Parties from the Interim Lender). The Note issued to Northwestern is in the principal amount of \$590,000, the Note issued to Northern is in the principal amount of \$1,500,000 and the Note issued to North Atlantic is in the principal amount of \$500,000. The aggregate principal amount of the Notes is not more than 70% of the purchase price of the Equipment.

1.3 Guarantee Agreement. On the date hereof FSC Corporation, a Delaware corporation ("Guarantor"), which owns all the issued and outstanding capital stock of the Debtor and UMP, 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 and herein, pursuant to a Guarantee Agreement dated the date hereof substantially in the form of Exhibit B hereto.

1.4 Transferee Agreement. On the date hereof, the Owner has consented and agreed to this Security Agreement, acknowledged and agreed that the Equipment is owned by Owner subject to this Security Agreement, and granted to the Secured Parties a security interest in the Owner's rights under the Management Contract, all pursuant to a Transferee Agreement dated the date hereof ("Transferee Agreement") substantially in the form of Exhibit C hereto.

1.5 UMP Consent and Agreement. On the date hereof, UMP has made certain representations and warranties to the Debtor and the Secured Parties and has consented and agreed to the Transferee Agreement, pursuant to a Consent and Agreement dated the date hereof ("UMP Consent and Agreement") substantially in the form of Exhibit D hereto.

SECTION 2. ASSIGNMENT OF SECURITY

In connection with the purchase by the Secured Parties from the Interim Lender of indebtedness originally evidenced by the Interim Note, the Interim Lender hereby assigns to the Secured Parties the security interest granted by, and its rights under the Interim Security Agreement. Such security interest extends to all of the right, title and interest of Debtor in and to the properties, rights, interests and privileges described in Sections 2.1 and 2.2 hereof subject only to the exceptions, reservations, and limitations contained in Section 2.5 hereof (all properties to which such security interest extends are hereinafter exclusively referred to as the "Collateral"). The assignment hereunder by Interim Lender to Secured Parties is made without recourse to Interim Lender and without representations or warranties by Interim Lender except as may be contained in that certain Note Purchase Agreement dated as of December 1, 1979 among Interim Lender, Secured Parties and Debtor.

2.1 Equipment Collateral. Collateral includes the Equipment described in Schedule A attached hereto and described on any other schedule which might be executed from time to time by the Debtor and the Secured Parties with the written consent of the Owner and become a part of this Security Agreement, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of the Equipment, together with all the income, profits and avails therefrom and proceeds thereof.

2.2 Purchase Order Agreement Collateral. Collateral also includes all right, title, interest, claims and

demands of the Debtor in, to and under the Purchase Order Agreement dated as of June 12, 1979 ("Purchase Order"), between the Debtor and The Chessie Corporation as builder (but only insofar as the Purchase Order relates to the Equipment) 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 Order (but only insofar as the Purchase Order relates to the Equipment) 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 Parties 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.

2.3 Installment Note-Security Agreement. In connection with the sale of the Equipment to the Owner, the Debtor retained a security interest in the Equipment and the proceeds therefrom as set forth in the Non-Negotiable Installment Promissory Note-Security Agreement dated August 8, 1979, from the Owner to the Debtor, filed with the Interstate Commerce Commission pursuant to 49 U.S.C. 1 11303 on August 9, 1979, Recordation No. 10732. The Debtor acknowledges and agrees that its interest under the Installment Note-Security Agreement is subject and subordinate in all respects to the security interest of the Secured Parties hereunder and agrees that it will not take any action under the Installment Note-Security Agreement which is inconsistent with any provision of this Security Agreement.

2.4 Duration of Security Interest. The Secured Parties, their respective successors and assigns, shall have and hold the Collateral forever; provided, always however, 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 the proceeds obtained by the Debtor pursuant to the transfer of its interest to the Owner, in accordance with Section 7 hereof, and any insurance proceeds payable under general public liability policies maintained by or for the benefit of the Debtor (hereinafter sometimes referred to as the "Excepted Rights in Collateral"), and nothing herein or in any other agree-

ment contained shall constitute an assignment of the Excepted Rights in Collateral to the Secured Parties.

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 Security 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 with the written consent of Owner 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. On August 8, 1979, the Debtor had the right, power and authority to grant and did grant to the Interim Lender pursuant to the Interim Security Agreement a first priority purchase money security interest in the Equipment and all other collateral provided for in the Interim Security Agreement for the uses and purposes therein set forth. On the date hereof there exists no Lien on the Collateral other than Permitted Liens. As used herein, "Lien" shall mean any mortgage, pledge, security interest, encumbrance, lease, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction). As used herein, "Permitted Liens" shall mean (a) the security interest created by the Interim Security Agreement and assigned by this Security Agreement; (b) the lien of taxes, assessments or governmental charges which are not at the time delinquent; (c) the lien of taxes, assessments or governmental charges which are delinquent but the validity of which is being contested in good faith by appropriate action diligently pursued, provided that such proceeding shall suspend the collection of such taxes, assessments or governmental charges and, in the written opinion of counsel to the Debtor or the Owner, a copy of which opinion shall have been delivered to the Secured Parties, the security interest of the Secured Parties in the Collateral, or any part thereof, would not be adversely affected or forfeited during the period of such contest; (d) the rights of UMP under the Management Contract which are subject and subordinate to the security interest of the Secured Parties hereunder; and (e) the lien held by Debtor referred to in Section 2.3 hereof pursuant to its transfer of the Collateral in accordance with Section 7 hereof which is subject and subordinate to the security interest of the Secured Parties hereunder.

3.3 Further Assurances. The Debtor will, at no expense to the Secured Parties, 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.

Except as set forth in Section 7, the Debtor shall not sell, mortgage, transfer, assign or hypothecate (other than to the Secured Parties hereunder) its interest in the Collateral or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

3.4 After-Acquired Property. Any and all property described or referred to in Sections 2.1 and 2.2 which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Parties, 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 Management Contract 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 Parties 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. 1 11303, in order fully to preserve and protect the rights of the Secured Parties hereunder, and will at its own expense furnish to the Secured Parties 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 and the Management Contract or such supplement, as the case may be, have been properly recorded or filed for record so as to make effective of record the security interest granted by the Interim Security Agreement and hereby assigned by the Interim Lender to the Secured Parties.

3.6 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 Parties such casualty insurance shall, at a minimum, insure against loss and destruction of, and damage to Equipment arising out of physical damage caused by fire, windstorm, explosion and all other hazards and risks ordinarily subject to extended coverage insurance and such other risks as are customarily insured against by companies owning or operating property of a similar character, and shall not have any co-insurance clauses or shall be in an amount sufficient to

avoid co-insurance. In no event shall such casualty insurance coverage be less than 120% of the aggregate outstanding principal amount of the Notes or such public liability insurance coverage be less than \$3,000,000. Any policies of insurance carried in accordance with this paragraph shall (i) require 30 days' prior notice of cancellation or material change in coverage (or such lesser period of time as may reasonably be agreed to by the parties) to the Secured Parties, and (ii) name the Secured Parties as an additional named insured and loss payees as their interest may appear. The Debtor will deliver to Secured Parties on or prior to the date hereof, and will deliver to Secured Parties at such other time or times as they or any of them request, and from time to time, but within at least 15 days prior to the expiration date of each policy of such insurance in respect to insurance to be renewed, a certificate signed by a firm of independent insurance brokers showing the insurance then maintained, or to be maintained in the case of renewals, by the Debtor pursuant to this Section 3.6 with respect to the Equipment and the expiration date of each policy of such insurance, stating the opinion of said firm that the insurance then carried and maintained, or to be carried and maintained, on or with respect to Equipment complies, or will comply, as the case may be, with the terms hereof; provided, however, that the Secured Parties shall be under no duty to examine such certificate, opinion or other evidence of insurance, or to advise the Debtor or Owner in the event that its insurance is not in compliance with this Security Agreement. Originals of all policies will be furnished to Northwestern, as agent for the Secured Parties.

