

SCHIFF HARDIN & WAITE

A Partnership Including Professional Corporations

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No. **6 120A067**
Date 4-30-86 April 30, 1986
Fee \$ 10.00

14788-A
Filed 1425

By Messenger ICC Washington, D.C.

APR 30 1986 3 52 PM

INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

*See Book
35658
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**Re: First Amendment and Restatement Dated as of February 3, 1986
of Security Agreement Dated as of August 22, 1985 Between
Residual Based Finance Corporation, Lessor, and The Philadelphia
Saving Fund Society, Secured Party**

Dear Sir or Madam:

We have enclosed an original and one counterpart of the document described above, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is an Amendment and Restatement dated as of February 3, 1986 of a Security Agreement dated as of August 22, 1985. The primary document to which this is connected is recorded under Recordation No. 14788.

The names and addresses of the parties to the document is as follows.

Lessor: Residual Based Finance Corporation
Three First National Plaza
Suite 1400
Chicago, Illinois 60602

Secured Party: The Philadelphia Saving Fund Society
1234 Market Street
12th Floor
Philadelphia, Pennsylvania 19107

APR 30 3 48 PM '86
RECORDATION UNIT
100-14788-1

A description of the equipment covered by the document follows:

Counterpart to h-Callahan

SCHIFF HARDIN & WAITE

Secretary
Interstate Commerce Commission
Page two

Description of Equipment

The following railroad equipment owned by Lessor:

<u>Type of Unit</u>	<u>Number of Units</u>	<u>Serial Numbers</u>
(1) 86' Boxcars (100 Tons each)	107	295623 through 295729
(2) 52.5' Gondolas (100 Tons each)	28	564695 and 564698 and 564703 and 564706 and 564710 and 564715 and 564716 and 564744 and 564748 and 564769 and 564777 and 564779 and 564781 and 564783 and 564805 and 564815 and 564831 and 564854 and 564871 and 564878 and 564889 and 564903 and 564904 and 564914 and 564918 and 564920 and 564935 and 564940
(3) 52.5' Gondolas (100 Tons each)	96	40,000 through 40,043 and 40,045 through 40,063 and 40,065 through 40,081 and 40,084 through 40,099
(4) Coil Steel Flat Cars	131	752600 through 752697 and 752699 through 752712 and 752716 through 752721 and 752723 through 752734 and 752714
(5) 86' Boxcars (70 Tons each)	15	295607 through 295619 and 295621 through 295622

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Secretary
Interstate Commerce Commission
Page three

A fee of \$10.00 is enclosed. Please stamp the enclosed copy of our transmittal letter and return it to our messenger. Please return the original document and any extra copies not needed by the Commission for recordation to the attention of: Mr. Scott E. Pickens, Schiff Hardin & Waite, 7200 Sears Tower, Chicago, Illinois 60606.

A short summary of the document to appear in the index follows:

"First Amendment and Restatement dated as of February 3, 1986 of Security Agreement dated as of August 22, 1985 between Residual Based Finance Corporation, Lessor, and The Philadelphia Saving Fund Society, Secured Party."

Very truly yours,



Melissa C. Kovacs
Legal Assistant

MCK/jp
Enclosure

cc: Scott E. Pickens

14788 A
Filed 1986

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INTERSTATE COMMERCE COMMISSION

FIRST AMENDMENT AND RESTATEMENT

Dated as of February 3, 1986

of

SECURITY AGREEMENT

Dated as of August 22, 1985

between

RESIDUAL BASED FINANCE CORPORATION

Lessor

and

THE PHILADELPHIA SAVING FUND SOCIETY

Secured Party

FIRST AMENDMENT AND RESTATEMENT, dated as of February 3, 1986 (as amended or supplemented from time to time, the "Agreement"), of SECURITY AGREEMENT, dated as of August 22, 1985 (the "Original Agreement"), between RESIDUAL BASED FINANCE CORPORATION, an Illinois corporation ("Lessor"), as debtor, and THE PHILADELPHIA SAVING FUND SOCIETY, a Pennsylvania savings bank, as secured party ("Secured Party"), for itself and as agent for Duncan Pension & Co.

Preliminary Statement

Certain terms used in this Agreement and not elsewhere defined are defined in Article V.

Lessor and Secured Party entered into the Original Agreement for the purpose of providing security for Lessor's 12.10% Secured Installment Note Due June 25, 1990 in the original principal amount of \$1,913,375 (the "First Original Note"), which Lessor issued and Secured Party purchased pursuant to the Note Agreement. At the time of the issuance and sale of the First Original Note, it was intended that \$100,000 of the original principal amount thereof be purchased for the account of Duncan Pension & Co., notwithstanding the fact that only a single note was issued to Secured Party. The parties have this day exchanged the First Original Note for two notes, each dated January 25, 1986 (that being the last date to which interest has been paid on the First Original Note), one registered to Duncan Pension & Co. in the principal amount of \$90,657, and one registered to Secured Party in the principal amount of \$1,643,943, those being the respective principal amounts now outstanding under their respective portions of the First Original Note. (Such notes, having been issued in confirmation of the transaction originally consummated under the Note Agreement and in exchange for the First Original Note, are herein called the "Original Notes.")

