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September 14, 1978

9672
RECORDATION NO. Filed & Recorded

8-2581098

SEP 15 1978 8 15 PM

No. SEP 15 1978

H. Gordon ~~Homme~~ **INTERSTATE COMMERCE COMMISSION**
Acting Secretary
Interstate Commerce Commission
Washington, DC 20423

RECORDATION NO.

9672

Fee \$ 1.00
Filed & Recorded

8

SEP 15 1978 8 15 PM

Washington, D. C.

Dear Mr. Homme:

INTERSTATE COMMERCE COMMISSION

I am sending herewith for filing in your office pursuant to Section 20c of the Interstate Commerce Act, six counterparts of each of the following:

- (a) Security Agreement dated as of September 1, 1978 between Funding Systems Railcars, Inc. and Girard Bank covering 50 new boxcars for use in Interstate Commerce;
- (b) Lease and Management Agreement dated as of September 1, 1978 between Funding Systems Railcars, Inc. and National Railway Utilization Corporation to which the boxcars are leased.

There is also enclosed a check in the amount of \$100 for the recordation fees. The names and addressees of the parties to the transaction are as follows:

Secured Party: Girard Bank, as Agent
3 Girard Plaza
Philadelphia, PA 19101

Purchaser and Lessor: Funding Systems Railcars, Inc.
c/o Funding Systems Corporation
Suite 401
1000 RIDC Plaza
Pittsburgh, PA 15238

C. Ounsworth

RECEIVED
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I.C.C.
FEE OPERATION BR.

Gary Fitzgerald

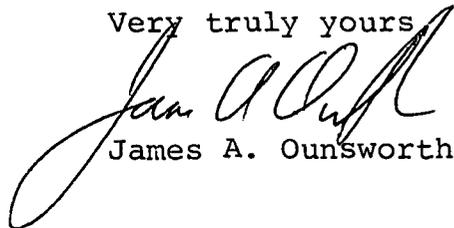
H. Gordon Homme, Jr.
September 14, 1978
Page 2

Lessee: National Railway Utilization
Corporation
100 Centre Square East
1500 Market Street
Philadelphia, PA 19102

The equipment covered by the agreements consist of 25 50'6" 70-ton boxcars with A.A.R. mechanical designation XM, bearing Lessee road numbers MNJ 120485-120509, inclusive; 10 50'6" 70-ton boxcars with A.A.R. mechanical designation XM, bearing Lessee road numbers PT 201026-201035, inclusive; and 15 50'6" 70-ton boxcars with A.A.R. mechanical designation XM, bearing Lessee road numbers NSL 156000-156014, inclusive, and marked "Leased from a corporation and subject to a security interest recorded with the ICC".

Kindly return to the bearer five counterparts of each of the documents.

Very truly yours



James A. Ounsworth

JAO/mlm
Enclosures

RECORDATION NO. 9672-A Filed & Recorded

SEP 15 1978 8 15 PM

~~INTESTATE COMMERCE COMMISSION~~

SECURITY AGREEMENT

Dated as of September 1, 1978

BETWEEN

FUNDING SYSTEMS RAILCARS, INC.

DEBTOR

AND

GIRARD BANK

SECURED PARTY

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SCHEDULE I -- Amortization Schedule

SCHEDULE II -- Description of Equipment

EXHIBIT A -- Form of the Secured Note

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as September 1, 1978 (the Security Agreement) is between FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation (the Debtor), and GIRARD BANK, as agent (the Secured Party) for The Paul Revere Variable Annuity Insurance Company, AVCO Corporation Retirement Income Trust, The Paul Revere Life Insurance Company and The Paul Revere Protective Life Insurance Company (the Note Purchasers).