In the event of failure on the part of the Debtor to provide and furnish any of the aforesaid insurance, the Secured Parties may procure such insurance and the Debtor shall reimburse the Secured Parties for all expenditures made by the Secured Parties for such insurance.

3.7 Maintenance of Equipment. The Debtor shall cause the Equipment to be maintained in accordance with the standards set forth in Section 8.1 of, and in compliance with all applicable rules, laws and regulations in accordance with Section 7 of, the Management Contract.

SECTION 4. POSSESSION, OPERATION AND RELEASE OF PROPERTY

4.1 Possession of Collateral. So long as there is no Event of Default hereunder or an event which with the giving of notice or lapse of time or both would constitute such an Event of Default, the Debtor or the Owner pursuant to Section 7 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. So

long as no Event of Default hereunder or event which with the giving of notice or lapse of time or both would constitute such Event of Default has occurred and is continuing, the use and management of the Equipment by UMP in compliance with the terms of the Management Contract shall not constitute a violation of this Section 4.1.

4.2 Release of Property. So long as no default referred to in the Management Contract has occurred and is continuing to the knowledge of the Secured Parties, the Secured Parties shall execute a release in respect of any item of Equipment designated by UMP for settlement pursuant to the Management Contract upon receipt from UMP of written notice designating the item of Equipment in respect of which the Management Contract will terminate, together with a statement that there is no such default thereunder. The obligation of Secured Parties to execute such release shall be conditioned upon receipt by the Secured Parties of the insurance proceeds for such item of Equipment, which proceeds shall in no event be less than the Loan Value, as defined in Section 5.2 hereof, of such item of Equipment.

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 Parties 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 REVENUES AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTIES

5.1 Application of Revenues; Certain Prepayments. So long as no Event of Default hereunder or event which with the giving of notice or lapse of time or both would constitute such an Event of Default has occurred and is continuing, the amounts from time to time received by the Secured Parties which constitute Revenues under the Management Contract shall be applied first, to the payment of the installments of principal and interest (in each case first to interest and then to principal) on the installments of the Notes which have matured on or before the due date of the installments of revenue which are received by the Secured Parties and second, any balance shall be released promptly to UMP for application pursuant to the Management Contract and any such balance so released shall not thereafter constitute Collateral.

5.2 Application of Casualty Insurance Proceeds.

Casualty insurance proceeds from time to time received by the Secured Parties for any item of Equipment shall be paid and applied as follows:

(a) So long as no Event of Default or event which with the giving of notice or lapse of time or both could constitute such an Event of Default has occurred and is continuing, the proceeds of such insurance shall, if the Equipment is to be repaired, be released to UMP to reimburse UMP for expenditures made for such repair upon receipt by the Secured Parties of a certificate of an appropriate officer of UMP as required by the Management Contract; and

(b) Otherwise, shall be applied as follows:

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

(ii) Second, an amount equal to the Loan Value (as hereinafter defined) of the item of Equipment for which the insurance proceeds have been paid 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

(iii) Third, the balance, if any, of such amounts held by the Secured Parties after making the applications provided for by the preceding subparagraphs (i) and (ii) shall, so long as no Event of Default or event which with the giving of notice or lapse of time or both would constitute such an Event of Default has occurred and is continuing, be released promptly to UMP for application pursuant to the Management Contract, and any such balance so released shall not thereafter constitute Collateral.

For purposes of this Agreement, 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 and the denominator of which is the aggregate Purchase Price of all items of Equipment then subject to this Security Agreement (including the Purchase Price of such item of Equipment for which the insurance proceeds have been paid), 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). The Purchase Price, for

purposes of computing Loan Value, for each item of Equipment is \$37,000.

5.3 Revised Amortization Schedules. In the event of any partial prepayment of the Notes in accordance with Section 5.2 of this Agreement, the Debtor shall prepare and deliver to the registered holder of each Note a revised amortization schedule providing for the payment of the remaining principal balance of such Note and interest thereon in equal consecutive quarterly installments.

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 of unpaid principal and accrued and unpaid interest, such application to be made first to interest and then to principal.

5.5 Default. If an Event of Default or an event which with the giving of notice or lapse of time or both would constitute such an Event of Default has occurred and is continuing, all amounts received by the Secured Parties in respect of the Collateral shall be held by the Secured Parties and, after the occurrence of an Event of Default, 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 any installment of the principal of, or interest on, or premium 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 after written notice to Debtor; or

(b) An Event of Default, as defined in the Management Contract, shall occur and be continuing, or UMP shall fail to observe or perform any of its obligations under the UMP Consent and Agreement, unless the Management Contract shall have been terminated under the conditions permitted and in compliance with Section 2.5(a) of the Transferee Agreement; or

(c) An Event of Default, as defined in the Transferee Agreement, shall occur and be continuing; or

(d) Default on the part of the Debtor or the Guarantor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or the Guarantor under the Guarantee Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Parties, or any of them, 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, the Guarantor, UMP or the Owner made herein, in the Guarantee Agreement, the Management Contract, the Transferee Agreement or the UMP Consent and Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Guarantee Agreement, the Management Contract, the Transferee Agreement or the UMP Consent and Agreement or the transactions contemplated herein or therein shall prove to be false or misleading in any respect materially adverse to the Secured Parties when made and, if the same is susceptible of being cured, the same is not cured within 30 days; or

(f) Any claim, lien or charge (other than Permitted Liens) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within 30 calendar days; 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, the Guarantor or the Owner or adjudging any of the Debtor, the Guarantor or the Owner 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, the Guarantor or the Owner 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, the Guarantor or the Owner 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, the Guarantor or the Owner 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 of 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 Parties' Rights. The Debtor agrees that when any Event of Default has occurred and is continuing, the Secured Parties, and each of them 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 State of New York (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and the Secured Parties shall have the following rights and remedies:

(a) The Secured Parties holding at least 66-2/3% of the aggregate principal amount of the Notes then outstanding 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.

(b) The Secured Parties 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, notwithstanding any provision of the Management Contract to the contrary, 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 Parties, and each of them may, with or without retaking possession thereof and either before or after taking possession and without instituting any legal proceedings whatsoever, at its or their 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 or Secured Parties taking such action may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Debtor or the Owner should tender full payment of the total unpaid balance of the Note, together with interest thereon accrued and unpaid and all other payments due under this Security Agreement as well as expenses of the Secured Parties in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for,

the sale and the Secured Parties' reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Secured Parties, the security interest of the Secured Parties hereunder will be completely and fully discharged. Any sale hereunder may be held or conducted at such place and such time or times as the Secured Party or Secured Parties taking such action 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 or Secured Parties taking such action may determine, so long as such sale shall be in a commercially reasonable manner. The Secured Parties, and each of them 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 Parties 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.

(d) The Secured Parties, and each of them may proceed to protect and enforce this Security Agreement and the 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 Parties, or any of them shall demand possession of the Equipment pursuant to this Security Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Secured Party or Secured Parties making such demand, 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 or Secured Parties making such demand reasonably may designate;

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

(iii) Cause the same to be transported to any reasonable place, as directed by the Secured Party or Secured Parties making such demand.

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 Parties, their respective 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 Parties, or any of them shall be entitled to a decree against the Debtor requiring specific performance hereof. The Debtor hereby waives any and all claims against the Secured Parties, or any of them and their agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

(f) The Secured Parties, and each of them may proceed to exercise all rights, privileges and remedies of the Owner under the Management Contract, and may exercise all such rights and remedies either in the name of the Secured Party or Secured Parties taking such action or in the name of the Owner for the use and benefit of the Secured Parties.

