10652
RECORDATION NO. Filed 1425

JUL 23 1979 10 35 AM

INTERSTATE COMMERCE COMMISSION

July 20, 1979

9-204A012

Date JUL 23 1979

Fee $ 50.00

ICC Washington, D. C.

Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Sir:

Enclosed for recordation under the provisions of 49 U.S.C. §11303 and the regulations promulgated thereunder are the original and two certified copies of a Security Agreement No. 1 dated as of July 20, 1979.

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

Fifty (50), 100-ton capacity open top hopper cars, bearing reporting marks and numbers as follows:

UMP 6720 - UMP 6769 (both inclusive)

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

DEBTOR: Funding Systems Railcars, Inc.
c/o FSC Corporation
1000 RIDC Plaza
Pittsburgh, PA 15238

SECURED PARTY: Dollar Savings Bank
18th Floor
Oliver Building
Pittsburgh, PA 15222

Please return the original and one copy of the enclosed documents to Charles T. Kappler, Esq., Alvord and Alvord, 200 World Center Building, 918 Sixteenth Street, N.W., Washington, DC 20006, with the recording certification data stamped thereon.

Very truly yours,

FUNDING SYSTEMS RAILCARS, INC.

By _____
Vice President

C. T. Kappler

Interstate Commerce Commission
Washington, D.C. 20423

7/23/79

OFFICE OF THE SECRETARY

Charles T.Kappler,Esq.
Alvord & Alvord
200 World Center Building
918 16th St.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 7/23/79 at 10:35am, and assigned recordation number(s). 10652,10653,10654,10655

Sincerely yours,

Agatha L. Mergenovich

Secretary

Enclosure(s)

SE-30
(3/79)

RECORDATION NO. 10652 Filed 1425

JUL 23 1979 -10 35 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT No. 1

Dated as of July 20, 1979

BETWEEN

FUNDING SYSTEMS RAILCARS, INC.

DEBTOR

AND

DOLLAR SAVINGS BANK

SECURED PARTY

TABLE OF CONTENTS

Section	Heading	Page
Parties		1
Recitals		1
1.	Grant of Security	1
1.1	Equipment Collateral	2
1.2	Lease and Management Agreement Collateral	2
1.3	Purchase Order Agreement Collateral	3
1.4	Limitations to Security Interest	3
1.5	Duration of Security Interest	4
1.6	Excepted Rights in Collateral	4
2.	Covenants and Warranties of the Debtor	4
2.1	Debtor's Duties	4
2.2	Warranty of Title	4
2.3	Further Assurances	5
2.4	After-Acquired Property	5
2.5	Recordation and Filing	5
2.6	Modification of the Lease and Management Agreement	6
2.7	Power of Attorney in Respect of the Collateral	6
3.	Possession, Use and Release of Property	7
3.1	Possession of Collateral	7
3.2	Release of Property	7
3.3	Protection of Purchaser	7
4.	Application of Assigned Rentals and Certain Other Moneys Received by the Secured Party	8
4.1	Application of Rentals; Certain Prepayments	8
4.2	Application of Casualty Value Payments	8
4.3	Application of Casualty Insurance Proceeds	9
4.4	Multiple Notes	10
4.5	Default	10

TABLE OF CONTENTS (Continued)

Section	Heading	Page
5.	Defaults and Other Provisions	10
5.1	Events of Default	10
5.2	Secured Party's Rights	11
5.3	Acceleration Clause	12
5.4	Waiver by Debtor	13
5.5	Effect of Sale	13
5.6	Application of Sale Proceeds	13
5.7	Discontinuance of Remedies	14
5.8	Cumulative Remedies	14
6.	Transfer of Debtor's Interest	15
7.	Miscellaneous	16
7.1	Execution of Note	16
7.2	Payment of the Note	16
7.3	Transfers and Exchanges of Note; Lost or Mutilated Note	17
7.4	The New Notes	18
7.5	Cancellation of Notes	19
7.6	Business Days	19
7.7	Successors and Assigns	19
7.8	Partial Invalidity	20
7.9	Communications	20
7.10	Release	20
7.11	Governing Law	20
7.12	Counterparts	21
7.13	Table of Contents and Headings	21
Signature Page		21
Acknowledgments		22

SECURITY AGREEMENT No. 1

THIS SECURITY AGREEMENT No. 1 dated as of July 20, 1979 (the Security Agreement) is between FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation (the Debtor), and DOLLAR SAVINGS BANK, a mutual savings bank organized and existing under the laws of the Commonwealth of Pennsylvania (the Secured Party).

RECITALS:

A. The Debtor and the Secured Party have entered into a Loan Agreement No. 1 dated as of the date hereof (the Loan Agreement) pursuant to which the Debtor has borrowed the sum not to exceed One Million Two Hundred Seventy-Seven Thousand Five Hundred Dollars ($1,277,500) from the Secured Party and the Debtor has issued its Note evidencing the obligation of the Debtor to repay the aforesaid sum to the Secured Party.