RECITALS:

A. The Note Purchasers, the Debtor and the Secured Party have entered into a Participation Agreement dated as of the date hereof (the Participation Agreement) providing for the commitment of each of the Note Purchasers to purchase on four separate dates, each not later than October 31, 1978 the 11-1/4% Secured Notes (the Notes) of the Debtor not exceeding the maximum aggregate principal amount of \$5,700,000. The Notes are to be dated the date of issue and to bear interest at the rate of 11-1/4% per annum prior to maturity, and to mature in sixty-one installments, including both principal and interest, payable in accordance with the amortization schedule set forth in Schedule I hereto (as may be adjusted pro rata to reflect the final aggregate principal amount of the Notes) with the first installment to be paid April 15, 1979 and with the final installment payable not later than April 15, 1994, and to be otherwise substantially in the form attached hereto as Exhibit A.

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participating Agreement are hereinafter sometimes referred to as "indebtedness hereby secured."

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

Section 1. GRANT OF SECURITY

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, pledge, assign, and grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's rights, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1., 1.2 and 1.3 hereof subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the Collateral).

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

1.2. Lease and Management Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease and Management Agreement, including any and all amendments thereto whether now existing or hereafter entered into, including all extensions of the term of said Agreement, together with all

rights, powers, privileges, options and other benefits of the Debtor under the said Agreement, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof,

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

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

(3) the right to take such action upon the occurrence of an Event of Default under said Agreement or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under said Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease and Management Agreement or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease and Management Agreement,

it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said revenue, Casualty Value payments, insurance proceeds, condemnation awards and other payments for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.3 Purchase Order Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Purchase Order Agreements dated as of the date hereof (the Purchase Orders) between the Debtor and NRUC and the Debtor and Rail Fleet Corporation, a South Carolina Corporation and the Debtor and Berwick Forge & Fabricating Company, a Division of Whittaker Corporation, a California Corporation and any and all other contracts and agreements relating to the Equipment or any rights or interests therein (other than the Participation Agreement) to which

the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under the Purchase Orders and each and every other such contract and agreement, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective immediately and operative immediately and shall continue in full force and effect until the indebtedness hereby secured has been fully paid and discharged.

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

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

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

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

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

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

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

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

Section 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1 Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions,

covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Fundamental Agreements (as defined in the Participation Agreement) and no implied covenants or obligations are to be construed as part of this Security Agreement or any other of the Fundamental Agreements against the Debtor.

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

2.3 Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the

security interest herein granted in the revenues and other sums due and to become due under the Lease and Management Agreement, the Debtor covenants and agrees that it will cause NRUC to be notified of such assignment pursuant to Section 17 of the Lease and Management Agreement and direct NRUC to make all payments of such revenues and other sums due and to become due under the Lease and Management Agreement, other than the Excepted Rights in Collateral, directly to the Secured Party or as the Secured Party may direct.

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

2.5 Recordation and Filing. The Debtor will cause this Security Agreement and any supplements hereto, the Lease and Management Agreement and any supplements thereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplemental Security Agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

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

(a) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, the Lease and Management Agreement or, except as permitted by Section 6 hereof, by affirmative act consent to the creation or existence of any

security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease and Management Agreement or any part thereof; or

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

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

2.7 Power of Attorney in Respect of the Lease and Management Agreement. Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power or substitution for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Sections 1.1, 1.2 and 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

Section 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1 Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining

thereto, provided, always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observances and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by NRUC under and subject to the Lease and Management Agreement shall not constitute a violation of this Section 3.1.

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

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

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

4.1 Application of Rentals; Certain Prepayments. So long as no default or Event of Default (as defined in Section 5.1 hereof) has occurred and is continuing, the amounts from time to time received by the Secured Party which constitute payment of the installments of rental under the Lease and Management Agreement shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the installments of the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party. During the five year period commencing April 15, 1979, the balance, if any, shall be applied first to the payment to the Debtor of an amount up to \$200,000 per year; second, to the pro

rata prepayment of the principal outstanding on the Notes in inverse order of maturity in an amount up to \$200,000 per year; and any remaining balance shall be paid promptly to or upon the order of the Debtor. After such five year period, the balance, if any, shall be paid promptly to or upon the order of the Debtor.