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 or 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 Parties, 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 and Owner 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 proper expenses, liability and advances, including legal expenses and attorney's fees, incurred or made hereunder by the Secured Parties, 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 Notes in 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 interest thereon, and second, to the unpaid principal thereof; and

(c) Third, to the payment of the surplus, if any, to whomsoever may be lawfully entitled to receive the same.

6.7 Discontinuance of Remedies. In case the Secured Parties shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in every such case, the Debtor and the Secured Parties 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 Parties 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 Parties 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 Parties 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 guarantee for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or effect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Parties be required to first look to, enforce or exhaust such other or additional security, collateral or guarantees.

SECTION 7. TRANSFER OF DEBTOR'S INTEREST

The Secured Parties acknowledge that the Debtor, immediately after the granting of the security interest to the Interim Lender under the Interim Security Agreement, transferred its interest in the Equipment to the Owner. In view of such transfer, Debtor represents, warrants, covenants and agrees with Secured Parties as follows:

(a) The Debtor has delivered to the Secured Parties 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 Parties to continue in effect the security interest of the Secured Parties in and to the Collateral;

(b) The debtor has delivered an opinion of counsel, in form and substance satisfactory to the Secured Parties, to the effect that all action necessary to maintain the security interest of the Secured Parties in the Collateral upon and subsequent to such transfer has been performed and the Secured Parties continue to have a valid and perfected first security interest in the Collateral enforceable in accordance with the terms of this Security 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 Parties in the Collateral under this Agreement;

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

(e) The Debtor has furnished the Secured Parties with copies of all documents relating to such transfer.

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 or attorney-in-fact 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 interest on the Notes held by the Secured Parties shall be payable (without any presentment thereof and without any notation of such payment being made thereon) in the manner hereinafter set forth. Payments to Northwestern, Northern and North Atlantic shall be by bank wire transfer of Federal or other immediately available funds, in the case of Northwestern to: First National Bank of Minneapolis, Main Office, Account No. 4001-446, Minneapolis, Minnesota 55480, and in the case of Northern to: Rainier National Bank, Rainier Square, Seattle, Washington, 98101, for credit to Northern Life Insurance Company, Account No. 120-0715, and in the case of North Atlantic to: Bank of New York, 110 Washington Street, New York, New York 10005, Attention: Custodian Account 931400 Ms. Daisy Sawyer, in each case with sufficient information to identify the source and application of such funds, or in such other manner or to such other address in the United States as they or any of them may designate in writing to the Debtor. In the case of all other holders of the Notes, such payments shall be made 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 paid by UMP to Secured Parties in payment of the Notes in accordance with the Management Contract or payments by Owner or casualty insurance proceeds received by the Secured Parties and applied on the Notes pursuant to Section 5 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 (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; 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 aggregate principal amount equal to the unpaid principal amount of the Note so surrendered in denominations not less than the lesser of (i) \$50,000 or (ii) the aggregate principal amount of Notes then held by such holder 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 not less than the lesser of (i) \$50,000 or (ii) the aggregate principal amount of Notes then held by such holder 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.

(f) Whenever the Notes are held by two or more holders, all payments on the Notes hereunder shall be allocated to all Notes at the time outstanding in proportion to the outstanding principal amounts thereof and accrued and unpaid interest thereon.

(g) Any Note or Notes issued in exchange for a Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, so that neither gain nor loss of interest shall result from any such transfer or exchange and shall be valid obligations of the Debtor evidencing the same debt as the related outstanding Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as such outstanding Notes.

8.5. 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.

8.6 Registered Owner. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor and the Secured Parties shall not be affected by any notice to the contrary.

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

8.8 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 Parties, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.9 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.

8.10 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 deposited in the United States registered mail, first class, postage prepaid, addressed as follows:

If to the Debtor:

Funding Systems Railcars, Inc.
Suite 404
1000 RIDC Plaza
Pittsburgh, PA 15238

ATTENTION: James Schein
President

With copies by registered mail to the Owner and its counsel at their addresses shown below:

If to the Owner:

The Swig Investment Company
950 Mason Street
San Francisco, California 94106

With a copy to:

Bergreen & Bergreen
660 Madison Avenue
New York, NY 10021

ATTENTION: Bernard D. Bergreen, Esq.

If to the Secured Party:

Northwestern National Life Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

ATTENTION: Securities Department

Northern Life Insurance Company
c/o Northwestern National Life Insurance
Company
P. O. Box 20
Minneapolis, Minnesota 55440

ATTENTION: Securities Department

The North Atlantic Life Insurance Company
of America
c/o Northwestern National Life Insurance
Company
P. O. Box 20
Minneapolis, Minnesota 55440

ATTENTION: Securities Department

If to the Interim Lender:

Lincoln First Bank N.A.
One Lincoln First Square
Rochester, NY 14643

ATTENTION: Peter G. Posson
Vice President

or to the Debtor, the Secured Parties, the Interim Lender or the Owner at such other address as the Debtor, the Secured Parties, the Interim Lender or the Owner may designate by notice duly given in accordance with this Section.

8.11 Release. The Secured Parties 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.

8.12 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.

8.13 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.

8.14 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.

8.15 Expenses. The Debtor agrees to pay and save the Secured Parties harmless against liability for the payment of all out-of-pocket expenses arising in connection with the transactions contemplated by this Agreement, including any documentary stamp taxes (and including interest and penalties, if any), which may be determined to be due and payable with respect to the execution and delivery of the Notes, and the reasonable fees and expenses of counsel to the Secured Parties. The Debtor also agrees to pay, and to save the Secured Parties harmless against liability for the payment of, the reasonable fees and expenses of counsel to the Secured Parties in connection with any documentation and related services arising after the date hereof in connection with the preparation of waivers or amendments of any provisions of the Security Agreement, or any other agreement herein referred to, requested by the Debtor or Owner. In addition, the Debtor agrees to pay, and to save the Secured Parties harmless against, all brokerage or finders fees incurred in the transactions contemplated by this Security Agreement.

SECTION 9. PRIORITY OF SECURED PARTIES.

By accepting Notes secured by this Security Agreement, Secured Parties, and each of them, agree (i) that they shall rank pari passu with respect to the security interest in the Collateral, notwithstanding the order of attachment or perfection of the security interest as to each Secured Party, and (ii) that upon any foreclosure, sale or other disposition of or realization

in any manner upon all or any part of the Collateral, after deducting all expenses of enforcement, including without limitation attorney's fees, the Secured Parties shall be entitled to share in the resulting income pertaining to and the proceeds of such foreclosure, sale, other disposition of or other realization upon the Collateral pro rata in that proportion which the outstanding principal amount of and accrued and unpaid interest on the indebtedness hereby secured to the respective Secured Parties bears to the aggregate principal amount of and accrued and unpaid interest on the indebtedness hereby secured to the Secured Parties, taken as a whole.

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

Karolyn Anderson

~~OCORPORATE SEALO~~

FUNDING SYSTEMS RAILCARS, INC.

BY John McEnery
Title: John McEnery
Attorney-in-Fact

Karolyn Anderson

~~OCORPORATE SEALO~~

NORTHWESTERN NATIONAL LIFE
INSURANCE COMPANY

BY S. W. Wishart
Title: Vice President

Karolyn Anderson

~~OCORPORATE SEALO~~

NORTHERN LIFE INSURANCE COMPANY

BY S. W. Wishart
Title: Assistant Treasurer

Karolyn Anderson

~~OCORPORATE SEALO~~

THE NORTH ATLANTIC LIFE INSURANCE
COMPANY OF AMERICA

BY S. W. Wishart
Title: Assistant Treasurer

LINCOLN FIRST BANK N.A.