Lessor and Secured Party, for itself and as agent for Duncan Pension & Co., have entered into a supplement to the Note Agreement pursuant to which Lessor has issued two additional 12.10% Secured Installment Notes Due June 25, 1990 (the "Additional Notes"), one in the principal amount of \$200,000, registered to Duncan Pension & Co., and one in the principal amount of \$373,936, registered to Secured Party. (The Original Notes, the Additional Notes, any Renewal Notes issued pursuant to Article VII, and any note or notes issued in exchange for, in lieu of, or upon transfer of any other Note or Notes are herein collectively called the "Notes.")

In connection with the issuance and sale of the Additional Notes, Lessor has entered into Equipment Purchase Agreement No. 2601695 (the "EPA") with International Capital Equipment Limited ("ICE"), pursuant to which ICE has agreed under certain circumstances to purchase the Equipment at the price and on the terms stated therein. ICE's obligation under the EPA is the subject of Equipment Purchase Agreement Insurance Policy No. T-GLM-189T581-0-83 (the "Travelers Policy") issued by The Travelers Indemnity Company ("Travelers").

The purpose of this Agreement is to amend and restate the Original Agreement to provide, among other things, for the status of the Original Notes issued today in exchange for the First Original Note, and that the Collateral provided for in the Original Agreement secures the Additional Notes and all other Notes as well as the Original Notes, and to grant to the Secured Party a security interest in the Equipment Purchase Agreement and the Travelers Policy, as security for the Original Notes, the Additional Notes and all other Notes from time to time outstanding.

Granting Clause

As security for the Notes, and for the enforcement of the payment of the principal of and interest on the Notes in accordance with their respective terms, and all other sums payable under this Agreement or on the Notes and compliance with the provisions of this Agreement, Lessor hereby grants to the Secured Party, for itself and as agent for the holders of the Notes, a security interest under the Uniform Commercial Code in (a) the Equipment, (b) the Lease, (c) After-Acquired Property, (d) the Purchase Agreement, (e) the Assignment, (f) the Bill of Sale, (g) any documents or agreements not referred to in the preceding clauses (e) and (f) which are delivered pursuant to the Purchase Agreement, (h) the EPA, (i) the Travelers Policy, and (j) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims, including, without limitation, all rent under the Lease, insurance proceeds and condemnation awards to which Lessor is or may be entitled, and all amounts payable under the EPA or the Travelers Policy. To the extent the property described in the preceding sentence constituted collateral under the Original Agreement, the foregoing grant is confirmatory of the security interest granted in the Original Agreement. The security interest granted or confirmed hereby is for the equal and ratable benefit of the holders of all the Notes.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Notes are to be issued and secured, and the Collateral is to be held, dealt with and disposed of by the Secured Party, upon and subject to the provisions of this Agreement.

ARTICLE I

Particular Covenants of Lessor

SECTION 1.01. Warranty of Title. Lessor hereby represents and warrants that each of the Lease, the Purchase Agreement, the Assignment, the Bill of Sale, the EPA and the Travelers Policy is in full force and effect and warrants that (i) its ownership of the Equipment and its right, title and interest in, and to, each of the Lease, the Purchase Agreement, the Assignment, the Bill of Sale, the EPA, the Travelers Policy and the other Collateral are each free and clear of all liens, charges and other encumbrances except Permitted Encumbrances and (ii) this Agreement creates a valid lien on Lessor's rights in, and to, the Equipment, the Lease, the Purchase Agreement, the Assignment, the Bill of Sale, the EPA, the Travelers Policy and the other Collateral, subject only to Permitted Encumbrances. Until payment in full of the Notes and all of its other obligations secured hereby, Lessor will warrant and defend its interest in, and to, the Lease, the Equipment, the Purchase Agreement, the Assignment, the Bill of Sale, the EPA the Travelers Policy and the other Collateral against the claims and demands of all persons (other than the Permitted Encumbrances described in clauses (i), (ii), (iv) and (v) of the definition of that term) and will maintain the lien created under this Agreement. Lessor has full power and lawful authority to grant the security interest granted by this Agreement.

SECTION 1.02. Protection of Collateral. Lessor will from time to time execute and deliver all such supplements and amendments hereto and to any Security Instrument, and all such financing statements and continuation statements, and will take such other action, as the Secured Party reasonably requests and deems necessary or advisable to (a) maintain in effect Secured Party's security interest in all or any portion of the Collateral, (b) maintain or preserve the lien of this Agreement or carry out more effectively the purposes hereof, (c) perfect, publish notice of or protect the validity of any Security Instrument, or of any grant made or to be made by this Agreement, whether or not any of the Equipment is moved from its situs as of the date hereof, (d) enforce any Security Instrument, or (e) preserve and

defend Lessor's interest in and to the Collateral and the rights of the Secured Party therein against the claims of all persons and parties.