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

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

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

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

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

4.2 Application of Casualty Insurance Proceeds.

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

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

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

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

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

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

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

provided for in Section 5 in respect of proceeds and avails of the Collateral.

Section 5. DEFAULTS AND OTHER PROVISIONS.

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

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

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

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

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

(e) Any claim, lien or charge (other than those permitted under Section 1.4 hereinabove, created pursuant to Section 6 hereinafter and liens, charges and encumbrances which NRUC is obligated to discharge under Section 9 of the Lease and Management Agreement) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor demanding the discharge or removal thereof.

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

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

(b) Subject always to the then existing rights, if any, of NRUC under the Lease and Management Agreement, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold;

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

(d) Subject always to the rights, if any, of NRUC under the Lease and Management Agreement, the Secured Party may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the then existing rights, if any, of NRUC under the Lease and Management Agreement, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and Management Agreement, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3 Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously

due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

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

5.5 Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of NRUC under the Lease and Management Agreement).

5.6 Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

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

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

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

5.7 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in every such case, the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8 Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder

and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 6. TRANSFER OF DEBTOR'S INTEREST.

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

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

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

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

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

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

(f) The transferee shall provide to the Secured Party a certificate signed by a responsible officer thereof representing and warranting as to the matters as they relate to the transferee set forth in Sections 3.1(a), (c), (d), (g), 3.2(b) and 3.4 of the Participation Agreement.

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

Section 7. MISCELLANEOUS.

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

7.2 Payment of the Notes.

(a) The principal of, and premium, if any,

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

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

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

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

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

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and in aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered 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. The Debtor shall not be required to make a transfer or an exchange of any Note for a period to ten days preceding any installment payment date with respect thereto.

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

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risks, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note),

if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such Note purchaser setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Note purchaser to indemnify the Debtor for any claims or action against it (and for its attorneys' fees) resulting from the issuance of such new Note or the reappearance of the old Note.

7.5 The New Notes.

(a) Each new Note issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note shall be dated the date of such outstanding Note. The Debtor shall mark on each new Note (i) the dates to which principal and interest have been paid on such outstanding Note, (ii) all payments and prepayments of principal previously made on such outstanding Note which are allocable to such new Note, and (iii) the amount of each installment payment payable on such new Note. Each installment payment payable on such new Note on any date shall bear the same proportion to the installment payment payable on such outstanding Note on such date as the original principal amount of such new Note bears to the original aggregate principal amount of such outstanding Note. Interest shall be deemed to have been paid on such new Note to the date on which interest shall have been paid on such outstanding Note, and all payments and prepayments of principal marked on such new Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a new Note pursuant to Section 7.4(a), (b) or (e), the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All new Notes issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of outstanding Notes shall be valid obligations of the Debtor evidencing the same debt as outstanding Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the outstanding Notes.

(d) Upon the issuance of any new Note pursuant to this Security Agreement, the Debtor shall prepare and deliver an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment, and upon the preparation of such schedule, the Debtor shall furnish a copy thereof to the Secured Party. The Secured Party shall deliver, or send by first-class mail, certified, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

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

7.7 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 shall not be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

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

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

7.10 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.

7.11 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

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

with a copy to: McCann, Garland, Ridall & Burke
3718 Mellon Bank Building
525 William Penn Place
Pittsburgh, Pa. 15219
Attn: John F. McEnery, Esquire

If to the Secured Party: Girard Bank
3 Girard Plaza
Philadelphia, Pa. 19109
Attn: Harold E. Ikeler, Jr.
Vice President

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

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

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

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

7.15 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.

7.16 Limitations of Liability. It is understood and agreed by the Secured Party that, except for the obligations of the Debtor in Section 2.2 hereof, the liability of the Debtor or any assignee of the Debtor for all payments to be made by it under and pursuant to this Security Agreement shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein and in each of the Notes the term "income and proceeds from the Equipment" shall mean (i) if one of the Events of Default specified in Section 5.1 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Debtor or any assignee of the Debtor at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences paid for or with respect to the Equipment pursuant to the Lease and Management Agreement and any and all other payments received under Section 15 or any other provision of the

Lease and Management Agreement and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Debtor or any assignee of the Debtor and as shall equal the portion of the principal of the Notes (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the terms of the Notes and this Agreement or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Debtor or any assignee of the Debtor prior to the existence of an Event of Default which exceeded the amounts required to discharge that portion of the principal of the Notes (including prepayments thereof required in respect of Casualty Occurrences or pursuant to Section 4.1 hereof) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Debtor or any assignee of the Debtor were required to be paid to it pursuant to the terms of the Notes and this Agreement or which exceeded any other payments due and payable under the terms of the Notes and this Agreement at the time such amounts were payable under the terms of the Notes and this Agreement. The Secured Party further agrees that in the event it shall obtain a judgment against the Debtor for an amount in excess of the amounts payable by the Debtor pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Debtor shall derogate from the right of the Secured Party to proceed against the Equipment for the full unpaid purchase price of the Equipment and interest thereon and all other payments and obligations hereunder.

IN WITNESS WHEREOF, the Debtor and the Secured Party have executed this Security Agreement as of the day

and year first above written.

FUNDING SYSTEMS RAILCARS, INC.

(CORPORATE SEAL)

ATTEST:

Asst. Sec.

(CORPORATE SEAL)

By
v.p.

ATTEST:

GIRARD BANK

By
VICE PRESIDENT

STATE OF PENNSYLVANIA :
 : SS:
COUNTY OF ALLEGHENY :

On this 1ST day of SEPTEMBER, 1978, before me personally appeared CHARLES L. RUCGODI, to me personally known, who being by me duly sworn, says that he is a VICE PRESIDENT of FUNDING SYSTEMS RAILCARS, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Patricia L. Hines
Notary Public

(SEAL)

PATRICIA L. HINES, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES OCT. 6, 1980
Member, Pennsylvania Association of Notaries

STATE OF PENNSYLVANIA :
 : SS:
COUNTY OF PHILADELPHIA :

On this 14th day of September, 1978, before me personally appeared H. E. IKELER, JR., to me personally known, who being by me duly sworn, says that he is a VICE PRESIDENT of Girard Bank, 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.

Diane A. Baxter
Notary Public

(SEAL)

DIANE A. BAXTER, NOTARY PUBLIC
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES AUG. 31, 1981
Member, Pennsylvania Association of Notaries

SCHEDULE I

1A SEPTEMBER 14 1978 RAILROAD CARS
 1B PRINCIPAL 1414350.00
 1C RATE 11.25000%
 1D NO. OF PAYMENTS 61
 1E PAYMENT FREQUENCY QUARTERLY
 1F DRAW DOWN DATE 9/14/ 78
 1G PAYMENTS START 4/15/ 79
 1H AMORTIZATION LEVEL TOTAL
 1I INTEREST ONLY PAYMENTS 1
 1J BALLOON PAYMENT 0.0