B. The Note and the principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owning from or required to be paid by the Debtor under the terms of the Note, this Security Agreement or the Loan Agreement are hereafter sometimes referred to as "indebtedness hereby secured." Any capitalized term used herein and not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

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

Section 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and intending to be legally bound hereby, and in order to secure the payment of the principal of and interest on the Note according to its 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 Note and in this Security Agreement and in the Loan Agreement contained, does hereby convey, warrant, mortgage, pledge, assign, and grant to the Secured Party, its successors and assigns, a security interest in all and singular of the Debtor's right, title

and interest in and to the properties, rights, interests and privileges described in Sections 1.1, 1.2 and 1.3 hereof (all of which properties, rights, interests and privileges 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 I 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 No. 1 dated as of the date hereof (the Lease and Management Agreement) between the Debtor and the Upper Merion and Plymouth Railroad Company, a Pennsylvania corporation (UMP), together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, except such thereof as remain the property of UMP under the Lease and Management Agreement, and 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 UMP 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 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:

(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 to 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 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 Agreement dated June 12, 1979 (the Purchase Order), between the Debtor and The Chessie Corporation (the Builder), but only insofar as it relates to the Equipment, and any and all other contracts and agreements relating to the Equipment or any rights or interests therein (other than the Loan 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 Order and each and every other such contract and agreement, it being the intent and purpose hereof that 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 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.

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 Loan Agreement and the Note 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 the Security Agreement any payments, rights or interests obtained by the Debtor pursuant to any transfer of its interest in accordance with Section 6 hereof, except to the extent that any such payments, rights or interests arise upon or following the occurrence of any Event of Default.

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 Loan 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 Loan 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 Loan 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 full ownership of, and the complete right, power and authority to grant a first security interest in the Collateral to the Secured Party for the uses and purposes herein set forth, as contemplated hereby; and the Debtor will warrant and

defend the title to the Collateral against all claims and demands of all persons whatsoever except persons claiming by, through or under the Secured Party. The Debtor agrees to pay or discharge any and all claims, liens, charges or security interests claimed by any person (other than by, through or under the Secured Party), equal or superior to the Secured Party's security interest in the Collateral, which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Collateral, but the Debtor shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Secured Party, adversely affect the security interest of the Secured Party in or to the Collateral or any portion thereof.

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 UMP to be notified of such assignment pursuant to Section 17 of the Lease and Management Agreement and direct UMP to make all payments of such revenues and other sums due and to become due under the Lease and Management Agreement, 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 recording 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 Collateral. Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution for it and in its name, place and stead to ask, demand, collect, receive, receipt for, sue for, com-

pound 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 observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by UMP 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 UMP for settlement pursuant to Section 12 of the Lease and Management Agreement upon receipt from UMP of written notice designating the Item of Equipment in respect of which the Lease and Management Agreement will terminate and the receipt from UMP of payment for the Casualty Value for such Item of Equipment in compliance with Section 12 of the Lease and Management 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 Event of Default (as defined in Section 5.1 hereof) shall have occurred and be continuing, the amounts from time to time which constitute payment of the installments of rental under the Lease and Management Agreement shall be paid promptly to or upon the order of the Debtor, unless otherwise directed by the Secured Party.

4.2 Application of Casualty Value Payments. So long as to the knowledge of the Secured Party, no Event of Default hereunder shall have occurred and be continuing and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such an Event of Default, the amounts from time to time which constitute settlement by UMP of the Casualty Value for any Item of Equipment pursuant to Section 12 of the Lease and Management Agreement shall be paid to the Secured Party and applied as follows:

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

(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 principal of the Note so that each of the remaining installments of principal of the Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment;

(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 Loan 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 and Management Agreement (including the Purchase Price of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Note immediately prior to the prepayment provided for in this Section 4.2 (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.2).

4.3 Application of Casualty Insurance Proceeds. So long as to the knowledge of the Secured Party no Event of Default hereunder shall have occurred and be continuing and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such an Event of Default, the amounts from time to time which constitute proceeds of casualty insurance maintained by UMP 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) The proceeds of such insurance shall, if the Equipment is to be repaired, be released to the Debtor to reimburse UMP for expenditures made for such repair upon receipt by the Secured Party of a certificate of an appropriate officer of UMP as required by the penultimate 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 UMP 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 thereof, then the insurance proceeds shall be applied by the Secured Party as follows:

(i) First, to the prepayment of the Note 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 is outstanding at the time any such application is to be made as provided in Section 4.2 or 4.3, above, 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 shall have occurred and be 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 hereof 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 any 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 prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days after written notice thereof from the Secured Party to the Debtor (provided, however, that any such default arising after the third such notice shall constitute an immediate default and no notice shall be required with respect thereto); 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 Loan 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, FSC or UMP made herein or in the Loan Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Lease and Management Agreement or the Loan Agreement, or the transactions contemplated herein or therein, shall prove to be false or misleading in any material respect when made; or

(e) Any claim, lien or charge (other than those permitted under Section 1.4 hereinabove or created pursuant to Section 6 hereinafter) shall be asserted against or levied or imposed upon the Equipment or any item of 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 shall have occurred and be continuing and shall not have been cured by the Debtor, the Lessee under the Lease and Management Agreement or the Transferee (as hereinafter defined) during the applicable grace period, if any,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), and:

(a) The Secured Party may by notice in writing to the Debtor, declare the entire unpaid balance of the Note 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 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 premises, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold;

(c) The Secured Party may, if at the time such action may be lawful (subject to compliance with any mandatory legal requirements), either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder or at private sale or proceedings, 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 Note, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

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

(e) The Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and Management Agreement, and 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 Note, 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 Note 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 Note, 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.

(b) Second, to the payment to the holder of the Note of the amount then due, owing or unpaid on the Note for principal and interest; and in case more than one Note shall be outstanding and such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon all the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application on such Note to be made, first to unpaid interest thereon, second, to unpaid premium, if any, and third, to unpaid principal thereof; such application to be made upon presentation of the Note, 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 of the Note 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 the 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 the 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 the Note 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 its interest (including a transfer prior to delivery to and acceptance by the Lessee under the Lease and Management Agreement) in the Equipment and the Lease and Management Agreement pursuant to the terms and conditions hereinafter set forth and the Debtor agrees that it will not sell its interest in the Equipment, 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 (the 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 deliver to the Secured Party 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(a), (c), (d) and (g) of the Loan Agreement; and

(g) The Transferee shall expressly agree in writing to pay or discharge any and all claims, liens, charges or security interests claimed by any person whatsoever claiming by, through or under the Transferee, 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 Execution of Note. The Note 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 Note.

(a) The principal of, and premium, if any, and interest on the Note shall be payable by wire transfer of immediately available funds or as the Secured Party shall otherwise designate, 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 last designated by the holder for purposes of payment. 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.

(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 Note pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the amounts so received and applied.

7.3 Transfers and Exchanges of Note; Lost or Mutilated Note.

(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 said holder for delivery to such transferee.

(b) The holder of any Note may surrender such Note 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 an 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 reasonably satisfactory to the Debtor, duly executed by the 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 of 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 7.3, and the holder of any Note issued as provided in this Section 7.3 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 in connection therewith, 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 holder 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 holder 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.

7.4 The New Notes.

(a) Each new Note issued pursuant to Section 7.3 (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 of principal payable on such new Note on any date shall bear the same proportion to the installment of principal

payable on such outstanding Note on such date as the original principal amount of such new Note bears to the aggregate unpaid principal amount of such outstanding Note on the date of the issuance of such new 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 7.3(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 7.3(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.

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

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

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

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

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

To the Debtor:	Funding Systems Railcars, Inc. c/o FSC Corporation 1000 RIDC Plaza Pittsburgh, PA 15238 Attn: Allen E. Nugent II, Vice President
To the Secured Party:	Dollar Savings Bank 18th Floor Oliver Building Pittsburgh, PA 15222 Attn: Investment Department
To the Transferee:	To such party at such address as is set forth in the certificate of the Transferee delivered pursuant to Section 6 hereof.

or addressed to any such party at such other address as such party shall hereafter designate by notice duly given in accordance with this Section.

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

7.11 Governing Law. This Security Agreement and the Note 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 49 U.S.C. 11303 and the rules and regulations thereunder, 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.

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

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

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

(CORPORATE SEAL) FUNDING SYSTEMS RAILCARS, INC.

ATTEST:

Title Asst Sec.

By Title V-P.

(CORPORATE SEAL) DOLLAR SAVINGS BANK

ATTEST:

Title SECRETARY

By Title

COMMONWEALTH OF PENNSYLVANIA :
: SS
COUNTY OF ALLEGHENY :

On this 20th day of July, 1979, before me personally appeared Allen E. Nugent II, to me personally known, who being by me duly sworn, says that he is 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.

Margaret A. Lerario
Notary Public

(SEAL)

My Commission expires:

MARGARET A. LERARIO, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES MAY 27, 1980
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNSYLVANIA :
: SS
COUNTY OF ALLEGHENY :

On this 20th day of July, 1979, before me personally appeared John R. Heagy, to me personally known, who being by me duly sworn, says that he is Investment Officer of DOLLAR SAVINGS BANK, that one of the seals affixed to the foregoing instrument is the seal of said bank, that said instrument was signed and sealed on behalf of said bank 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 bank.

Margaret A. Lerario
Notary Public

(SEAL)

My Commission expires:

MARGARET A. LERARIO, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES MAY 27, 1980
Member, Pennsylvania Association of Notaries

SCHEDULE I

(To the Security Agreement)

DESCRIPTION OF EQUIPMENT

Type	Builders Specifications	Quantity	Equipment Numbers (Invlusive)	Purchase Price Per Unit	Total Price	Delivery
100-Ton Open Top Hopper Car	Chessie System Specification No. HT-8978 dated August 9, 1978 and Supplement No. 1 dated March 13, 1979	50	UMP 6720 through UMP 6769	$36,500	$1,825,000	Russell, Kentucky