SECTION 1.03. Performance of Obligations. Lessor will punctually perform and observe all of its obligations and agreements contained in each Security Instrument. Lessor will notify the Secured Party of any default by any person under any Security Instrument promptly after obtaining actual knowledge thereof.

SECTION 1.04. Negative Covenants. Lessor will not:

(a) sell, lease, transfer, exchange or otherwise dispose of any of the Collateral except pursuant to the terms of the Lease, except that Lessor may, with the prior written consent of Secured Party (which will not be unreasonably withheld), transfer the Equipment and the Lease to a corporation of which Lessor owns a majority of the outstanding voting stock or a partnership of which Lessor is a controlling general partner if such entity assumes all of Lessor's obligations hereunder and under the Notes (but no such transfer shall release Lessor of any obligation hereunder or thereunder);

(b) obtain or carry insurance ("Additional Insurance") relating to the Equipment separate from that required by the Lease or this Agreement, unless (i) the proceeds are payable to the Secured Party under a mortgagee endorsement, or (ii) under the terms of the policy under which such Additional Insurance is obtained, in the reasonable opinion of the Secured Party, the interest of the Secured Party in any insurance required by the Lease or this Agreement is in no way jeopardized, diminished or impaired;

(c) take or permit any action which would result in an Event of Default under subsection (d) or (e) of Section 4.01; or

(d) claim any credit on, or make any deduction from, the principal or interest payable on the Notes by reason of the payment of any taxes levied or assessed upon any of the Collateral.

SECTION 1.05. Payment of Taxes. Lessor will pay or cause to be paid all taxes (including income, franchise and gross receipts taxes) which are at any time or from time to time levied upon or assessed against Lessor. The foregoing sentence shall not prevent Lessor from contesting any such tax by appropriate Proceedings so long as (a) such Proceedings shall suspend the collection thereof, (b) no part of the Collateral would be subject to sale, forfeiture or diminution and (c) Lessor shall have furnished such security as may be required in the Proceedings or reasonably requested by the Secured Party. Lessor will conduct such contests in good faith and with due diligence and will, promptly after the final determination of each such contest, pay all amounts which shall be determined to be payable in respect thereof.

SECTION 1.06. Assignment of Lease, EPA and Travelers Policy. (a) Confirmatory of its grant of a security interest in the Lease, the EPA and the Travelers Policy, Lessor hereby irrevocably assigns to the Secured Party, subject to the provisions of this Agreement, as security for the payment of all amounts payable under or in respect of the Notes and this Agreement, and as security for compliance with the provisions hereof and thereof, all of its estate, right, title, interest, claim and demand in, to and under the Lease, the EPA and the Travelers Policy (including all rentals due under the Lease, commencing with the installment of rentals due on August 25, 1985), all damages and other moneys from time to time payable to or receivable by Lessor under the Lease, and all moneys from time to time payable to Lessor under the EPA or the Travelers Policy (said sums being herein called the "Moneys"). So long as no Event of Default shall have occurred under this Agreement, Lessor shall be entitled to exercise all of its rights under the Lease (1) except the right to receive Moneys from the Lessee, except (2) to the extent that such exercise would violate any provision of this Agreement, and (3) except as provided in subsection (b).

(b) Whether or not a Default or Event of Default shall have occurred, Lessor will not, without the prior written consent of the Secured Party --

(1) agree to any amendment of, or waive any right or grant any indulgence under the Lease or any of the other Security Documents;

(2) agree with the Lessee upon a purchase price for the Equipment in connection with the Lessee's exercise of any Purchase Option unless (A) the amount

payable by the Lessee is at least equal to the unpaid principal of and interest on the then outstanding Notes at their maturity, or (B) ICE shall have approved the purchase price in advance by a written instrument, in form and substance satisfactory to the Secured Party, delivered to and received by the Secured Party; or

(3) designate an appraiser for the purpose of determining the fair market value of the Equipment in connection with the Lessee's exercise of any Purchase Option unless ICE shall have approved the appraiser in advance by a written instrument, in form and substance satisfactory to the Secured Party, delivered to and received by the Secured Party.

ARTICLE II

Possession, Use and Transfer

SECTION 2.01. Collection of Moneys. The Secured Party may demand payment or delivery of and shall receive and collect all Moneys and other property payable to or receivable by the Secured Party pursuant to this Agreement or any Security Instrument from and after the date of the Original Agreement. The Secured Party shall hold all such Moneys and property received by it as part of the Collateral, and shall apply and remit it as provided in this Agreement. If any default occurs in the making of any payment or performance under any Security Instrument, the Secured Party may take such action as it shall have power to take and as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Agreement and to proceed thereafter as provided in Article IV.