RECAP, CHANGE, ADD, PROCESS, END, DELETE->P
 SCHEDULE (M,Q,A)->Q
 SCHEDULE TO TERMINAL, PRINTER OR DISK->T

SEPTEMBER 14 1978 RAILROAD CARS
 RUN ON 9/12/1978 AT 4:26 PM

QUARTER	ACCRUED INTEREST EXPENSE	CASH INTEREST EXPENSE	PRINCIPAL REPAYMENT	DEBT SERVICE	ENDING BALANCE
78 I	0.0	0.0	0.0	0.0	0.0
78 II	0.0	0.0	0.0	0.0	0.0
78 III	7513.73	0.0	0.0	0.0	1414350.00
78 IV	39778.60	0.0	0.0	0.0	1414350.00
79 I	39778.60	0.0	0.0	0.0	1414350.00
79 II	39778.60	93258.71	0.0	93258.71	1414350.00
79 III	39557.94	39778.60	9290.86	49069.46	1405059.14
79 IV	39290.43	39517.29	9552.17	49069.46	1395506.97
80 I	39015.40	39248.64	9820.82	49069.46	1385686.15
80 II	38732.62	38972.43	10097.03	49069.46	1375589.12
80 III	38441.90	38688.45	10381.01	49069.46	1365208.11
80 IV	38143.00	38396.48	10672.98	49069.46	1354535.13
81 I	37835.70	38096.31	10973.15	49069.46	1343561.98
81 II	37519.75	37787.69	11281.77	49069.46	1332280.21
81 III	37194.91	37470.39	11599.07	49069.46	1320681.14
81 IV	36860.93	37144.16	11925.30	49069.46	1308755.84

82	III	35801.60	36109.40	12960.06	49069.46	1270929.55
82	IV	35428.44	35744.90	13324.56	49069.46	1257604.99
83	I	35044.79	35370.15	13699.31	49069.46	1243905.68
83	II	34650.34	34984.85	14084.61	49069.46	1229821.07
83	III	34244.80	34588.72	14480.74	49069.46	1215340.33
83	IV	33827.86	34181.45	14888.01	49069.46	1200452.32
84	I	33399.19	33762.73	15306.73	49069.46	1185145.59
84	II	32958.46	33332.22	15737.24	49069.46	1169408.35
84	III	32505.35	32889.61	16179.85	49069.46	1153228.50
84	IV	32039.48	32434.56	16634.90	49069.46	1136593.60
85	I	31560.51	31966.70	17102.76	49069.46	1119490.84
85	II	31068.07	31485.68	17583.78	49069.46	1101907.06
85	III	30561.78	30991.14	18078.32	49069.46	1083828.74
85	IV	30041.26	30482.69	18586.77	49069.46	1065241.97
86	I	29506.08	29959.94	19109.52	49069.46	1046132.45
86	II	28955.87	29422.48	19646.98	49069.46	1026485.47
86	III	28390.17	28869.91	20199.55	49069.46	1006285.92
86	IV	27808.57	28301.80	20767.66	49069.46	985518.26
87	I	27210.60	27717.71	21351.75	49069.46	964166.51
87	II	26595.82	27117.19	21952.27	49069.46	942214.24
87	III	25963.75	26499.78	22569.68	49069.46	919644.56
87	IV	25313.90	25865.01	23204.45	49069.46	896440.11
88	I	24645.77	25212.38	23857.08	49069.46	872583.03
88	II	23958.86	24541.40	24528.06	49069.46	848054.97
88	III	23252.63	23851.55	25217.91	49069.46	822837.06
88	IV	22526.53	23142.30	25927.16	49069.46	796909.90
89	I	21780.01	22413.10	26656.36	49069.46	770253.54
89	II	21012.49	21663.39	27406.07	49069.46	742847.47
89	III	20223.39	20892.59	28176.87	49069.46	714670.60
89	IV	19412.09	20100.12	28969.34	49069.46	685701.26
90	I	18577.96	19285.35	29784.11	49069.46	655917.15
90	II	17720.41	18447.67	30621.70	49069.46	625295.36

91	I	15000.24	15790.61	33278.85	49069.46	528165.01
91	II	14042.04	14854.65	34214.81	49069.46	493950.20
91	III	13056.90	13892.35	35177.11	49069.46	458773.09
91	IV	12044.05	12903.00	36166.46	49069.46	422606.63

92	I	11002.71	11885.82	37183.64	49069.46	385422.99
92	II	9932.07	10840.03	38229.43	49069.46	347193.56
92	III	8831.34	9764.82	39304.64	49069.46	307888.92
92	IV	7699.64	8659.38	40410.08	49069.46	267478.84

93	I	6536.12	7522.85	41546.61	49069.46	225932.23
93	II	5339.87	6354.35	42715.11	49069.46	183217.12
93	III	4109.97	5152.99	43916.47	49069.46	139300.65
93	IV	2845.49	3917.84	45151.62	49069.46	94149.03