By

Peter Ross

Title:

Vice President

[CORPORATE SEAL]

A/DD2

STATE OF)
) SS:
COUNTY OF)

On this ____ day of December, 1979, before me personally appeared _____, 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 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 5th day of December, 1979, before me personally appeared Peter G. Passan, to me personally known, who being by me duly sworn, says that he is the Vice President of LINCOLN FIRST BANK, N.A., 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.

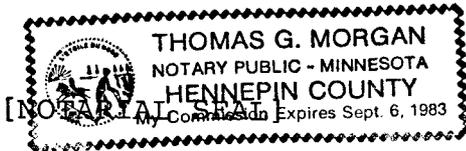
Gail B. Carvatta
Notary Public

[NOTARIAL SEAL]

GAIL B. CARVATTA
Notary Public in the State of New York
MONROE COUNTY, N. Y.
Comm. Exp. Expires March 30, 1981

STATE OF MINNESOTA)
) SS:
COUNTY OF HENNEPIN)

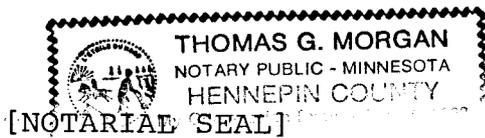
On this 7th day of December, 1979, before me personally appeared JOHN F. McENERY, to me personally known, who being by me duly sworn, says that he is the Attorney-in-Fact for FUNDING SYSTEMS RAILCARS, INC., that one of the seals affixed to the foregoing instrument was signed and sealed on behalf of said 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.



Thomas G. Morgan
Notary Public

STATE OF Minnesota)
) SS.
COUNTY OF HENNEPIN)

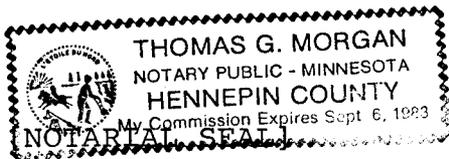
On this 7th day of December, 1979, before me personally appeared Steven W. Wishart, to me personally known, who being by me duly sworn, says that he is the Vice President of NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY, ~~that one of the seals affixed to the foregoing instrument is the corporate seal 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. th



Thomas G. Morgan
Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

On this 7th day of December, 1979, before me personally appeared Steven W. Wishart, to me personally known, who being by me duly sworn, says that he is the Assistant Treasurer of NORTHERN LIFE INSURANCE COMPANY, ~~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. *Th*

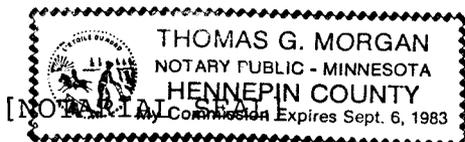


Thomas G. Morgan

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

On this 7th day of December, 1979, before me personally appeared Steven W. Wishart, to me personally known, who being by me duly sworn, says that he is the Assistant Treasurer of THE NORTH ATLANTIC LIFE INSURANCE COMPANY, ~~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. *Th*



Thomas G. Morgan

Notary Public

SCHEDULE A

TO AMENDED AND RESTATED SECURITY AGREEMENT

The Equipment consists of one hundred (100) 100 ton Chessie System Design, open top hopper cars bearing identifying numbers as follows:

UMP 6820 through UMP 6919, inclusive, manufactured by The Chessie Corporation under Agreement made with Funding Systems Railcars, Inc. dated June 12, 1979.

SECURED NOTE

\$ _____

December ___, 1979

FOR VALUE RECEIVED, the undersigned, FUNDING SYSTEMS RAILCARS, INC. (the "Debtor") promises to pay to the order of _____ or registered assigns (the "Payee") the principal sum of _____ (\$ _____) together with interest from the date hereof until maturity on the unpaid principal hereof, at the rate of 12-3/4% per annum computed on the basis of a 360 day year and 12 consecutive 30 day months (the "Interest Rate").

This Note shall be due and payable as follows:

(a) On January 1, 1980 and on April 1, 1980, there shall be paid an amount equal to all accrued and unpaid interest on this Note;

(b) Fifty-nine (59) equal quarterly installments of principal and interest in the amount of _____ (\$ _____) each, commencing on July 1, 1980 and continuing on the first day of each October, January, April and July thereafter through and including January 1, 1995; and

(c) On April 1, 1995, the remaining balance of unpaid principal and accrued interest payable hereunder.

Principal hereof and interest hereon are payable by wire transfer of Federal or other immediately available funds to: _____

with sufficient information to identify the source and application of such funds, or in such other manner or to such other address in the United States as the registered holder hereof may designate in writing to the Debtor.

The Debtor shall continue to pay to the registered holder hereof interest on overdue principal hereof at the Interest Rate (as defined above) after maturity whether by acceleration or otherwise. Both the principal hereof and interest hereon are payable to the registered holder hereof 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 one of the Secured Notes issued under and pursuant to that certain Amended and Restated Security Agreement dated as of December ____, 1979 between the Debtor as debtor, Lincoln First Bank N.A. as Interim Lender (the "Interim Lender") and Northwestern National Life Insurance Company, Northern Life Insurance Company and The North Atlantic Life Insurance Company of America (the "Secured Parties") (the "Security Agreement") and that certain Note Purchase Agreement dated as of December 1, 1979 among the Debtor, the Interim Lender and the Secured Parties (the "Note Purchase Agreement"). Reference is made to the Security Agreement (and all supplements and amendments thereto executed pursuant to the Security Agreement) and the Note Purchase Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party and of the Debtor in respect thereof. This Note is issued in partial substitution for a certain Interim Note (as defined in the Security Agreement) of the Debtor.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Parties and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Debtor, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of New York; provided, however, that the holder of this Note shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

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

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

FUNDING SYSTEMS RAILCARS, INC.

By _____
Title:

CONTINUING GUARANTY

1. As an inducement to NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY, a Minnesota corporation, NORTHERN LIFE INSURANCE COMPANY, a Washington corporation, and THE NORTH ATLANTIC LIFE INSURANCE COMPANY OF AMERICA, a New York corporation, (collectively, the "Lenders") to enter into certain transactions with Funding Systems Railcars, Inc., a Delaware corporation ("Borrower"), and in consideration thereof and of the benefits to accrue to the undersigned, as sole shareholder of Borrower, arising out of such transactions, and intending to be legally bound hereby, the undersigned ("Guarantor") hereby unconditionally and irrevocably guarantees and promises on demand (a) to pay Lenders when due (whether by acceleration or otherwise) in lawful money of the United States all interest and principal and all other amounts to be paid by Borrower under those certain Secured Notes (the "Notes") of even date herewith in the aggregate principal amount of \$2,950,000 and under that certain Amended and Restated Security Agreement dated as of December ___, 1979 (the "Agreement"), in the amounts, at the times (or within the applicable grace periods) and in the manner set forth therein, (b) to faithfully perform, at the time (or within the applicable grace periods) and in the manner set forth therein all of the terms, covenants, conditions, agreements and other liabilities and obligations

therein required to be kept, observed or performed by Borrower, (c) to pay all debts, liabilities and other amounts, due or to become due to Lenders, liquidated or unliquidated, under all evidences of indebtedness, contracts, or any other instruments or security to which Lenders and Borrower are parties or in which obligations run from Borrower to Lenders or which are delivered to Lenders in connection with the Notes and/or the Agreement or transactions contemplated therein (all of which evidences of indebtedness, contracts, other instruments and security are hereinafter collectively called the "Other Agreements"), and (d) to faithfully perform, at the times (or within the applicable grace periods) and in the manner set forth in the Other Agreements, all of the terms, covenants, conditions, agreements and other liabilities and obligations therein required to be kept, observed or performed by Borrower. Guarantor undertakes and agrees to pay all of the foregoing amounts and perform all of the foregoing terms, covenants, conditions and obligations notwithstanding that the Notes, the Agreement or any of the Other Agreements shall be irregular, unenforceable, void or voidable as against Borrower or any of Borrower's creditors, including any trustee in bankruptcy, by reason of any fact or circumstance including, without limiting the generality of the foregoing, failure by any person to file any document or to take any other action to make the Notes, the Agreement or any of the Other Agreements enforceable in accordance with their terms; and this Guaranty is a primary obligation of the undersigned.