SECTION 2.02. Transfer of Collateral. So long as any of the Notes is outstanding, Lessor will not permit any lien or security interest to attach to the Collateral (other than Permitted Encumbrances) and will not otherwise transfer the Collateral or any part thereof or interest therein, except as provided in Section 1.04 (a), without the prior written permission of the Secured Party.

SECTION 2.03. Condemnation. Lessor shall notify the Secured Party of any condemnation or other eminent domain proceedings with respect to the Equipment immediately upon its obtaining knowledge thereof. The Secured Party may participate in any such proceedings. Lessor shall provide

the Secured Party with all instruments required by it to permit such participation upon obtaining actual knowledge thereof.

ARTICLE III

Application of Moneys; Prepayment

SECTION 3.01. Payments. If no Event of Default shall be continuing, Moneys received under the Lease by the Secured Party, except as otherwise provided herein, shall be applied forthwith to the payment of all interest (including penalties) and principal then payable on the Notes, ratably in accordance with their respective principal amounts, and any balance shall be remitted to or upon the order of Lessor.

SECTION 3.02. Casualty Value Payments. Provided no Event of Default shall be continuing, if Secured Party receives any payment of Casualty Value pursuant to Section 6 of the Lease (including any insurance proceeds and condemnation or similar awards), Secured Party will apply the amount of Casualty Value so received to prepayment of the Notes (at a price of 100% of the unpaid principal amount thereof, together with all interest then accrued and unpaid thereon, but without any prepayment penalty or premium).

SECTION 3.03. Prepayment in General. The Notes shall be prepaid only to the extent expressly permitted by Section 3.02 of this Agreement. Any prepayment under Section 3.02 will be made on the Notes ratably in accordance with their respective principal amounts, and any prepayment of an Original Note will be applied to the principal portions of the remaining installments due under such Original Note in the same proportion as the remaining monthly installments of rent under the Lease are reduced as a result of the casualty. Upon any such prepayment, Lessor will prepare revised amortization schedules which, when approved by Secured Party, will replace the amortization schedules theretofore attached to the Notes.

ARTICLE IV

Events of Default and Remedies

SECTION 4.01. Events of Default. Any of the following occurrences or acts shall constitute an Event of Default under this Agreement:

(a) If default shall be made in the payment of any interest or principal on any of the Notes when and as the same shall become payable, whether at maturity or by acceleration or as part of any prepayment or otherwise, and such default shall have continued for a period of 10 days after Secured Party shall have given Lessor written or telephonic notice thereof; or

(b) If there shall be default in the due observance of any provision of Section 1.04 (a), (c) or (d) hereof; or

(c) If there shall be default in the due observance or performance of any other provision of this Agreement, and such default shall have continued for a period of 30 days after notice thereof shall have been given to Lessor by the Secured Party; or

(d) If any Security Instrument shall be amended, hypothecated, subordinated, terminated or discharged or if any person shall be released from any of its covenants or obligations under any Security Instrument, in each case except to the extent that the same shall be caused by, or shall occur with the express written consent of, the Secured Party; or

(e) If any lien, charge, security interest, mortgage, pledge or other encumbrance shall be created on, or extend to or otherwise arise upon or burden the Collateral or any part thereof or any interest therein or the revenues, rents, issues or profits thereof, other than Permitted Encumbrances; or

(f) If any material representation or warranty of Lessor made in this Agreement, in any Security Instrument or in any certificate or other writing delivered pursuant hereto or thereto, shall prove to be incorrect in any material respect as of the time when the same shall have been made; or

(g) If an Event of Default as defined in the Lease shall occur and shall be deemed material by the Secured Party in its reasonable discretion; or

(h) If Lessor, ICE or Travelers shall file a petition in bankruptcy or for reorganization or for an arrangement or any composition, readjustment, liquidation, dissolution or similar relief pursuant to the Bankruptcy Code or under any similar present or future federal or state law, or shall be adjudicated a bankrupt, or if an order for relief or similar order shall be entered in any such proceeding;

(i) If a petition or answer shall be filed proposing the adjudication of Lessor, ICE or Travelers as a bankrupt or its reorganization or arrangement, or any composition, readjustment, liquidation, dissolution or similar relief with respect to it pursuant to the Bankruptcy Code or any similar present or future federal or state law, and the respondent shall consent to the filing thereof, or such petition or answer shall not be discharged or denied within 90 days after the filing thereof; or

(j) If a receiver, trustee or liquidator (or other similar official) of Lessor, ICE or Travelers, or of all or substantially all of the assets of Lessor, ICE or Travelers, or of the Collateral or any portion thereof, shall be appointed and shall not be discharged within 60 days thereafter, or if Lessor, ICE or Travelers shall consent to or acquiesce in such appointment.

Notwithstanding subsections (h), (i) and (j), an event described therein with respect to ICE only shall not constitute an Event of Default if, within 30 days after Secured Party so requests, Travelers shall confirm in a writing satisfactory to Secured Party that it will perform all obligations of ICE under the EPA in accordance with the terms of the EPA and of the Travelers Policy.