94	I	1545.43	2647.95	46421.51	49069.46	47727.52
94	II	208.81	1342.34	47727.52	49069.86	0.0
94	III	0.0	0.0	0.0	0.0	0.0
94	IV	0.0	0.0	0.0	0.0	0.0

TOTALS		1623076.71	1623076.71	1414350.00	3037426.71	
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RECAP, CHANGE, ADD, PROCESS, END, DELETE->~v7x8FP

SCHEDULE II

Description of Equipment

<u>Type</u>	<u>Builder's Specifications</u>	<u>Quantity</u>	<u>Equipment Numbers (Inclusive)</u>	<u>Average Unit Price</u>	<u>Total Price</u>	<u>Delivery</u>
AAR Mechanical Designation XM	50'6", 70-ton single sheaved boxcars without side posts 10'0" sliding doors rigid underframe	15	NSL 156000 NSL 156014	\$37,600	\$564,000	Greenville, South Carolina
TOTAL		15	TOTAL		\$564,000	

SCHEDULE II

Description of Equipment

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
AAR Mechanical Designation XM	50'6", 70-ton single sheaved boxcars without side posts 10'0" sliding doors rigid underframe	10	PT 201026- PT 201035	\$37,600	\$376,000	Pickens, South Caro- lina
TOTAL		10	TOTAL		\$376,000	

Builder - Berwick Forge & Fabricating
Company, Division of
Whittaker Corporation

SCHEDULE II

Description of Equipment

<u>Type</u>	<u>Builder's Specifications</u>	<u>Quantity</u>	<u>Equipment Numbers (Inclusive)</u>	<u>Average Unit Price</u>	<u>Total Price</u>	<u>Delivery</u>
AAR Mechanical Designation XM	50'6", 70-ton single sheaved boxcars without side posts 10'0" sliding doors rigid underframe	25	MNJ 120485 MNJ 120509	\$37,832.00	\$945,800.00	Renovo, PA
Total		25		Total	\$945,800.00	

EXHIBIT A

(To the Security Agreement)

Funding Systems Railcars, Inc.

11-1/4% SECURED NOTE

No. _____

\$ _____

FOR VALUE RECEIVED, the undersigned, Funding Systems Railcars, Inc. (the Debtor) promises to pay to _____ the principal sum of _____ DOLLARS (\$ _____) together with interest from the date hereof until maturity at the rate of 11-1/4% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One (1) installment of all accrued and unpaid interest only payable on _____, 1979; followed by

(ii) Fifty-nine (59) installments of principal and interest each in an amount of \$ _____ payable on _____, 1979 and on each fifteenth day of January, April, July and October thereafter to and including _____; followed by

(iii) A final installment on _____, 1994 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and on overdue interest (to the extent legally enforceable) at the rate of 11-1/2% per annum after maturity, whether by acceleration or otherwise, until paid. 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 11-1/4% Secured Notes of the Debtor not exceeding \$ _____ in aggregate principal amount (the Notes) issued under and pursuant to the Participation Agreement dated as of _____, 1978 among _____

(collectively, the Note Purchasers, and individually, a Note Purchaser), the Debtor and _____, as agent for the Note Purchasers (the Agent) and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of _____, 1978 (the Security Agreement) from the Debtor to the Agent. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Agent, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made by the Debtor pursuant to the terms of the Security Agreement and Section 12 of the Lease and Management Agreement (referred to in the Security Agreement). The Debtor agrees to make any such prepayments in accordance with the provisions of the Security Agreement.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party 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 Commonwealth of Pennsylvania; provided, however, that the holder of this Note shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

It is understood and agreed that the liability of the Debtor or any assignee of the Debtor for all payments to be made by it under and pursuant to this Note shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" as defined in Section 7.16 of the Security Agreement.

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

FUNDING SYSTEMS RAILCARS, INC.

By _____

NOTICE

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