2. This Guaranty shall be continuing, absolute, unconditional and irrevocable and shall remain in full force and effect until all obligations guaranteed hereunder have been fully paid and performed.

3. Guarantor hereby assents to all of the provisions of the Notes, the Agreement and Other Agreements and authorizes Lenders, at any time and from time to time, without the consent of, or notice or demand to, the Guarantor, without impairing or releasing the obligations of Guarantor hereunder and without incurring responsibility to the undersigned, to: (a) change the amount, place, terms, time or manner of payment of principal and interest or other amounts to be paid by Borrower under the Notes, the Agreement and Other Agreements; (b) change any of the terms, covenants, conditions, obligations or provisions of the Notes, the Agreement and Other Agreements; (c) renew, extend, amend, modify, change or supplement the Notes, the Agreement and Other Agreements; (d) assign the Notes, the Agreement, this Guaranty and Other Agreements or the principal or interest and other sums payable under the Notes, the Agreement, this Guaranty and Other Agreements; (e) consent to Borrower's assignment of the Agreement and Other Agreements; (f) take and hold security for the payment of this Guaranty or the performance of the Agreement and Other Agreements, and exchange, enforce, waive and release any such security; (g) settle, compromise or subordinate the obligations of Borrower

under the Notes, the Agreement and Other Agreements without limiting the force and effect of this Guaranty; (h) apply such security and direct the order or manner of sale thereof as Lenders in their discretion may determine; (i) release or substitute any one or more of any guarantors; and (j) exercise or forebear in the enforcement of their rights, or waive or acquiesce in defaults by Borrower under the Notes, the Agreement and Other Agreements. No waiver of any of their rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by Lenders unless the same shall be in writing, duly signed on behalf of all of the Lenders, and each such waiver (if any) shall apply only with respect to the specific instance involved and shall in no way impair the rights of Lenders or the obligations of the undersigned to Lenders in any other respect at any other time.

4. Guarantor waives any right to require Lenders to: (a) proceed against Borrower; (b) proceed against or exhaust any security held from Borrower or any other person; (c) pursue any other remedy in Lenders' power whatsoever; (d) notify Guarantor of any default by Borrower in the payment of any interest and principal or other sums reserved in the Notes, the Agreement or Other Agreements or in the performance of any term, covenant or condition therein required to be kept, observed or performed by Borrower; or (e) notify Guarantor of any indulgences or extensions granted to Borrower. Guarantor waives any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of the liability

of Borrower. Until the payment of all interest and principal and all other sums due under the Notes, the Agreement and Other Agreements and the performance of all of the terms, covenants and conditions therein required to be kept, observed or performed by Borrower, Guarantor shall have no right of subrogation and waives any right to enforce any remedy which Lenders now have or may hereafter have against Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by Lenders. Guarantor waives all requirements of diligence or promptness and all presentments, demands for performance, notices of nonperformance, protests, notices of protest and dishonor and notices of acceptance of this Guaranty. It is understood and agreed that, in case of the bankruptcy or insolvency of Borrower, the claim of Lenders against Guarantor hereunder shall not be limited by any provision of the Federal Bankruptcy Act or any similar or corresponding provision of any state or Federal law which, by reason of such bankruptcy or insolvency of Borrower would limit the claim of Lenders against Borrower.

5. Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Lenders in the enforcement of this Guaranty.

6. A separate action or actions may be brought and prosecuted against Guarantor, regardless of whether an action is brought against Borrower or whether Borrower be joined in any such action or actions; and Guarantor waives the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof.

7. Guarantor agrees that so long as any amount shall remain unpaid on any of the Notes it shall furnish to each of the Lenders, and to any subsequent holder of the Notes holding at least 10% of the aggregate principal amount of Notes from time to time outstanding:

(a) within 30 days after the close of each quarterly accounting period in each fiscal year of the Guarantor, balance sheets and statements of income and retained earnings reflecting the financial condition at the end of such quarterly period (i) of the Guarantor on a consolidated basis and (ii) of each of Funding Systems Railcars, Inc. and Upper Merion and Plymouth Railroad Company on a consolidating basis, and the results of operations during such period, all in reasonable detail, and setting forth comparable figures for the same accounting period in the preceding fiscal year; and

(b) as soon as available, but in any event within 90 days after the close of each fiscal year of the Guarantor, duplicate signed copies of an audit report prepared and certified (without qualification as to the scope of the audit) by an independent certified public accountant or accounting firm selected by the Guarantor and satisfactory to Lenders (Arthur Young & Company being satisfactory to the Lenders), which report shall include a balance sheet of the Guarantor and its subsidiaries on a consolidated basis as at the end of such year, and

consolidated statements of income and retained earnings of the Guarantor and its subsidiaries reflecting the operations during said year, all in reasonable detail, and setting forth comparable figures for the preceding fiscal year.

8. This Guaranty shall inure to the benefit of Lenders, their successors and assigns, including without limitation subsequent holders of Notes, and shall be binding upon the successors and assigns of Guarantor.

9. The invalidity or unenforceability of any provision of this Guaranty shall not affect the validity or enforceability of any other provisions of this Guaranty.

10. This Guaranty is intended by the parties as a contract of suretyship and shall be governed by and construed in accordance with the laws of the State of New York.

11. The undersigned waives notice of acceptance of this Guaranty and notice of any liability to which it may apply, and waives presentment, demand for payment, protest, notice of dishonor or nonpayment of any such liabilities, suit or taking other action by Lenders against, and any other notice to, any party liable thereon.

12. This Guaranty may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be duly executed and delivered by the undersigned officer as of the ___ day of December, 1979.

ATTEST:

FSC CORPORATION

(CORPORATE SEAL)

Title:

Address of Guarantor:

1000 RIDC Plaza
Pittsburgh, PA 15238
ATTENTION: President

M/SB3

TRANSFeree AGREEMENT

THIS TRANSFeree AGREEMENT dated as of December _____, 1979 among SWIG INVESTMENT COMPANY (the "Transferee"), NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY, NORTHERN LIFE INSURANCE COMPANY and THE NORTH ATLANTIC LIFE INSURANCE COMPANY OF AMERICA (the "Secured Parties").

RECITALS

Pursuant to a purchase agreement of August 8, 1979 entered into between the Transferee, as buyer, and Funding Systems Railcars, Inc., as seller (the "Debtor"), Transferee (i) agreed to purchase from Debtor 100 railroad hopper cars described on the annexed Schedule A (the "Equipment") and (ii) acknowledged that Transferee's interest in the Equipment would be subject and subordinate to the security interest in the Equipment and proceeds thereof granted to Lincoln First Bank N.A. (the "Interim Lender") by and pursuant to a Security Agreement dated August 7, 1979 between Debtor and the Interim Lender (the "Interim Security Agreement"), which security interest has been assigned by the Interim Lender to the Secured Parties pursuant to an Amended and Restated Security Agreement of even date among Debtor, the Interim Lender and Secured Parties (the "Security Agreement").