SECTION 4.02. Remedies. If an Event of Default shall have occurred and be continuing, the Secured Party may do one or more of the following:

(a) give notice to Lessor declaring the entire unpaid principal amount of the Notes, together with all accrued interest and other sums then owing under this Agreement, to be forthwith payable, and demanding that the same be paid, and thereupon all such amounts shall be forthwith pay-

able, together with all costs and expenses of collection, notwithstanding any contrary provision contained in this Agreement or any of the Notes;

(b) institute Proceedings for the collection of all amounts then payable on the Notes or under this Agreement, whether by declaration or otherwise, enforce any judgment obtained, and collect moneys adjudged due from the Collateral;

(c) sell the Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law;

(d) take any other appropriate action to protect and enforce the rights and remedies of the Secured Party hereunder, or under or in respect of any Security Instrument, or otherwise; and

(e) exercise all the rights and remedies provided to a secured party by the Uniform Commercial Code;

provided, that, so long as Lessee shall not be in default of any of the provisions of either the Lease or the Consent, the Secured Party shall not disturb Lessee's quiet and peaceful possession of the Equipment and its unrestricted right to use the Equipment for its intended purpose.

SECTION 4.03. Sale of Collateral.

(a) The Secured Party's right to sell the Collateral shall not be exhausted by any one or more sales as to any portion of the Collateral remaining unsold, but shall continue unimpaired until the entire Collateral shall have been sold or all amounts payable on the Notes and under this Agreement shall have been paid. The Secured Party may from time to time postpone any sale by public announcement made at the time and place of such sale.

(b) The Secured Party may bid for and acquire any portion of the Collateral in connection with a public sale thereof, and may pay all or part of the purchase price by crediting against amounts owing on the Notes or other amounts secured by this Agreement, all or part of the net proceeds of such sale after deducting the costs, charges and expenses incurred by the Secured Party in connection with such sale. The Notes need not be produced in order to complete any such sale, or in order to cause there to be

credited thereon such net proceeds. The Secured Party may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law.

(c) The Secured Party shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Collateral in connection with a sale thereof. No purchaser or transferee at such a sale shall be bound to ascertain the Secured Party's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(d) If any Equipment is subject to the Lease at the time of any sale, the Secured Party need not obtain actual possession of such Equipment in order to effect such sale, but may effect such sale subject to the Lease without interference with Lessee's rights under the Lease, including, without limitation, Lessee's rights to quiet and peaceful possession of the Equipment and its unrestricted right to use the Equipment for its intended purpose.

SECTION 4.04. Action on the Notes. The Secured Party's right to seek and recover judgment on the Notes or under this Agreement shall not be affected by seeking, obtaining or application of any other relief under or with respect to this Agreement. Neither the lien of this Agreement nor any rights or remedies of the Secured Party shall be impaired by the recovery of any judgment by the Secured Party against Lessor or by the levy of an execution under such judgment upon any portion of the Collateral.

SECTION 4.05. Distribution of Collateral. Upon enforcement of this Agreement, all moneys constituting a part of the Collateral shall be applied from time to time by the Secured Party as follows:

First: To the payment of all costs, expenses, liabilities and compensation of the Secured Party (including reasonable fees and expenses of its agents and counsel) incurred or accrued in connection with any Proceedings brought by the Secured Party or in connection with the maintenance, sale or other disposition of the Collateral.

Second: To the payment of all amounts of unpaid interest then due and payable on the Notes, ratably in accordance with the unpaid principal amounts of each.

Third: To the payment of all amounts of unpaid principal of the Notes then due and payable, ratably in accordance with the unpaid principal amounts of each.

Fourth: To the payment of all other sums secured by this Agreement.

Fifth: To the payment of any surplus to Lessor or any other person legally entitled thereto.

SECTION 4.06. Rights Cumulative. All rights and remedies from time to time conferred upon or reserved to the Secured Party are cumulative, and none is intended to be exclusive of another. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or to exercise any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy may be exercised from time to time and as often as deemed expedient.

ARTICLE V

Defined Terms

SECTION 5.01. Definitions. When used in this Agreement, each term defined in this Article V shall have the meaning indicated:

"After-Acquired Property" - all future extensions, improvements, betterments, alterations, repairs, renewals, substitutions and replacements of, and all future additions and appurtenances to, and all other equipment to be physically annexed to, the Equipment except any of the foregoing which are not financed by the Secured Party and which can be removed from the Equipment without materially impairing its operation or value; all moneys and other property (including amendments or supplements to any Security Instrument) which may from time to time be or become subject to the lien hereof, or which may come into the possession or be subject to the control of the Secured Party pursuant to this Agreement or any Security Instrument.

"Assignment" - the Assignment of Lease dated August 22, 1985, by which Ford assigned to Lessor its interest in the Lease.

"Bill of Sale" - the Bill of Sale dated August 22, 1985, by which Ford sold the Equipment to Lessor.

"Collateral" - all money, instruments and other property subject or intended to be subject to the lien of this Agreement as of any particular time (including, without limitation, all property and interests described in the Granting Clause of this Agreement), and all right, title and interest of the Secured Party in, to and under each Security Instrument and all money and property received by the Secured Party pursuant thereto.

"Consent" - the Consent of Lessee dated August 22, 1985.

"Default" - any occurrence which with notice or lapse of time would be an Event of Default.

"EPA" - as defined in the Preliminary Statement.

"Equipment" - the property described in Schedule A annexed hereto.

"Event of Default" - as defined in Section 4.01 of this Agreement.

"Ford" - Ford Motor Credit Company.

"ICE" - as defined in the Preliminary Statement.

"Installment Payments" - as defined in the Note.

"Lease" - The Lease of Railroad Equipment dated as of January 30, 1970, between Ford, as lessor, and Penn Central Transportation Company, as lessee, recorded with the Interstate Commerce Commission under recordation no. 5565 (Penn Central Transportation Company's interest therein having been assigned to Lessee), as modified by letter from Ford to Lessee dated May 7, 1985, and by Confirmatory Amendment to Lease dated August 22, 1985, between Ford and Lessee.

"Lessee" - Consolidated Rail Corporation, a Pennsylvania corporation.

"Lessor" - as defined in the introductory paragraph of this Agreement.

"Notes" - as defined in the Preliminary Statement.

"Note Agreement" - the Note Agreement, dated August 22, 1985, between Lessor and the Secured Party which provides for the purchase and sale of the First Original Note.

"Original Agreement" - as defined in the Preliminary Statement.

"Permitted Encumbrances" - with respect to the Collateral: (i) the sublease to the Delaware and Hudson Railway Company of the Equipment listed in part (3) of Schedule A hereto; (ii) the sublease to the Detroit, Toledo and Aronton Railroad Company of the Equipment listed in part (5) of Schedule A hereto; (iii) any lien thereon for any governmental charge or for work or service performed or materials furnished, which lien secures amounts which are not due and payable or which are not delinquent; (iv) the Lease and any sublease or assignment permitted thereby; and (v) this Agreement.

"Proceeding" - any suit in equity, action at law or other judicial or administrative proceeding.

"Purchase Agreement" - the Purchase Agreement dated as of August 22, 1985, between Ford and Lessor.

"Purchase Option" - any option of the Lessee to purchase the Equipment pursuant to Section 12 of the Lease.

"Renewal Note" - as defined in Article VII.

"Renewal Option" - the option of the Lessee under Section 12 of the Lease to extend the term of the Lease for a period of five years ending (at various dates with respect to various items of Equipment) in 1995, but not any other option on the part of the Lessee to extend the term of the Lease.

"Secured Party" - as defined in the introductory paragraph of this Agreement.

"Security Instrument" - the Lease, this Agreement, the Consent, the Assignment, the Purchase Agreement, the Bill of Sale, the EPA, the Travelers Policy, and any instrument with respect to which any right or interest in or in respect of the Collateral has been granted to the Secured Party.

"Travelers" - as defined in the Preliminary Statement.

"Travelers Policy" - as defined in the Preliminary Statement.

ARTICLE VI

Discharge of Agreement

SECTION 6.01. Final Discharge. This Agreement and all agreements contained herein shall cease and terminate when all principal, interest and other amounts payable under or in respect of or secured pursuant to the terms of this Agreement shall have been paid in full, whether at the end of the term of the Notes, by acceleration, by prepayment or otherwise.

SECTION 6.02. Delivery of Discharge. Upon the termination of this Agreement, the Secured Party shall execute and deliver such instruments as Lessor shall furnish to the Secured Party and which shall be reasonably required to satisfy and discharge the lien of this Agreement. The Secured Party shall then transfer the Collateral to Lessor or any other person entitled thereto.

ARTICLE VII

The Renewal Notes

SECTION 7.01. Issuance of Renewal Notes. If the Lessee exercises the Renewal Option, the holders of the Notes maturing June 25, 1990 (or the Secured Party, if any such holder elects not to do so) will at Lessor's option (exercisable by not less than 30 days' prior written notice) purchase from Lessor on June 25, 1990, Lessor's Secured Notes due June 25, 1995 (each of which is called a "Renewal Note"). Each Renewal Note shall be in substantially the form of Exhibit 1, and the aggregate principal amount of all Renewal Notes shall be equal to the aggregate unpaid principal of and interest on the then outstanding Notes at the maturity thereof. The Renewal Notes shall bear interest, payable monthly in arrears, at an annual rate designated by the Secured Party, based upon market conditions then obtaining in the Secured Party's sole judgment, which shall be not less than 12.10 percent and not more than 18 percent. The Renewal Notes shall provide that all regular monthly rentals payable under the Lease shall be applied when received by the Secured Party first to accrued and unpaid interest and then to principal (with the result that the Renewal Notes may be paid in full before June 25, 1995), and that the unpaid principal amount of the Renewal Notes, if not sooner

paid, shall be payable on June 25, 1995. The purchase price for the Renewal Note shall be equal to the principal amount thereof and shall be payable by surrender of the Notes which mature on June 25, 1990. Secured Party shall have the option of arranging for another lender to extend credit on a basis comparable to the terms of the Renewal Notes. In no event shall Lessor be obligated to require purchase of the Renewal Notes if it elects to repay at maturity the Notes which mature June 25, 1990.