A portion of the unpaid principal amount of the indebtedness of Debtor secured by the Interim Security Agreement has been purchased by the Secured Parties from the Interim Lender, and Debtor has issued in substitution for the promissory note evidencing such indebtedness (the "Interim Note"), separate promissory notes to each of the Secured Parties in the aggregate principal amount of \$2,590,000. Said promissory notes and any and all promissory notes issued in exchange therefor under the Security Agreement are hereinafter sometimes referred to individually as a "Note" and collectively or the "Notes".

This Transferee Agreement is hereinafter referred to as this "Security Agreement and Assignment".

The Notes and the 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 the Debtor under the terms of the Notes and the Security Agreement are hereinafter called the "indebtedness hereby secured."

Transferee entered into a management and maintenance contract dated August 8, 1979 (the "Management and Maintenance Contract") between Transferee and Upper Merion and Plymouth Railroad ("UMP"), and FSC Corporation executed and delivered to the Transferee a Guaranty Agreement dated August 8, 1979 (the "Guaranty Agreement"), wherein FSC Corporation guaranteed payment

and performance by UMP under the Management and Maintenance Contract. Transferee is assigning certain right, title and interest in the Management and Maintenance Contract and Guaranty Agreement to the Secured Parties as herein provided.

NOW, THEREFORE, be it agreed:

SECTION 1. GRANT OF SECURITY AND ASSIGNMENT

1.1 Grant of Security and Assignment. The Transferee, in consideration of the premises and of the sum of Ten Dollars received by the Transferee from the Secured Parties 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 thereby secured and the performance and observance of all covenants and conditions in the Notes, and in this Security Agreement and Assignment contained, does hereby convey, warrant, mortgage, pledge, assign, and grant the Secured Parties, their successors and assigns, a security interest in, all and singular of the Transferee's right, title and interest in and to the Management and Maintenance Contract and Guaranty Agreement subject only to the exceptions, reservations and limitations contained in Section 1.4 hereof (all properties to which this security interest extends are hereinafter collectively referred to as the "Additional Collateral").

1.2 Additional Collateral. Additional Collateral also includes all right, title, interest, claims and demands of the Transferee in, to and under the Management and Maintenance Contract including any and all amendments thereto whether now existing or hereafter entered into, including all extensions of the term thereof with all rights, powers, privileges, options and other benefits of the Transferee under the Management and Maintenance Contract, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.4 hereof:

(1) The immediate and continuing right to receive and collect all revenue, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Transferee under the Management and Maintenance Contract or pursuant thereto or with respect to the Equipment; and

(2) Upon the occurrence of an Event of Default hereunder, the right to take such action under the Management and Maintenance Contract which the Transferee could have taken had an Event of Default occurred thereunder, or an event which, with the lapse of time or giving of notice, of both, would constitute an Event of Default under the Management and Maintenance Contract, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Management and Maintenance Contract or by law, and to do any and all other things whatsoever which the Transferee is or may be entitled to do under said Management and Maintenance Contract;

it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.4 hereof, the assignment and transfer to the Secured Parties 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 Parties and each of them shall have the right to collect and receive said revenue, insurance proceeds, condemnation awards and other payments for application in accordance with the provisions of Section 3 hereof at all times during the period from and after the date of this Security Agreement and assignment until the indebtedness hereby secured has been fully paid and discharged.

1.3 Duration of Security Interest. The Secured Parties, their successors and assigns, shall have and hold the Additional Collateral forever; provided, always, however, that if the indebtedness hereby secured shall be paid in full and Transferee and Debtor shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Debtor Security Agreement and the Notes respectively contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement and Assignment shall become null and void; otherwise to remain in full force and effect. Secured Parties further acknowledge and agree that upon receipt of payment in full the Secured Parties will, at the option of the Debtor either: (i) release and discharge its lien; or (ii) assign its lien to any third party institutional lender designated by Debtor, in the Collateral.

1.4 Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement and Assignment 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 Parties:

(a) Any insurance proceeds payable under general public liability policies maintained by or for the benefit of Transferee; and

(b) Any rights or interests obtained by Transferee pursuant to any transfer of its interest in accordance with Section 2.5(c) hereof.

1.5 Release. Secured Parties agree that all revenue (insurance proceeds and condemnation awards excluded) under the Management and Maintenance Contract in excess of the amounts required to discharge the obligations of Debtor under clause first of Section 5.1 of the Security Agreement at the time such revenues are received by UMP shall be automatically released from the security interest of the Secured Parties, so long as no Event of Default shall have occurred and be continuing.

SECTION 2. COVENANTS AND WARRANTIES OF THE TRANSFEREE

The Transferee covenants, warrants and agrees as follows:

2.1 Transferee's Duties. The Transferee 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 Security Agreement and Assignment, the Management and Maintenance Contract, 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.

2.2 Transferee's Covenants. The Transferee consents to the Security Agreement and covenants and agrees that the Equipment is subject and subordinate in all respects to the security interest of Secured Parties in the Equipment. The Transferee shall pay or discharge any and all claims, liens, charges or security interests on the Equipment 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 and the Additional Collateral) or which if unpaid might become such a claim, lien, charge or security interest on or with respect to the Equipment and the Additional 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 opinion of counsel to the Debtor or Transferee, a copy of which opinion shall have been delivered to Secured Parties, adversely affect the security interest of the Secured Parties in or to the Equipment and Additional Collateral or any portion thereof. The Transferee has full right, power and authority 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 of the Equipment from Debtor and management of the Equipment. There are no proceedings pending, or to Transferee's knowledge threatened, 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 the Transfer Documents or perform its obligations thereunder. The Equipment acquired by Transferee is free and clear of any liens or encumbrances which result from claims against Transferee other than the Permitted Liens (as defined in the Security Agreement). Transferee has not by affirmative act conveyed title to or a security interest in any such Equipment to any person or entity or subjected the Equipment to any lien or encumbrance other than the Permitted Liens.

2.3 Further Assurances. The Transferee will 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 Additional Collateral, whether now owned or hereafter acquired, subject to the provisions of Section 5.5 hereof. 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 Management and Maintenance Contract, the Transferee covenants and agrees that it will direct UMP to make all payments of revenues derived under the Management and Maintenance Contract, other than the Excepted Rights in Collateral, directly to the Secured Parties or as the Secured Parties may direct.

2.4 Recordation and Filing. The Transferee will cause this Security Agreement and Assignment and any supplements hereto, the Management and Maintenance Contract, 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 the sole expense of Debtor 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 Parties hereunder.

2.5 Negative Covenants. The Transferee will not:

(a) Declare a default or exercise the remedies of the Transferee under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of or waiver with respect to, the Management and Maintenance Contract; provided, however, that Transferee shall have the right to terminate the Management and Maintenance Contract upon the occurrence of an event of default thereunder if (i) Transferee shall have entered into a new Management and Maintenance Contract substantially in the form of the Management and Maintenance Contract (or other form reasonably satisfactory to Secured Parties) with a manager which has capacity and capability substantially equivalent to that of UMP to load railroad hopper cars on its tracks, and is reasonably satisfactory to Secured Parties and (ii) Transferee shall have assigned and granted a security interest therein to Secured Parties on the same terms and conditions herein set forth;

(b) Receive or collect or permit the receipt or collection of any payment under the Management and Maintenance Contract, prior to the date for payment thereof provided for by the Management and Maintenance Contract or assign, transfer or hypothecate (other than to the Secured Parties) any payment then due or to accrue in the future under the Management and Maintenance Contract, in respect of the Equipment; or

(c) Sell, mortgage, transfer, assign or hypothecate its interest in the Equipment or the Additional Collateral or any part thereof or in any amount to be received by it from the use or disposition of the Equipment without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld, it being understood that the financial condition of the proposed transferee may be considered in determining whether to grant such consent.

2.6 Power of Attorney in Respect of Management and Maintenance Contract. Transferee does hereby irrevocably constitute and appoint the Secured Parties, and each of them 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 and sue for any and all income and other sums which are assigned under Section 1.1, 1.2 and 1.3 and to endorse the name of the Transferee 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 Transferee or otherwise, which the Secured Parties, or any of them may deem necessary or otherwise appropriate to protect and preserve the right, title and interest of the Secured Parties in and to such revenues and other sums and the security intended to be afforded hereby.

SECTION 3. APPLICATION OF REVENUES AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTIES

3.1 Application of Revenues; Certain Prepayments. Transferee and Secured Parties hereby expressly consent and agree that all amounts from time to time received by Secured Parties constituting payment of revenues under the Management and Maintenance Contract or casualty insurance proceeds in respect of the Equipment shall be applied by Secured Parties in the manner and priority set forth in Section 5 of the Security Agreement.

SECTION 4. DEFAULTS AND OTHER PROVISIONS

4.1 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, the 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 after written notice to Transferee that the same is due and payable; or

(b) An Event of Default, as defined and set forth in the Management and Maintenance Contract shall occur and be continuing unless the Management Contract shall have been terminated under the conditions permitted and in compliance with Section 2.5(a) of the Transferee Agreement.

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

(d) Any representation or warranty on the part of the Debtor, UMP or Transferee made herein, in the Security Agree-

ment, or in the Management and Maintenance Contract or in any report certificate, financial or other statement furnished in connection with this Security Agreement and Assignment, the Security Agreement, the Management and Maintenance Contract shall prove to be false or misleading in any material respect materially adverse to the Secured Parties when made and, if the same is susceptible of being cured, the same is not cured within 30 calendar days.

(e) Any claim, lien or charge prohibited by Section 2.2 hereof (other than Permitted Liens) 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.

(f) Any proceeding commenced by or against the Debtor for any relief which includes or might result in any modification of the obligations of the Debtor under the Security Agreement under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions, or if commenced against Debtor such proceedings shall not have been dismissed within 90 days.

4.2 Secured Parties' Rights. The Transferee agrees that when any Event of Default has occurred and is continuing, the Secured Parties, and each of them shall have the rights, options, duties and remedies of a secured party, and the Transferee shall have the rights and duties of a debtor, under the Uniform Commercial Code of the State of New York (regardless of whether such code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and the Secured Parties shall have the following rights and remedies:

(a) The Secured Parties holding at least 66-2/3% of the aggregate principal amount of the Notes then outstanding may, by notice in writing to the Transferee 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 the Transferee (the "Redeeming Party") shall have the right to redeem all but not less than all of the Equipment owned by said Redeeming Party by paying to Secured Parties, within ten (10) days of the receipt by Debtor and Transferee of the notice from the Secured Parties, an amount equal to the Redemption Value (as hereinafter defined) for the Equipment to be redeemed. For the purposes of this Section 4.2(a), the Redemption Value shall be an amount equal to the then outstanding amount of the indebtedness hereby secured.

(b) The Secured Parties, and each of them may proceed to exercise all rights, privileges and remedies of the Transferee under the Management and Maintenance Contract and may exercise all such rights and remedies either in the name of the Secured Party or Secured Parties taking such action or in the name of the Transferee for the use and benefit of the Secured Parties.

4.3 Application of Sales Proceeds. The proceeds and/or avails of any sale of the Equipment, or any part thereof, and the proceeds and the avails of any remedies hereunder, including proceeds of the Management and Maintenance Contract, shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Parties, 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 Notes in 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 the first to unpaid interest thereon, and second, to unpaid principal thereof.

(c) Third, to the payment of the surplus, if any, to the Transferee or to whomsoever may be lawfully entitled to receive the same.

4.4 Cumulative Remedies. No delay or omission of the Secured Parties to exercise any right or power arising from any default on the part of the Debtor or Transferee shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Parties, 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 Parties 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 and Assignment operate to prejudice, waive or affect the security of this Security Agreement and Assignment or any rights, powers or remedies hereunder, nor shall the Secured Parties be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 5. MISCELLANEOUS

5.1 Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement and Assignment contained by or on behalf of the Transferee or by or

on behalf of the Secured Parties, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not. Following any transfer permitted hereunder all references to Transferee shall be deemed to refer solely to such permitted transferee.

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

5.3 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 herein in respect of any matter) when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

To the Transferee: Swig Investment Company
950 Mason Street
San Francisco, CA 94106

With a copy to: Bergreen & Bergreen
660 Madison Avenue
New York, NY 10021

To the Secured Parties: Northwestern National Life
Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

Northern Life Insurance Company
c/o Northwestern National Life
Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

The North Atlantic Life Insurance
Company
c/o Northwestern National Life
Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

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

5.4 Release. The Secured Parties shall release this Security Agreement and Assignment 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.

5.5 Non-Recourse. Notwithstanding anything to the contrary contained in this Security Agreement and Assignment or

any document collateral thereto, it is expressly understood and agreed that Transferee's liabilities and obligations shall be non-recourse and enforceable exclusively against the Equipment and the Additional Collateral and Transferee does not assume any of the provisions of the Security Agreement or the Notes and Transferee shall not be personally liable for and Secured Parties shall not seek any deficiency or other money judgment against Transferee in any event.

5.6 Governing Law. This Security Agreement and Assignment and the Note 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. Section 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 secured jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

5.7 Counterparts. This Security Agreement and Assignment 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 and Assignment.

5.8 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 and Assignment nor shall they affect its meaning, construction or effect.

SECTION 6. PRIORITY OF SECURED PARTIES.

By accepting Notes secured by this Security Agreement and Assignment, Secured Parties, and each of them, agree (i) that they shall rank pari passu with respect to the security interest in the Additional Collateral, notwithstanding the order of attachment or perfection of the security interest as to each Secured Party, and (ii) that upon any foreclosure, sale or other disposition of or realization in any manner upon all or any part of the Additional Collateral, after deducting all expenses of enforcement, including without limitation attorney's fees, the Secured Parties shall be entitled to share in the resulting income pertaining to and the proceeds of such foreclosure, sale, other disposition of or other realization upon the Additional Collateral pro rata in that proportion which the outstanding principal amount of and accrued and unpaid interest on the indebtedness hereby secured to the respective Secured Parties bears to the aggregate principal amount of the indebtedness hereby secured to the Secured Parties, taken as a whole.

IN WITNESS WHEREOF, the Transferee and the Secured Party intending to be legally bound hereby, have executed this Security Agreement as of the day and year first above written.

SWIG INVESTMENT COMPANY

By _____

NORTHWESTERN NATIONAL LIFE
INSURANCE COMPANY

By _____
Title: _____

NORTHERN LIFE INSURANCE COMPANY

By _____
Title: _____

THE NORTH ATLANTIC LIFE INSURANCE
COMPANY OF AMERICA

By _____
Title: _____

G/DD2

STATE OF)
) SS:
COUNTY OF)

On this ____ day of _____, 1979, before me, personally appeared _____ and _____ to me personally known, who being by me duly sworn, said that they are _____ of _____, a general partnership organized under the laws of the State of _____, that the foregoing instrument was signed and sealed on behalf of said partnership by authority of its general partners and they acknowledged that the execution of the foregoing instrument was the free act and deed of said partnership.

Notary Public

(SEAL)

STATE OF MINNESOTA)
) SS:
COUNTY OF HENNEPIN)

On this ____ day of December, 1979, before me, personally appeared _____ to me personally known, by me duly sworn, said that he is a Vice President for Northwestern National Life Insurance Company, 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

(SEAL)

SCHEDULE A

TO TRANSFEREE AGREEMENT

The Equipment consists of one hundred (100) 100 ton Chessie System Design, open top hopper cars bearing identifying numbers as follows:

UMP 6820 through UMP 6919, inclusive, manufactured by The Chessie Corporation under Agreement made with Funding Systems Railcars, Inc. dated June 12, 1979.