SECTION 7.02. Conditions Precedent. The Secured Party's (or noteholders') obligation to purchase the Renewal Notes is subject to the conditions precedent that on the date of issuance thereof, (1) the amount of monthly installments of rent payable during the renewal term of the Lease ending in 1995 shall be sufficient in amount to reduce the aggregate principal amount of the Renewal Notes at their maturity to the amount which bears to \$483,550 the same ratio which the aggregate original principal amount of the Renewal Notes bear to \$967,100, and Lessor shall have furnished to the Secured Party an amortization schedule for each Renewal Note, consistent with the foregoing and otherwise in form and substance satisfactory to the Secured Party, (2) no Default or Event of Default shall have occurred and be continuing, (3) the representations and warranties of the Company in this Agreement and the Note Agreement shall be true and correct, and (4) Lessor if requested by the Secured Party shall have used its best efforts to obtain financing from another source with which to make all payments required to be made under the Notes maturing June 25, 1990, at their maturity.

SECTION 7.03. Status of Renewal Notes. The Company's obligations under the Renewal Notes shall be secured by this Agreement. Each Renewal Note shall be treated as a "Note" for purposes of this Agreement and of Section 6 of the Note Agreement.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Non-Recourse Obligations. Notwithstanding any contrary provision in this Agreement, any Note, any Renewal Note, the Note Agreement, the supplement thereto of even date herewith, or in any other agreement, certificate,

instrument or document executed or delivered in connection herewith or therewith (collectively, the "Transaction Documents"), no recourse shall be had against Lessor, whether in its personal or corporate capacity or otherwise, or against any incorporator, shareholder, officer or director of Lessor under or in respect of any of the Transaction Documents, or for any obligation, liability or breach arising under, in connection with or in respect of, any of the Transaction Documents. It is expressly understood that all such obligations and liabilities are non-recourse obligations and liabilities enforceable only against the Collateral or, in the case of covenants and agreements, by injunction or other equitable remedies.

SECTION 8.02. Notices. All notices and demands hereunder shall be in writing and shall be deemed to have been given when actually received and receipted for, or, if earlier, three days after the date of mailing by registered or certified mail, return receipt requested, postage prepaid, and addressed in each case as follows: (a) if to the Secured Party, at 1234 Market Street, 12th Floor, Philadelphia, Pennsylvania 19107, Attention: Private Placements, Securities Investment Department or (b) if to Lessor, at 3 First National Plaza, Suite 1400, Chicago, Illinois 60602, Attention: President, with a copy to Schiff Hardin & Waite, 7200 Sears Tower, Chicago, Illinois 60606, Attention: Scott Pickens. Either party may change its address for notices hereunder by giving notice of such change to the other party in accordance with the provisions of this Section 8.02.

SECTION 8.03. Separability. No provision hereof, or of any of the Notes, shall require the payment or permit the collection of interest in excess of the maximum permitted by applicable law, any contrary provision herein, or in any of the Notes notwithstanding. Any provision hereof, or of any of the Notes, which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, or of any of the Notes, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by law, the parties hereto hereby waive any provision of law which renders any such provision prohibited or unenforceable in any respect.

SECTION 8.04. Binding Effect. All provisions hereof shall be binding upon and inure to the benefit of the

parties hereto and their respective successors and assigns of the parties hereto.

SECTION 8.05. Amendment and Waiver. The provisions of this Agreement may not be changed orally, but only by an agreement signed by Lessor and the Secured Party. No requirement of this Agreement may be waived at any time except by an instrument signed by the Secured Party, nor shall any waiver be deemed a waiver of any subsequent breach or Default.

SECTION 8.06. Counterpart Execution; Construction; Governing Law. The section and article headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof. This Agreement may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Agreement. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, Lessor and the Secured Party have caused this Agreement to be executed, all as of the day and year first above written.

[Corporate Seal]

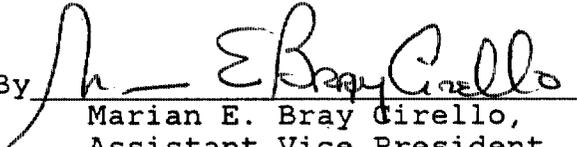
RESIDUAL BASED FINANCE
CORPORATION

By 

Vincent A. Kolber,
President

[Corporate Seal]

THE PHILADELPHIA SAVING FUND
SOCIETY

By 

Marian E. Bray Cirello,
Assistant Vice President

STATE OF ILLINOIS :
COUNTY OF DU PAGE : ss.
:

On this 5TH day of FEBRUARY, 1986, before me personally appeared Vincent A. Kolber, to me personally known who, being by me duly sworn, says that he is the President of Residual Based Finance Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and 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.