UPPER MERION AND PLYMOUTH RAILROAD COMPANY

Consent and Agreement

Funding Systems Railcars, Inc.
Suite 404
1000 RIDC Plaza
Pittsburgh, PA 15238

Northwestern National Life
Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

Northern Life Insurance Company
c/o Northwestern National Life
Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

The North Atlantic Life Insurance
Company of America
c/o Northwestern National Life
Insurance Company
P. O. Box 20
Minneapolis, Minnesota 55440

December ____, 1979

Gentlemen:

Reference is made to the Amended and Restated Security Agreement dated the date hereof ("Security Agreement") among Funding Systems Railcars, Inc. ("Debtor"), Lincoln First Bank N.A. ("Interim Lender") and Northwestern National Life Insurance Company, Northern Life Insurance Company and The North Atlantic Life Insurance Company of America ("Secured Parties"). Further reference is made to the Transferee Agreement dated the date hereof (the "Transferee Agreement") among Swig Investment Company ("Swig") and the Secured Parties. The capitalized terms used herein shall have the respective meanings set forth in the Security Agreement unless the context otherwise requires.

As an inducement to and as part of the consideration for the permanent financing to be provided by the Secured Parties to the Debtor for the Equipment subject to the Security Agreement, Upper Merion and Plymouth Railroad Company ("UMP"), a wholly-owned subsidiary of the Debtor, represents, warrants and agrees as follows:

1. Corporate Organization and Authority. UMP is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania; has all requisite power and authority and all necessary licenses and permits to own and operate its respective properties and to carry on its business as now conducted; is a common carrier by rail under the Interstate Commerce Act and will remain so as long as the Management and Maintenance Contract dated as of August 8, 1979, between UMP and Swig ("Management Contract") is in effect; and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction in which such qualification is necessary to carry out the terms of the Management Contract.

2. Pending Litigation. There are no proceedings pending or threatened against or affecting UMP in any court or before any governmental authority or arbitration board or other tribunal which if adversely determined would materially and adversely affect UMP's ability to perform its obligations under the Management Contract. UMP is not in default with respect to any order of any court or governmental authority or arbitration board or other tribunal.

3. Corporate Authority; No Conflict with Certificate of Incorporation, Etc. The execution and delivery by UMP of the Management Contract and compliance by UMP with all of the provisions thereof and hereof:

- (i) Are within the corporate powers of UMP;
- (ii) Will not violate any provisions of any law or any order of any court or governmental authority or agency and will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under the Articles of Incorporation or By-Laws of UMP or any indenture, mortgage, conditional sale, loan or credit agreement or other instrument to which UMP is a party or by which it may be bound, or result in the imposition of any liens or encumbrances on any property of UMP.

4. No Existing Defaults Under the Management Contract. No event of Default, as defined in the Management Contract, has occurred and is continuing and no event has occurred and is continuing which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default.

5. Governmental Approvals. No approval, consent or withholding of objection on the part of any regulatory body, Federal, state or local, is necessary in connection with the execution and delivery by UMP of the Management Contract or compliance by UMP with any of the provisions thereof.

6. Title. No mortgage, deed of trust or other lien of any nature whatsoever which now covers or affects any property or interest therein of UMP, now attaches or hereafter will attach to any item of Equipment or in any manner affects or will affect adversely the right, title and interest of the Debtor or security interest of the Secured Parties therein.

7. Insurance. The Equipment is covered by the insurance required by the Management Contract and the Security Agreement and all premiums due on or prior to the date hereof in respect of such insurance have been paid in full.

8. ERISA. UMP is not entering into the Management Contract or any other transaction contemplated thereby, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan with respect to which it, or, insofar as is known to it, the Secured Parties, or the Debtor is a party in interest all within the meaning of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

9. Amendments to Management Contract. Until such time as the Notes and all other obligations of the Debtor to the Secured Parties have been paid and discharged, UMP will not enter into or permit any amendment, modification or termination of the Management Contract or assign or transfer its interest thereunder to any party without the prior written consent of the Secured Parties.

10. Rights of Secured Parties. UMP acknowledges receipt of a copy of the Security Agreement, the Transferee Agreement and the Notes and consents to the terms and provisions of the Security Agreement and the Transferee Agreement and further acknowledges that notwithstanding any provision of the Management Contract to the contrary, (i) its rights under the Management Contract are subject and subordinate to the Security interest of the Secured Parties under the Security Agreement; (ii) upon the occurrence of an Event of Default, as defined in the Security Agreement, the Secured Parties shall have all the rights described in Section 6 of the Security Agreement and may exercise any of the same without any liability to UMP, and (iii) upon the occurrence of an Event of Default as defined in the Transferee Agreement, the Secured Parties shall have the rights described in Section 4 of the Transferee Agreement and may exercise any of the same without liability to UMP. UMP agrees that all Revenues under the Management Contract are payable to the Secured Parties for application as provided in Section 5.1 of the Security Agreement; provided, however, that until notified to the contrary by the Secured Parties, at the address specified in the Management Contract for notice to UMP, UMP shall not be required to make any payments in excess of the amounts necessary for application pursuant to clause first of Section 5.1 of the Security Agreement. Secured Parties agree not to send such notice to UMP unless and until an Event of Default has occurred and is continuing under the Security Agreement.

Payments to Secured Parties shall be by bank wire transfer of Federal or other immediately available funds, in the case of Northwestern National Life Insurance Company to: First National Bank of Minneapolis, Main Office, Account No. 4001-446, Minneapolis, Minnesota 55480; in the case of Northern Life Insurance Company to: Rainier National Bank, Rainier Square, Seattle, Washington 98101, for credit to Northern Life Insurance Company, Account No. 120-121-0715; and in the case of The North Atlantic Life Insurance Company of America to: Bank of New York, 110 Washington Street, New York, New York 10005, Attention: Custodian Account 931400, Ms. Daisy Sawyer; in each case with sufficient information to identify the source and application of such funds, or in such other manner or to such other address in the United States as they or any of them may designate in writing to the Debtor.

11. UMP will forward to Secured Parties, by first class mail postage prepaid, copies of all reports and notices required to be delivered by UMP to Swig under the Management Contract, including without limitation the annual report required to be delivered under Section 2.4 thereof, notice of any change in the Maintenance Fee required to be delivered under Section 8.2 thereof, status reports required to be delivered under Section 13.1 thereof and reports of foreign usage required to be delivered under Section 21 thereof.

12. Default. UMP shall not be in default in the performance of its obligations under this Consent and Agreement until the receipt of written notice by UMP and Swig specifying the occurrence of such default and such default shall continue unremedied for a period of ten days after receipt of such notice. If such default is not remedied, Swig and Secured Parties shall have the right to deem such default hereunder to be an Event of Default by UMP under the Management Contract.

13. Amendment or Modification. This Consent and Agreement shall not be amended or modified or terminated without the prior written consent of Swig.

UPPER MERION AND PLYMOUTH RAILROAD
COMPANY

By _____

Agreed to this ____ day of
December, 1979.

FUNDING SYSTEMS RAILCARS, INC.

By _____

Title: _____

NORTHWESTERN NATIONAL LIFE INSURANCE
COMPANY

By _____

Title: Vice President

NORTHERN LIFE INSURANCE COMPANY

By _____

Assistant Treasurer

THE NORTH ATLANTIC LIFE INSURANCE
COMPANY OF AMERICA

By _____

Assistant Treasurer

J/DD2