Sharon L. Ricciardi
Notary Public

NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXP. AUG. 30, 1989
ISSUED THRU ILL. NOTARY ASSOC.

COMMONWEALTH OF PENNSYLVANIA :
COUNTY OF PHILADELPHIA : ss.
:

On this day of January, 1986; before me personally appeared Marian E. Bray Cirello, to me personally known, who, being by me duly sworn, says that she is an Assistant Vice President of The Philadelphia Saving Fund Society, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and she acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Paulette S. Richardson
Notary Public

PAULETTE S. RICHARDSON
Notary Public, Phila., Phila. Co.
My Commission Expires Nov. 2, 1987

SCHEDULE A TO SECURITY AGREEMENT

Description of Equipment

The following railroad equipment owned by Lessor:

<u>Type of Unit</u>	<u>Number of Units</u>	<u>Serial Numbers</u>
(1) 86' Boxcars (100 Tons each)	107	295623 through 295729
(2) 52.5' Gondolas (100 Tons each)	28	564695 and 564698 and 564703 and 564706 and 564710 and 564715 and 564716 and 564744 and 564748 and 564769 and 564777 and 564779 and 564781 and 564783 and 564805 and 564815 and 564831 and 564854 and 564871 and 564878 and 564889 and 564903 and 564904 and 564914 and 564918 and 564920 and 564935 and 564940
(3) 52.5' Gondolas (100 Tons each)	96	40,000 through 40,043 and 40,045 through 40,063 and 40,065 through 40,081 and 40,084 through 40,099
(4) Coil Steel Flat Cars	131	752600 through 752697 and 752699 through 752712 and 752716 through 752721 and 752723 through 752734 and 752714
(5) 86' Boxcars (70 Tons each)	15	295607 through 295619 and 295621 through 295622

EXHIBIT 1 TO SECURITY AGREEMENT

[Form of Renewal Note]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED IN VIOLATION OF SUCH ACT AND THE RULES AND REGULATIONS THEREUNDER.

RESIDUAL BASED FINANCE CORPORATION

___% SECURED NOTE DUE JUNE 25, 1995

RESIDUAL BASED FINANCE CORPORATION, a California corporation ("Lessor"), for value received, hereby promises to pay to _____, or registered assigns, in installments as hereinafter provided, the original principal sum of _____

(\$ _____). Lessor further promises to pay to the registered holder hereof, as hereinafter provided, interest on the unpaid principal amount hereof from the date hereof to maturity at the rate of _____ percent a year. Interest and principal shall be paid in installments as set forth in the amortization schedule attached hereto as Schedule A.

Principal and interest shall be payable by wire transfer of lawful money of the United States to _____

If any installment of interest is not paid in full when due, or if the principal of this Note is not paid in full when due (whether at maturity or by acceleration or as a part of any prepayment or otherwise), Lessor shall pay on demand interest on any unpaid amount from the date due until the date of payment at a rate equal to the lesser of 18 percent per annum, or the maximum rate per annum allowed by law.

This Note is a Renewal Note issued pursuant to and as permitted by the First Amendment and Restatement, dated as of January ___, 1986, of Security Agreement dated as of August 22, 1985 (as amended or supplemented, the "Security Agreement"), between Lessor and The Philadelphia Saving Fund Society and the Note Agreement dated August 22, 1985, between Lessor and The Philadelphia Saving Fund Society, as supplemented (the "Note Agreement"). Reference is hereby made to the Note Agreement and the Security Agreement for a description of the provisions upon which this Note is to be issued and secured, the nature and extent of the security and the rights of the holder of this Note and others in respect of this Note and such security. The terms used in this Note and not hereinabove defined have the meanings indicated in Article V of the Security Agreement.

This Note is subject to prepayment in the manner, to the extent, under the circumstances and at the price provided for in the Security Agreement, and not otherwise.

During the continuance of an Event of Default under the Security Agreement, the principal hereof and the unpaid interest accrued hereon may be declared to be due and payable forthwith as provided in the Security Agreement.

Should any of the indebtedness represented by this Note be collected in any Proceeding, or this Note be placed in the hands of attorneys for collection after default, Lessor agrees to pay, in addition to the principal and interest due and payable hereon, all costs of collecting this Note, including reasonable attorneys' fees and expenses.

Notwithstanding any provision in this Note or in any other agreement to the contrary, no recourse shall be had for the payment of the principal of or any interest or any other sums payable on, or in any way with respect to, this Note, or its enforcement or collection, against Lessor, in its personal or corporate capacity or otherwise, or against any incorporator, shareholder, officer or director of Lessor, the recourse of the holder hereof being limited exclusively to the Collateral.

IN WITNESS WHEREOF, Lessor has duly executed this Note this 25th day of June, 1990.

RESIDUAL BASED FINANCE CORPORATION

By _____
Title: