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New No.

RECORDATION NO. 13981

MAR 8 1983 12 10 PM

INTERSTATE COMMERCE COMMISSION

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD
ALBERT H. GREENE
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE
MILTON C. GRACE*
GEORGE JOHN KETO**
RICHARD N. BAGENSTOS

* NOT A MEMBER OF D.C. BAR
**ALSO A MEMBER OF OHIO BAR

LAW OFFICES
ALVORD AND ALVORD
200 WORLD CENTER BUILDING
918 SIXTEENTH STREET, N.W.
WASHINGTON, D.C.
20006-2973

OF COUNSEL
JESS LARSON
JOHN L. INGOLDSBY
URBAN A. LESTER

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
393-2266

TELEX
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440348 CDAA UI

March 8, 1983

3-067A100

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D.C.

No.
Date MAR 8 1983
Fee $ 50.00
ICC Washington, D. C.

Dear Ms. Mergenovich:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 and the Rules for the Recordation of Documents (as revised) are two executed original copies of a Post Default Settlement Agreement dated December 20, 1982, a "primary document" as that term is defined in 49 C.F.R. §1116.1(a).

A general description of the railroad equipment covered by the enclosed document is set forth in Exhibit A attached hereto and made a part hereof.

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

Creditors: Avco Corporation Retirement Income Trust
The Paul Revere Variable Annuity Insurance Company
The Paul Revere Life Insurance Company
(each addressed at)
1275 King Street
Greenwich, Connecticut 06830

Agent: Girard Bank
3 Girard Plaza
Philadelphia, Pennsylvania 19101

Owner: Sherwin I. Pogrund
28th Floor
221 North LaSalle Street
Chicago, Illinois 60601

MAR 8 12 05 PM 1983
FEE OPERATION BR.

The undersigned is agent for the Creditors named above for the purpose of submitting the enclosed document

Counterpart 2 of 2 C.T. Kappler

for filing and recordation.

Kindly return one stamped copy of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

Also enclosed is a check in the amount of $50 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Very truly yours,

Charles T. Kappler

EXHIBIT A

BOXCARS

(Pogrund)

The Boxcars consist of 49 railroad boxcars identified below together with all accessories, equipment, parts, and appurtenances pertaining or attached to any of the Boxcars, all substitutions, renewals, replacements of and additions, improvements, accessions and accumulations to any of the Boxcars, and all proceeds, including insurance proceeds of any of the foregoing.

DESCRIPTION:

70-ton Railway Boxcars, 50' 6" AAR Mechanical Designation XM, 1978 construction by Berwick Forge & Fabricating Division of Whittaker Corporation, Rail Fleet Corporation or National Railway Utilization Corporation.

ORIGINAL LESSEE ROAD NUMBERS:

PT 201036 - 201071 (inclusive);
MNJ 120510 - 120516 (inclusive);
NSL 156015 - 156021 (inclusive).

LESSEE ROAD NUMBER DESIGNATIONS ON 12-16-82:

PT 201036, 201041, 201045, 201053, 201056, 201058, 201059, 201061.

WSOR 201037, 201038 (destroyed), 201042-201044, 201046-201052, 201054, 201055, 201057, 201060, 201062-201069, 201071, 120510-120516, 156015-156021, 201039, 201040.

MISS 201070.

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

March 8, 1983

Charles T. Kappler, Esq.
Alvord and Alvord
200 World Center Building
918 Sixteenth St. N. W.
Washington, D. C. 20006-2973

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 3/8/83 at 12:10PM , and assigned re-recordation number(s). 13981, 13982, & 13983

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 13981-425

MAR 8 - 1983 · 12 10 PM

INTERSTATE COMMERCE COMMISSION

POST DEFAULT SETTLEMENT AGREEMENT

This Post Default Settlement Agreement is entered into this 20th day of December, 1982, among the following parties: Girard Bank, The Paul Revere Variable Annuity Insurance Company, Avco Corporation Retirement Income Trust, The Paul Revere Life Insurance Company, and SHERWIN I. POGRUND. These parties are more fully identified in the Definitions section of this Agreement.

1. DEFINITIONS. As used in this Agreement the following terms shall have the following meanings:

1.1. "Account" -- the account designated by the Creditors or the Agent from time to time in writing to Owner which shall be used for the payment of monies by Owner to the Creditors or the Agent as provided in this Agreement. Until further written notice, that Account shall be Paul Revere Life Insurance Company, Account No. 051-67-716 at Morgan Guaranty Trust Company, 23 Wall Street, New York, New York 10015, Atten: Brian McGuire.

1.2. "Adversary Proceedings" -- the Adversary Proceedings commenced in the Bankruptcy Proceedings by the Creditors and others against FSR, Owner, NRUC, WSOR, and others, Docket No. 81 A 3670, to vacate the automatic stay, to enjoin use of cash collateral, to

declare § 1168 of the Code applicable to the Bankruptcy Proceedings, to foreclose the Creditors' security interests in the Boxcars and to obtain other relief.

1.3. "Agent" -- the Girard Bank, a Pennsylvania chartered bank acting as Agent for the Creditors under the Boxcar Loan Documents and located at 3 Girard Plaza, Philadelphia, Pennsylvania 19101, and any substitute or successor agent for the Creditors, and its successors and assigns.

1.4. "Agreement" -- this Post-Default Security Agreement.

1.5. "Agreement Events of Default" -- the events constituting a default in the terms of this Agreement as set forth in Section 7 of this Agreement.

1.6. "Agreement Obligations" -- all obligations and liabilities assumed by or the responsibility of Owner under this Agreement and in connection with the Collateral, whether or not the Creditors or the Agent incur or also pay, assume or become responsible for such obligations and liabilities. The Agreement Obligations include, but are not limited to, the covenants, representations and warranties of Owner set forth in Sections 5 and 6 of this Agreement, pertaining to the Collateral and the Redeployment Documents.

1.7. "AVCO" -- AVCO Corporation Retirement Income Trust, a retirement trust, with offices at 1275 King Street, Greenwich, Connecticut 06830, and its successors and assigns.

1.8. "Bankruptcy Court" -- the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division presiding over the Bankruptcy Proceedings.

1.9. "Bankruptcy Proceedings" -- the reorganization proceedings of FSR pursuant to Chapter 11 of the Code pending in the Bankruptcy Court as Cause No. 81 B 11964.

1.10. "Boxcars" -- the railroad boxcars owned by Owner which are subject to the Security Agreement and identified on Exhibit A hereto, together with all accessories, equipment, parts, and appurtenances pertaining or attached to any of the Boxcars, whether now existing or hereafter acquired, and all substitutions, renewals, replacements of and additions, improvements, accessions and accumulations to any of the Boxcars, and all proceeds of any of the foregoing.

1.11. "Boxcar Loan Documents" -- the documents and agreements identified on Exhibit B hereto and any and all amendments to such documents and agreements.

1.12. "BRAE" -- BRAE Corporation, a corporation with offices at Four Embarcadero Center, Suite 3100, San Francisco, California 94111.

1.13. "Code" -- the Bankruptcy Code of 1978, Title 11 of the United States Code and all amendments thereto and replacement bankruptcy legislation.

1.14. "Collateral" -- (i) all of Owner's right, title and interest in and to the Boxcars and the properties, rights and privileges described in Sections 1.1, 1.2 and 1.3 of the Security Agreement, (ii) all of Owner's right, title and interest in and to the Management Agreement, and any other lease, rental, management, purchase or other agreement concerning disposition of the Boxcars, whether now existing or hereafter arising, (iii) all of Owner's existing and future claims to and interest in any accumulated maintenance fees, damages, insurance, tax or other reserves or amounts under the Boxcar Loan Documents, the Management Agreement or any other Agreement pertaining to the Boxcars, and (iv) all the rents, issues, income, profits, avails, distributions and proceeds, including insurance proceeds, from any of the foregoing.

1.15. "Collateral Obligations" -- all out of pocket expenses, costs and fees paid or payable by the Creditors or the Agent, and all expenses, fees, claims, liabilities and damages for which the Creditors and/or the Agent are or become obligated to pay relating to or arising out of: (a) remarking, relocating, repairing, repainting, or otherwise preparing the Boxcars for leasing or releasing or other useful service or Redeployment as contemplated by this Agreement, the Redeployment Documents or the Security Agreement;

(b) all fees, costs and expenses, including attorneys', paralegals', brokers', management and other fees, incurred from the date of the Order for negotiating, drafting, administering, consummating, and enforcing this Agreement and related documents, the Redeployment Documents, the Boxcar Loan Documents; (c) all maintainance, repair, transportation, storage, insurance, taxes, liabilities, and other costs, fees, liabilities or expenses incurred in connection with the Boxcars and Redeployment Documents from and after the date of this Agreement; (d) the amounts of any claims or liens against or uninsured or uncompensated loss of or damage to the Collateral now existing or hereafter arising in violation of the covenants, representations and warranties under this Agreement; and (e) interest on all of the foregoing from date incurred until paid at the rate of 10-½% per annum.

1.16. "Collateral Obligations Payment" -- the payment to be made by Owner to the Creditors as set forth in Section 3.1.4 of this Agreement.

1.17. "Creditors" -- AVCO, PRVAIC, and PRLIC, and their successors and assigns.

1.18. "Escrow Agent" -- the institutional escrow agent designated in the Escrow Agreement to hold undated, executed title to the Boxcars.

1.19. "Escrow Agreement" -- the escrow agreement substantially in the form of that attached hereto as

Exhibit C providing for transfer of title documents to the Boxcars after the occurrence of an Agreement Event of Default and other related transfers.

1.20. "FSR" -- Funding Systems Railcars, Inc., a Delaware corporation and the Debtor and Debtor-In-Possession in the Bankruptcy Proceedings.

1.21. "FSR Notes" -- The Notes identified on Exhibit D hereto, and all extensions, renewals and refinancing of the foregoing Notes.

1.22. "FSR Past Due Obligations" -- all unpaid amounts owing or that would be owing to the Agent or the Creditors and in arrears on the FSR Notes at any given point in time assuming that payments due under the FSR Notes had not been accelerated by reason of default.

1.23. "Little Rock Agreement" -- the Lease Agreement dated October 11, 1982 between BRAE and Little Rock & Western Railway Corporation, providing for the lease of boxcars.

1.24. "Management Agreement" -- the BRAE Management Agreement substantially in the form of that attached as Exhibit E hereto concerning Redeployment of the Boxcars, and all amendments to it.

1.25. "Manager" -- BRAE or any subsequent or substitute manager under the Management Agreement.

1.26. "NRUC" -- National Railway Utilization Corporation, a South Carolina corporation, with offices

at 100 Centre Square East, 1500 Market Street, Philadelphia, Pennsylvania 19102.

1.27. "NRUC Agreement" -- Lease and Management Agreement dated as of September 1, 1978, providing for the utilization of the Boxcars by NRUC, and all amendments to it.

1.28. "Order" -- the Order of the Bankruptcy Court entered on October 1, 1982 in the Adversary Proceedings authorizing and directing abandonment of the Boxcars from the jurisdiction of the Bankruptcy Court, permitting the Creditors and Agent to foreclose their lien on the Boxcars, and granting related and other relief, all as set forth in the Order, receipt of copies of which Owner acknowledges.

1.29. "Owner" -- Sherwin I. Pogrund, Esq., with offices at 221 North LaSalle Street, 28th Floor, Chicago, Ill. 60601, and its successors and its assigns.

1.30. "Owner Management Agreement" -- Agreement whereby Owner entered into a management agreement with FSR concerning the Boxcars after their sale to the Owner.

1.31. "Owner Obligations" -- the present and future obligations assumed by Owner as set forth in Section 3 of this Agreement.

1.32. "PRLIC" -- The Paul Revere Life Insurance Company, a Connecticut insurance company, with offices

at 1275 King Street, Greenwich, Connecticut 06830, and its successors and assigns.

1.33. "PRVAIC" -- The Paul Revere Variable Annuity Insurance Company, a Connecticut insurance company with offices at 1275 King Street, Greenwich, Connecticut 06830, and its successors and assigns.

1.34. "Redeployment Documents" -- the Management Agreement and all agreements and documents contemplated by it, any other and subsequent management, lease, purchase, option, carhire or other agreements concerning the Boxcars, all amendments, replacements and additions to the foregoing, and all rents, profits, issues, income, distributions, payments and proceeds, including insurance proceeds and reserves arising from or under any of the foregoing, and all other rights, powers and privileges granted by such documents to Owner, the Agent and the Creditors.

1.35. "Security Agreement" -- Security Agreement dated as of September 1, 1978 between FSR as Debtor and the Agent as Secured Party whereby FSR as the then owner of the Boxcars granted to the Agent a security interest in the Boxcars, the NRUC Agreement, and other collateral to secure the FSR Notes, and all amendments thereto.

1.36. "WSOR" -- Wisconsin & Southern Railroad Corporation, a shortline railroad subsidiary of FSR with offices at Horicon, Wisconsin.

1.37. "WSOR Agreement" -- Lease and Management Agreement dated June 15, 1980 whereby WSOR agreed to operate and manage the Boxcars and other boxcars returned by NRUC to FSR.

2. RECITALS. The parties all agree that the events and facts set forth below leading up to and concerning this Agreement are accurate and may be relied upon in interpreting and construing this Agreement.

2.1. Purchase of Boxcars. Pursuant to the Boxcar Loan Documents, FSR purchased the Boxcars. 75% of the acquisition cost of the Boxcars was provided by the Creditors through the Agent in the form of loans evidenced by the FSR Notes and secured by the Security Agreement.

2.2. Sale and Management of Boxcars. FSR sold the Boxcars to Owner subject to the Agent's rights therein as provided in the Security Agreement, subject to the NRUC Agreement, and Owner immediately thereafter entered into a Management Agreement for the Boxcars it had purchased from FSR pursuant to the Owner Management Agreement which expressly acknowledges the Agent's rights and security interest in and to the Boxcars.

2.3. NRUC and WSOR Agreements. FSR placed the Boxcars with NRUC pursuant to the NRUC Agreement. The rights of FSR in and to the NRUC Agreement were assigned to the Agent pursuant to the Security Agreement as additional collateral for the FSR Notes. Pursuant

to an amendment to the NRUC Agreement, certain of the Boxcars placed with NRUC were returned by NRUC to FSR. These Boxcars were then placed by FSR with WSOR pursuant to the WSOR Agreement. FSR's rights under the WSOR Agreement were assigned to the Agent as collateral for the FSR Notes. Pursuant to the amended NRUC Agreement, the WSOR Agreement and the Security Agreement, all revenues, less a management fee and maintenance reserve under the NRUC and WSOR Agreements, were to be paid to the Agent in order to reduce the indebtedness due on the FSR Notes to the Creditors.

2.4. Existing Defaults. FSR and WSOR failed to make payments due the Agent and the Creditors under the WSOR Agreement and FSR Notes commencing in October 1980 and continuing up to the date of this Agreement. NRUC failed to make payments due the Agent and the Creditors under the NRUC Agreement and the FSR Notes commencing in October 1980, and up through the date of this Agreement. On September 28, 1981, an involuntary petition for relief under Chapter 11 of the Code in the Bankruptcy Court was filed against FSR. On October 6, 1981, an order for relief was entered with FSR's consent. Damaged Boxcars have not been maintained, repaired, replaced or paid off as required by the Security Agreement. No payments due under the FSR Notes have been paid to the Agent up to the date of this Agreement since October, 1980. All of the foregoing constitute events of default

under the Security Agreement, and the Security Agreement and FSR Notes are currently in default.

2.5. FSR Obligation Balances. As of November 30, 1982, the amount of the unpaid principal and accrued, interest on the FSR Notes is as shown on Exhibit D hereto.

2.6. Collateral Obligations. Substantial Collateral Obligations have been and will be generated in preparing and making the Boxcars ready and suitable for future utilization under the Management Agreement. The nature and amount of these Collateral Obligations outstanding from time to time are available from the Creditors pursuant to Section 3.6 of this Agreement.

2.7. Agent's Right to Foreclose. Pursuant to the Order, FSR has rejected and terminated its interests in the Boxcars, including its interests, rights and obligations under the amended NRUC Agreement, the WSOR Agreement and the Owner Management Agreement. By the terms of the Order, the Creditors and/or Agent "may exercise any and all of their contractual and statutory rights with respect to the Boxcars and may take any and all lawful steps pursuant to the terms of the Boxcar Loan Documents to obtain possession of or foreclosure upon the Boxcars." FSR, WSOR and NRUC have tendered or stand ready to tender, delivery and possession of the Boxcars to the Creditors pursuant to the terms of the Order.

2.8. Loss to Owner upon Foreclosure. Should the Creditors and the Agent exercise their rights under the Security Agreement and Order to foreclose upon the Boxcars and sell them at public or private sale to realize on the indebtedness owed to them pursuant to the FSR Notes and Collateral Obligations, Owner's ownership interest in the Boxcars would terminate. To induce the Creditors to forebear from exercising their rights to immediately foreclose on the Boxcars, Owner is willing to, subject to the terms of this Agreement, enter into this Agreement and (a) to consent to all actions the Creditors and the Agent have taken up through the date hereof, including having taken possession of the Boxcars, (b) to assume, on a nonrecourse basis, the FSR Notes, (c) to pay $1100.00 per Boxcar towards the preparation of the Boxcars for future utilization, (d) to enter into the Redeployment Documents and assign all rental, revenues and proceeds therefrom to apply on the obligations assumed by Owner, (e) to assume, on a nonrecourse basis (except as this Agreement provides otherwise) the Collateral Obligations, (f) to authorize the Creditors to retain the Boxcars in satisfaction of the FSR Notes and Collateral Obligations either upon an Agreement Event of Default, or if those obligations are not brought current by January 1, 1986, (g) to grant to the Creditors the right to retain as consideration for entering into this Agreement, a por-

tion of the revenues and proceeds from the Boxcars and Redeployment Documents after the Owner Obligations are paid, and (h) to abide by the further terms of this Agreement.

Based on the foregoing considerations the parties hereto have agreed to the terms that follow.

3. OWNER OBLIGATIONS.

3.1. Obligations Assumed. Owner agrees to assume and hereby assumes and agrees to discharge the following obligations and liabilities as provided herein:

3.1.1. The FSR Notes. Owner agrees to pay as provided in this Agreement all outstanding indebtedness of FSR to the Creditors on the FSR Notes and all future interest to accrue thereon at the rate of 11-1/4% per annum or after the occurrence of an Agreement Event of Default, at the rate of 11-1/2% per annum.

3.1.2. The Collateral Obligations. All existing and future Collateral Obligations are assumed by Owner, including interest thereon at the rate of 11-1/4% per annum and after the occurrence of an Agreement Event of Default, at the rate of 11-1/2% per annum.

3.1.3. The Agreement Obligations. Owner assumes and agrees to perform or discharge the Agreement Obligations, and should it fail to do so, Owner shall pay to the Creditors all damages

and costs arising from such failure including all attorneys' and paralegals' fees incurred by the Creditors in enforcing the Agreement Obligations and collecting such damages and costs, together with interest thereon at the rate of 11-1/2% per annum.

3.1.4. Collateral Obligations Payment. Contemporaneously with the execution of this Agreement, Owner shall pay to the Agent, the sum of $1100.00 per Boxcar in immediately available funds to be applied in the sole discretion of the Creditors as (i) a credit against existing Collateral Obligations, (ii) towards defraying future Collateral Obligations such as costs of repainting, remarking, relocating and otherwise preparing and making the Boxcars ready for rerental or releasing pursuant to the terms of this Agreement, or (iii) partially towards existing Collateral Obligations and partially towards defraying future Collateral Obligations, in such proportions as the Creditors in their sole discretion shall determine and direct the Agent. The Collateral Obligations Payment shall be paid to the Account.

3.2. Nonrecourse Obligations. Except as otherwise provided in Section 3.3 of this Agreement, the Creditors and the Agent agree to look solely and only to the Collateral for the payment, performance and

observance of all of the Owner Obligations, and, accordingly, the Creditors and the Agent, for themselves and their successors and assigns, hereby expressly waive any rights to enforce payment or performance of the Owner Obligations or collect damages for breach thereof against Owner, and, if applicable, its subsidiaries, shareholders, directors, officers, agents and employees other than to proceed against the Collateral.

3.3. Recourse Obligations. Notwithstanding anything to the contrary in Section 3.2 of this Agreement, Owner shall remain or become directly, personally and individually liable for all losses and damages incurred by the Agent or the Creditors, including future lost profits and revenues, additional expenses, attorneys' and paralegal fees, and interest on all of the foregoing at the rate of 18% per annum, arising out of and in the event that:

3.3.1. Collateral Obligations Payment. Owner for any reason fails to pay the Collateral Obligations Payment or that payment is or must be returned to Owner or its successors or assigns pursuant to a bankruptcy or other insolvency proceeding or claim by or through a creditor or representative of creditors of Owner.

3.3.2. Denial of Agreement. Owner contests the validity, legality or enforceability of this Agreement, or contests any action taken by the

Agent or Creditors in conformance with or authorized by its terms; provided, however, that this provision shall not be deemed to cause Owner to be personally, individually and directly liable for enforcing any rights accorded to it or any obligations of the Creditors or the Agent under this Agreement.

3.3.3. Denial of Remedies. Upon or after the actual occurrence of an Agreement Event of Default, Owner objects by filing legal proceedings or filing objections with the Escrow Agent to the exercise of the Creditors' or Agent's rights to the Boxcars or other Collateral or to the remedies provided in this Agreement, provided such exercise of rights or remedies is in conformance with the terms of this Agreement and the Escrow Agreement.

3.3.4. Failure to Cooperate. Owner willfully or intentionally fails to cooperate with the Creditors or the Agent as required by the terms of this Agreement.

3.3.5. Creditor Liability. Owner takes any action or fails to take any action rightfully requested of it by the Creditors or the Agent, which results in the Creditors or the Agent becoming personally or individually liable to any third party for any claim, action, demand or liabilities in connection with this Agreement,

the Boxcars, the Collateral or the Boxcar Loan Documents.

3.3.6. Express Assumption. Owner fails to pay or discharge any liability or obligation it expressly assumes or undertakes on a recourse basis in any transaction or agreement concerning this Agreement, agreements and transactions contemplated by it, and the Boxcars.

3.4. Application of Payments to Owner Obligations. Until all outstanding Owner Obligations shall have been paid and satisfied in full, all proceeds from the deployment of the Collateral, and, in particular, the rentals, income, profits and proceeds of the Redeployment Documents shall be received, paid over to and applied by the Agent as a mandatory payment or prepayment on the Owner Obligations, allocated or reallocated in whatever manner and to whatever Owner Obligations the Creditors shall determine. In the absence of a specific designation of application of payments by the Creditors, the Agent shall receive and apply all such payments first to accrued interest on the Collateral Obligations, then to the Collateral Obligations, then to the accrued interest on the Agreement Obligations, then to the Agreement Obligations, then to accrued interest on the FSR Notes pro rata, then to principal on the FSR Notes pro rata.

3.5. After Owner Obligations Have Been Paid. After all outstanding Owner Obligations have been paid in full, and assuming no Agreement Event of Default has occurred, the net proceeds from the disposition of the Collateral, whether by lease, sale or other disposition, after collection, shall be applied first to any subsequently arising Owner Obligations, with fifty percent (50%) of any balance then paid to Owner by the Agent and the remainder retained by the Agent for the benefit of the Creditors as consideration for their entering into this Agreement. At all times, the Agent shall receive and collect directly from any manager, lessee or other payor all proceeds, rents, revenues, distributions and payments from the disposition or deployment of the Boxcars.

3.6. Accounting for Proceeds and Payments. The Agent shall furnish statements, at least quarterly, within 30 days after the close of each calendar quarter, of the previous and current balance of the Owner Obligations, describing the nature and amount of (i) additional Owner Obligations incurred during the calendar quarter, and (ii) the net proceeds of the Collateral received by the Creditors during the calendar quarter. At annual intervals during the month of March, upon ten (10) days advance written notice to the Agent, Owner shall have the right, at its own cost and

expense, to engage a firm of certified public accountants to inspect the books and records of the Agent during regular business hours to verify the correctness of the Owner Obligations and net proceeds from Collateral for the previous year.

4. SECURITY AGREEMENT AND COLLATERAL.

4.1. Security Agreement Reaffirmed. As between Owner and Agent, Owner hereby acknowledges, agrees and reaffirms that the Security Agreement continues to secure the FSR Notes and other indebtedness under the Boxcar Loan Documents, and continues in full force and effect and creates and grants to the Agent a valid, first and prior perfected lien in and to the Boxcars, and all substitutions, renewals, or replacements of and additions, improvements, accessions and accumulations to any and all of the Boxcars, together with all rents, issues, income, profits, avails and proceeds (including insurance proceeds) therefrom, including all rents issues, income, profits, avails and proceeds of the Redeployment Documents.

4.2. Grant of Security Interest. To secure the full payment and satisfaction of the Owner Obligations, Owner does hereby convey, assign, warrant, mortgage, pledge and grant the Agent a security interest in all and singular of Owner's right, title and interest in and to the Collateral, including all of Owner's rights in and to the Management Agreement, or any lease,

rental, management or other agreement or disposition of any of the Boxcars pursuant to this Agreement or the Security Agreement, and all rents, issues, income, profits, avails and proceeds, including insurance proceeds, therefrom.

4.3. Escrow Agreement. Contemporaneously with the execution of this Agreement, the Agent and Owner shall execute and cause the Escrow Agent to execute the Escrow Agreement substantially in the form as that attached hereto as Exhibit C. Owner shall deposit into the Escrow executed but undated Bills of Sale to each of the Boxcars transferring and conveying to the Agent all right, title and interest in and to the Boxcars Owner now or hereafter may have, warranting that such transfer is rightful and transfers to the Agent or its designee title to each of the Boxcars free and clear of liens, claims and encumbrances except those contemplated by Section 5 of this Agreement or that exist on the date hereof through actions other than those of Owner (except that the cost of removal of any liens shall be considered a Collateral Obligation hereunder). Upon request, Owner shall execute and deposit into the Escrow executed, undated bills of sale covering any replacement Boxcars or amended bills of sale in the event that the description of any Boxcars in the originally deposited bills of sale covering the Boxcars is or becomes inaccurate.

4.4. Forebearance by Agent and Creditors. In consideration of Owner's entering into and abiding by the terms and conditions of this Agreement and its cooperating in consummating and completing the transactions contemplated by it, and for so long as no Agreement Event of Default has occurred hereunder, in addition to the other obligations assumed by the Creditors and the Agent herein, the Creditors and the Agent agree to forebear from exercising the rights granted to them under the Security Agreement and other Boxcar Loan Documents to foreclose their lien in, to and on the Boxcars pursuant to public or private sale, judicial proceeding or otherwise.

5. REDEPLOYMENT OF BOXCARS/REDEPLOYMENT DOCUMENTS

5.1. Management Agreement.

5.1.1. Execution of Management Agreement. Immediately upon execution of this Agreement, or, if the Management Agreement is not in final form on the date of execution of this Agreement, as soon thereafter as is possible, Owner agrees to execute the Management Agreement substantially in the form of Exhibit E hereto and deliver a copy thereof to the Manager and to the Creditors and the Agent. Owner specifically approves of and consents to the use of some or all of Owner's Boxcars by BRAE under the Little Rock Agreement. Upon execution of the Management Agreement, Owner

agrees to take and shall take all actions and render all cooperation necessary to expeditiously effect the transactions contemplated by and implement the Management Agreement and the Little Rock Agreement, and will execute an agreement among Owner, BRAE and the Creditors or Agent authorizing BRAE to furnish some or all of Owner's Boxcars under the Little Rock Agreement.

5.1.2. Assignment of Management and Related Agreements. In consideration of the Creditors' entering into this Agreement, immediately upon the acceptance and execution of the Management Agreement by the Manager, but subject to Sections 5.1.3 and 5.1.4 of this Agreement, Owner agrees to and hereby assigns, transfers and sets over to the Creditors and the Agent, for collateral purposes, without recourse in the event of the Manager's insolvency or failure to perform its obligations under the Management Agreement, or any lessee's insolvency or failure to perform its obligations under any lease, carhire, or other agreement for disposition of Boxcars procured by the Manager, all Owner's right, title and interest in and to the Management Agreement and any lease, carhire or other agreement thereunder and all rents, income, payment and proceeds under or from any of the foregoing agreements. Upon such assignment, but

subject to Sections 5.1.3 and 5.1.4 of this Agreement, the Creditors and the Agent shall have all rights, privileges and powers and shall receive all income, rentals, payments, distributions and proceeds under or pursuant to the Management Agreement and the leases, carhire and other agreements thereunder, including but not limited to the right to collect directly all rentals and payments and deposit and retain such payments to their own account, and with respect to the Manager or any lessee or other obligor under an agreement for disposition of Boxcars pursuant to the Management Agreement in Owner's place and stead, consent or withold consent, authorize or withhold authorization, compromise or settle any claims, amend any covenants or agreements and cure any defaults with respect to any matter coming within the scope and subject matter of the Management Agreement and agreements entered into by Owner pursuant thereto. Owner does hereby constitute and appoint the Creditors and Agent or either of them, as Owner's true and lawful attorney-in-fact with full power of substitution for Owner in Owner's name, place and stead for the purposes of carrying out the provisions and grant of authority of this Section 5.1.2 and taking any action and executing any instrument which the Creditors or the Agent may

deem advisable or necessary to accomplish the purposes hereof concerning Owner's rights, powers and privileges under and in respect to the Management Agreement, and any agreement entered into pursuant thereto for lease, carhire or other disposition of Boxcars, which appointment is irrevocable and coupled with an interest, but shall not authorize the incurrence of liabilities for which Owner will be directly and personally obligated.

5.1.3. Owner Remains Responsible on Management and Related Agreements. Notwithstanding the assignment of the Management Agreement and agreements collateral thereto, as set forth in Section 5.1.2 of this Agreement, Owner shall continue to be responsible for and shall promptly pay and discharge all payment obligations and liabilities assumed by it or that are its responsibility under the Management Agreement and agreements collateral thereto, including but not limited to the obligations as an owner under any agreement entered into pursuant to the Management Agreement for disposition of Boxcars. All such obligations and liabilities assumed by Owner hereunder shall be on a nonrecourse basis, except to the extent as otherwise, provided in Section 3 of this Agreement.

5.1.4. Active Management of Owner. Notwithstanding the assignment of the Management Agreement pursuant to Section 5.1.2., it is expected that Owner will, actively manage, operate and participate in the decision-making and day-to-day monitoring, servicing, and administration of the Management Agreement, and to the extent permitted by the Management Agreement, the Boxcars managed thereunder, provided, however, that (i) Owner shall not make any decision, take any action, or grant or withhold consent to any action requested of it by BRAE or any third party in connection with the Management Agreement or the Boxcars managed thereunder without first notifying and obtaining the written consent of the Agent or the Creditors to such decision, action, consent or withholding of consent, (ii) in no event shall Owner be deemed authorized or shall Owner take any action which shall result in any of the rentals, payments, profits, distributions and proceeds of the Management Agreement and the Boxcars thereunder not being paid directly to the Agent or the Creditors, including any surplus monies to which Owner may be entitled after all its Owner Obligations have been paid pursuant to Section 3.5 of this Agreement, (iii) subject to Section 5.2.1 of this Agreement, Owner will promptly take any action and execute

any consents, instruments, leases, management agreements, redeployment documents or other agreements requested of it in writing by the Creditors or the Agent which, in the Creditors' sole discretion and judgment, will or is intended to preserve, protect or enhance the Agent's or Creditors' interest in, rate of return on or revenues from, and rights with respect to the Boxcars, the Management Agreement, any lease thereunder, or any new lease, management or other deployment agreement or document concerning the Boxcars, (iv) Owner's authority and rights of management and control retained hereunder may be revoked, partially or entirely, temporarily or permanently, upon notice of an Agreement Event of Default from the Creditors or the Agent to Owner, and (v) no amendment, modification, settlement, replacement or substitution with respect to the Management Agreement or the Boxcars thereunder shall be made or be effective, binding or enforceable without the express written consent of the Agent or the Creditors.

5.1.5. Price for Sale of Management Agreement. The consideration for Owner's assignment of its rights under the Management Agreement and agreements collateral thereto as provided in this Section 5.1 of this Agreement is the Creditors' and Agent's agreement to forebear from foreclosure

of their lien as provided in Section 4.4 of this Agreement and the Creditors' and Agent's agreement to apply, prior to the occurrence of an Agreement Event of Default, the proceeds from the Management Agreement on the Owner Obligations in accordance with Section 3 of this Agreement.

5.1.6. Management Agreement Indemnity. Except for reckless, wilful or intentional misconduct by the Agent or the Creditors, Owner hereby agrees to indemnify and save and hold harmless the Agent and the Creditors from and against all claims, actions, damages, liabilities, costs and fees (including attorneys' and paralegals' fees) which arise under or occur in connection with the Management Agreement and agreements collateral thereto, the assignment to the Creditors, the Boxcars utilized thereunder and the authority delegated to the Creditors and the Agent under this Section 5.1, whether such claims, actions, damages, liabilities, costs and fees accrue to or are brought by the manager, any lessee under any lease or other agreement entered into pursuant to the Management Agreement, or any third party. Notwithstanding the foregoing, Owner's indemnity liability shall be considered a nonrecourse Owner Obligation payable solely out of the Collateral and its proceeds except as otherwise provided in Section 3 of this Agreement.

5.2. Other Boxcar Redeployments.

5.2.1. Obtaining Subsequent Redeployment of Boxcars. If the Management Agreement and agreements collateral thereto should for any reason terminate, be amended, be breached or should any other event occur or fail to occur with the result that Boxcars are not committed under a management, lease or other agreement and are available for disposition by lease, carhire or otherwise at any time for so long as Owner's Obligations are outstanding and not paid in full, then the Creditors or the Agent may and are hereby authorized and empowered to take possession and control of such Boxcars, and without any further consent or authorization from Owner, to dispose of such Boxcars in any manner the Creditors or the Agent shall reasonably and in good faith determine is commercially reasonable, provided, however, that for so long as no Agreement Event of Default has occurred, no such disposition shall be made of any Boxcars prior to January 1, 1986, unless (i) the Agent or the Creditors notify Owner in writing in accordance with Section 10.2 of this Agreement of the proposed disposition and the Agent fails to receive written notice from Owner within three (3) days after the giving of such Notice, accompanied by an opinion of counsel of Kanter & Eisenberg that the intended disposition

will result in recapture of investment tax credit or depreciation by Owner pursuant to Sections 47 or 1245 of the Internal Revenue Code of 1954, as amended, (ii) the intended disposition is not (a) a sale (whether in a sale and leaseback transaction, a sale pursuant to a conditional sales contract, a sale pursuant to a corporate plan of liquidation, or other sale), (b) a foreclosure of the Agent's security interest, (c) a lease of the Boxcars with a term ending or expiring on December 31, 2008 or later, (d) a lease pursuant to which the lessee is granted an option to purchase the Boxcars for less than fair market value on the date the option is exercised, or (e) use of the property predominantly outside of the United States or (iii) the intended disposition occurs after December 31, 1983, and the disposition proceeds, discounted to present value at the rate of 10% per annum, exceed $27,500.00 per Boxcar to be disposed, provided that if the proceeds per Boxcar when received by the Agent satisfy the pro rata amount of unpaid principal and accrued interest on the FSR Notes and Collateral Obligations (excluding attorneys' fees) allocable to each Boxcar to be disposed then after satisfaction of the pro rata share of such Notes and obligations from such proceeds, the Agent shall pay over to Owner after receipt, 50% of any additional

proceeds received from the disposition and retain the balance for the benefit of the Creditors, and provided further that the Creditors shall refund to the Owner the $1,100.00 per Boxcar to be disposed paid by Owner pursuant to Section 3.1.4 of this Agreement.

5.2.2. Safe Harbor to Subsequent Redeployment. In no event shall any redeployment or disposition of available Boxcars be deemed commercially unreasonable if (i) the Agent does not receive from Owner within ten (10) days after notice to Owner of such intended redeployment or disposition, a notice with particulars objecting to the proposed redeployment or disposition as commercially unreasonable, or (ii) notwithstanding the receipt or nonreceipt from Owner of objection to the intended redeployment or disposition, the Agent obtains an opinion rendered in good faith by any of the fifty largest law firms or any reputable transportation consulting firm in the United States not otherwise engaged or retained by the Creditors or the Agent on any pending matter, to the effect that the intended redeployment or disposition of the Boxcars is commercially reasonable under the facts and circumstances existing at the time of such intended redeployment or disposition.

5.2.3. Cooperation. To facilitate subsequent disposition of available Boxcars, Owner agrees to take and shall take all actions and render all cooperation reasonably requested of it by the Agent and execute all subsequent Redeployment Documents to expeditiously consummate, effect and continue in effect the transactions contemplated by such subsequent disposition.

5.2.4. Subsequent Redeployment By Owner Subject To Agent's Approval. After all Owner Obligations have been paid in full and subject to any then existing Redeployment Documents, the Agent shall retain the right to approve or reject any remarketing agreement or arrangement proposed by Owner, and no such agreement or arrangement shall be deemed effective unless and until the Agent's written approval therefor is obtained, which approval may be withheld in Agent's discretion reasonably exercised. In the event that Owner fails to remarket Boxcars for any reason within thirty (30) days after such Boxcars become available, including Agent's withholding of its approval, then Agent may, if it so elects, remarket such Boxcars on any terms and conditions it deems commercially reasonable.

5.2.5. Assignment of Subsequent Redeployment Documents. In consideration of the Creditors'

entering into this Agreement, but subject to Sections 5.2.6 and 5.2.7 of this Agreement, immediately upon the acceptance and execution of agreements subsequently deploying or disposing of available Boxcars, Owner agrees to assign, transfer and grant to the Agent, for collateral purposes, without recourse (except against the Collateral) in the event of the insolvency or failure to perform of any manager, lessee or other obligor under any lease, carhire, purchase or other agreement for subsequent disposition of available Boxcars, all Owner's right, title and interest in and to such subsequent Redeployment Documents, and all rents, income, payment and proceeds under or from any of such agreements. Upon such assignment, but subject to Sections 5.2.6 and 5.2.7 of this Agreement, the Agent shall have all rights, privileges and powers and shall receive all income, rentals, payments, distributions and proceeds under or pursuant to such leases, carhire, purchase and other agreements concerning redeployment or disposition of subsequently available Boxcars, including but not limited to the right to collect directly all rentals and payments, and to deposit and retain such payments to the Account solely for the benefit of the Creditors, and with respect to any manager, lessee, purchaser or other obligor

under any subsequent agreement for disposition of available Boxcars, in Owner's place and stead, consent or withhold consent, authorize or withhold authorization, compromise or settle any claims, amend any covenants or agreements and cure any defaults with respect to any matter coming within the scope and subject matter of such agreements entered into by Owner or the Agent pursuant to Section 5.2 of the Agreement. Owner does hereby constitute and appoint the Agent and the Creditors or either of them, as Owner's true and lawful attorney-in-fact with full power of substitution for Owner in Owner's name, place and stead for the purposes of carrying out the provisions and grant of authority of this Section 5.2.5. and taking any action and executing any instrument which the Creditors or the Agent may deem advisable or necessary to accomplish the purposes hereof concerning Owner's rights, powers and privileges under and in respect to any subsequent agreements disposing of available Boxcars, which appointment is irrevocable and coupled with an interest, but shall not authorize the incurrence of liabilities for which Owner will be directly and personally obligated.

5.2.6. Owner Remains Responsible on Subsequent Redeployment Documents. Notwithstanding the

assignment of the subsequent Redeployment Documents as set forth in Section 5.2.5 of this Agreement, Owner shall continue to be responsible for and shall promptly pay and discharge (on a non-recourse basis except as otherwise provided in this Agreement) all payment obligations and liabilities assumed by it or that are hereunder its responsibility under such agreements as an owner or other obligor.

5.2.7. Active Management of Owner. Notwithstanding the assignment of the subsequent Redeployment Documents pursuant to Section 5.2.5., it is expected that Owner will, actively manage, operate and participate in the decision-making and day-to-day monitoring, servicing, and administration of the subsequent Redeployment Documents and (to the extent permitted by those documents) the Boxcars leased thereunder, provided, however, that (i) Owner shall not make any decision, take any action, or grant or withhold consent to any action requested of it by any lessee or third party under or in connection with the subsequent Redeployment Documents or the Boxcars leased thereunder without first notifying and obtaining the written consent of the Agent or the Creditors to such decision, action, consent or withholding of consent, (ii) in no event shall Owner be deemed authorized to, nor shall Owner, take any action which shall result in

any of the rentals, payments, profits, distributions and proceeds of the subsequent Redeployment Documents and the Boxcars thereunder not being paid directly to the Agent or the Creditors, including ay surplus monies to which Owner may be entitled after all its Owner Obligations have been paid pursuant to Section 3.5 of this Agreement, (iii) subject to Section 5.2.1 of this Agreement Owner will promptly take any action and execute any consents, instruments, leases, management agreements, redeployment documents or other agreements requested of it in writing by the Creditors or the Agent which, in the Creditors' sole discretion and judgment will or is intended to preserve, protect or enhance the Agent's or Creditors' interest in, rate of return on or revenues from, or rights with respect to the Boxcars, the subsequent Redeployment Documents, any lease thereunder, any new lease, management or other deployment agreement or document concerning the Boxcars, (iv) Owner's authority and rights of management and control retained hereunder may be revoked, partially or entirely, temporarily or permanently, upon notice of an Agreement Event of Default from the Creditors or the Agent to Owner, and (v) no amendment, modification, settlement, replacement or substitution with respect to the subsequent Redeployment Documents or the Boxcars

thereunder shall be made or be effective, binding or enforceable without the express written consent of the Agent or the Creditors.

5.2.8. Sale Price of Subsequent Redeployment Documents. The consideration for Owner's assignment of its rights under and to subsequent agreements for redeployment or disposition of available Boxcars as provided in this Section 5.2 of this Agreement is the Agent's agreement to forbear from foreclosure of its lien as provided in Section 4.3 of this Agreement, and the Creditors' and Agent's agreement to apply, prior to the occurrence of an Agreement Event of Default, the proceeds from such subsequent agreements to the Owner Obligations in accordance with Section 3 of this Agreement.

5.2.9. Indemnity on Subsequent Redeployment. Owner hereby agrees to indemnify and save and hold harmless the Agent and the Creditors from and against all claims, actions, damages, liabilities, costs and fees (including attorneys' and paralegals' fees) which arise under or occur in connection with the subsequent agreements for the redeployment or disposition available boxcars, their assignment to the Creditors, the Boxcars leased or otherwise disposed thereunder and the authority delegated to the Creditors and the Agent under this Section 5.2, whether such claims, actions,

damages, liabilities, costs and fees accrue to or are brought by any manager, any lessee or purchaser under any lease purchase or other agreement entered into pursuant to this Section 5.2, or by any third party. Notwithstanding the foregoing, Owner's indemnity liability under this Section 5.2.9 shall be considered a nonrecourse Owner Obligation payable solely out of the Collateral and its proceeds except as otherwise provided in Section 3 of this Agreement.

5.2.10. Remedies Not Superseded. Any subsequent redeployment or disposition of Boxcars pursuant to this Section 5.2 is an authorized redeployment in a manner agreed to by the parties hereto. Upon the occurrence and declaration by Agent of an Agreement Event of Default, the remedies and rights of Agent set forth in Section 8 of this Agreement shall then apply to any subsequent redeployment or disposition of Boxcars in lieu of disposition as provided in this Section 5.

5.3. Agent and Creditors Are Not Obligors. Neither the Agent nor the Creditors are, and shall not under any circumstances be, obligated to assume, perform or fulfill any obligation of Owner as lessor of any of the Boxcars or obligor under the Management Agreement or any other agreement redeploying or disposing of the Boxcars.

5.4. Control Over Redeployment Documents. Owner shall not, without the express written consent and direction of the Agent, amend, terminate, modify, waive, or settle any claims with respect to any term, condition, provision or obligation of or under the Redeployment Documents, and no such amendment, termination, modification, waiver or settlement shall be effective or binding unless the Agent gives its express written consent thereto.

5.5. Assignment of Redeployment Documents Intended. Subject to Owner's obligations and rights under Sections 5.1.3, 5.1.4, 5.2.6 and 5.2.7 of this Agreement, the assignments of Owner's rights to receive payments, rents, revenues, profits, distributions and proceeds of or from the Redeployment Documents pursuant to Sections 5.1.2., and 5.2.5. of this Agreement are intended as assignments to and purchases by the Agent for collateral security. Owner, by such assignment and sale, relinquishes all residual right, title and interest in and to any and all payments, rents, revenues, profits, distributions and proceeds therefrom; provided, however that Owner shall have the right to have the consideration received for the assignment and sale of such property applied or paid, subject to all the terms and conditions of this Agreement, as set forth in Section 3 of this Agreement.

5.6. Instruments of Transfer. Upon execution of each of the Redeployment Documents all Owner's executed

originals and all copies thereof shall be marked as subject to the Agent's and Creditors' rights pursuant to the terms of this Agreement, the originals shall be delivered to the Agent, together with executed instruments of assignment in a form satisfactory to the Agent. Owner shall execute and deliver all other instruments of assignment in a form requested by the Agent to evidence the assignments and transfers of the agreements and rights thereto contemplated by this Section 5 of the Agreement. Owner may retain only copies of any Redeployment Document conspicuously marked as such and reflecting its assignment to the Agent. Owner also agrees to execute such other documents, financing statements, filings, certifications, agreements, and instruments requested of it by the Agent which the Agent deems necessary or beneficial to carry out, complete or continue in force the transactions and agreements contemplated by this Section 5 and to protect and evidence the Agent's rights thereto.

5.7. Possession of Boxcars. Until all of the Owner Obligations have been paid in full, Owner may not, without first obtaining the written consent of the Agent, obtain physical possession of the Boxcars or direct their disposition, except as provided in Sections 5.1.3, 5.1.4, 5.2.6 and 5.2.7 of this Agreement.

5.8. Set-Off. Any Collateral Obligations or Agreement Obligations which arise or are incurred as a

result of Owner's failure to perform any of its obligations as Owner or other obligor under the Redeployment Documents or this Agreement may at the Agent's option and election be offset or applied against the consideration to Owner for assignment of the Redeployment Documents to the Agent.

5.9. Actions of Agent or Creditors. The Agent or Creditors may, but are under no duty to Owner, to take action or refrain from any action with respect to the Redeployment Documents or the Boxcars, which they, in their reasonable judgment determine will assist in the preservation of the Redeployment Documents or the Boxcars. In no event shall any action or inaction initiated and taken by the Agent or Creditors with respect to the Redeployment Documents or the Boxcars be deemed commercially unreasonable if either (i) notice of the intended action or inaction is given ten (10) days in advance to Owner and no notice of objection to such action or inaction is received by the Agent within the ten (10) day notice period, or (ii) notwithstanding receipt of notice of objection, the Agent's or Creditors' action or inaction is not commercially unreasonable, in the opinion of either a reputable transportation consulting firm or one of the fifty largest law firms in the United States not retained by the Agent or the Creditors on any pending matter. Nothing contained in the previous sentence shall be deemed to require the

Agent or the Creditors, either to give notice of an intended action or nonaction to Owner or to obtain an opinion as to its commercial reasonableness. Owner assumes the obligation to recommend to the Agent any action necessary to preserve the value, condition, validity, rights under, and enforceability of any of the Redeployment Documents or any Boxcars. Agent may, but need not, take any action recommended by Owner, and in no event shall any action or inaction of Agent be deemed with respect to the Redeployment Documents or any Boxcars commercially unreasonable unless the Agent receives from Owner a specific written recommendation reasonably in advance of the intended action to allow the Agent to act upon it, and the Agent receives from Owner advances or indemnities in a form and amounts satisfactory to it to compensate it for all costs, expenses or other Collateral or Agreement Obligations which it may reasonably anticipate will accrue or arise by reason of such intended action. No action or failure to act by the Agent with respect to the Redeployment Documents or any Boxcars shall relieve Owner of any of the Owner Obligations or result in any liability of Agent or the Creditors to Owner.

5.10. Redeployment Document Warranties, Covenants and Representations. With respect to the Redeployment Documents, Owner represents, warrants and covenants that:

5.10.1. Title. The transfer and assignment of the Owner's rights in and to the Redeployment Documents to Agent is and will be free from any claim, lien, security interest, encumbrance or other right, title or interest of any other person, firm or corporation, other than that of the Creditors or Agent.

5.10.2. Authority. Owner has full power and authority to execute the Redeployment Documents and incur the obligations thereunder and under this Agreement with respect thereto, and to transfer and assign the Redeployment Documents to the Agent in accordance with the terms of this Agreement;

5.10.3. Non-alienation. Owner will not hereafter grant a security interest in or sell any interest in the Redeployment Documents to any other person, firm or corporation.

5.10.4. Nonimpairment. Owner will not take any action or refrain from taking any lawful action which would result in impairment of any of the Redeployment Documents, their value to the Agent and the Creditors, or the Agent's rights, title and interest therein.

5.10.5. Defense of Redeployment Documents. Owner shall at all times defend the Agent's right, title and interest in and to the Redeployment

Documents against any and all claims of any person, firm or corporation adverse to Agent or the Creditors claiming through the Owner and execute such documents and take such action as the Agent may from time to time request to maintain Agent's prior right and claim to all payments, revenues, profits, rents, distributions and proceeds of and from the Redeployment Documents.

6. FURTHER REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF OWNER. Owner hereby represents, warrants, covenants and agrees as follows:

6.1. Warranty of Title. Owner has the right, power and authority to grant a security interest in the Collateral to the Agent for the uses and purposes herein set forth; and Owner will bear the cost of defending the title to the Collateral against all claims and demands of persons claiming by, through or under Owner or FSR (excepting only the right, title and interest of parties such as lessees and the Manager under the Redeployment Documents). Owner agrees to pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under Owner or FSR not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Boxcars) equal or superior to the Agent'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 Owner shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Agent, adversely affect its security interest in or to the Collateral or any portion thereof.

6.2. Further Assurances. Owner will, at no expense to the Agent, 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 Redeployment Documents, Owner covenants and agrees that it will cause any lessee, or manager or other obligor to be notified of Owner's assignments to Agent pursuant to Section 5 of this Agreement and direct such lessee, manager or other obligor to make all payments of such revenues and other sums due and to become due thereunder directly to the Agent or as the Agent may direct.

6.3. 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 Owner or Agent, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing contained in this Section 6.3 shall be deemed to modify or change the obligation of Owner under Section 5 hereof.

6.4. Recordation and Filing. Owner agrees to cooperate with the filing or recording of this Agreement and any supplements hereto, the Redeployment Documents and any supplements thereto and all financing and continuation statements and similar notices required by applicable law, in such manner and in such places as Agent or the Creditors may determine in order to fully preserve and protect their rights hereunder. All expenses thereof shall be Collateral Obligations including the expense to the Agent of obtaining an opinion of counsel stating that in the opinion of such counsel this Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest or transfer intended to be created hereby or thereby. Owner hereby waives any claim or action against Agent

or the Creditors for failure to properly perfect or record the security interest in any of the Collateral.

6.5. Modification of the Redeployment Documents. Owner will not:

(a) declare a default or exercise the remedies of the Lessor or Owner under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of any Redeployment Documents or 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 or other property interest created by any Redeployment Document or any part thereof; or

(b) receive or collect or permit the receipt or collection of any payment under any Redeployment Document prior to the date for payment thereof provided therein or assign, transfer or hypothecate (other than to the Agent hereunder or as provided in Section 5 hereof) any rental payment then due or to accrue in the future under the Redeployment Documents in respect of the Boxcars; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Agent hereunder) its interest in the Collateral or any part thereof or in any amount to be received by it from their

use or disposition; provided however, that if the Owner obligations are paid in full, a sale or other transfer of the Collateral may occur upon the Agent's prior written consent thereto which shall not be unreasonably withheld.

6.6. Power of Attorney. Owner does hereby irrevocably constitute and appoint the Agent its true and lawful attorney with full power of substitution for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Sections 4 or 5 hereof with full power to settle, adjust or compromise any claim thereunder as fully as Owner could itself do, and to endorse the name of Owner 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 Owner or otherwise, which the Agent may deem necessary or appropriate to protect and preserve the right, title and interest of the Agent in and to such rents and other sums and the security intended to be afforded hereby, provided such appointment shall not be deemed to authorize the incurrence of liabilities for which Owner will be directly and personally obligated.

6.7. 11 U.S.C. §1168 Applicable. The parties acknowledge that the Security Agreement grants to the

Agent a purchase money security interest in railroad rolling stock equipment. Accordingly, it is the intention of the parties that to the fullest extent permitted by law, 11 U.S.C. § 1168 shall be applied in determining the rights of the parties upon an Agreement Event of Default, that an Agreement Event of Default resulting in nonpayment of the FSR Notes shall permit the Agent to take possession of the Boxcars in compliance with the provisions of the Security Agreement, and that such right to possession shall not be affected by the bankruptcy of Owner and 11 U.S.C. §§ 362 or 363 or by the power of the court to enjoin such taking of possession, except as otherwise provided in 11 U.S.C. § 1168(1) and (2).

6.8. Ratification of Actions. As between Owner and the Agent and Creditors, Owner hereby confirms and ratifies as proper and commercially reasonable any and all actions taken by the Agent and the Creditors or any of them up through the date hereof concerning the retaking, maintaining, storing, insuring, deploying, repairing or otherwise handling the Boxcars, and concerning the Owner Management Agreement, the NRUC Agreement, the WSOR Agreement, the Security Agreement and Boxcar Loan Documents, and the Bankruptcy and Adversary Proceedings, hereby waiving and releasing all known and unknown defects, claims, improprieties, actions, demands, damages or costs that might exist or have existed,

arisen or occurred with respect thereto. Nothing contained in the previous sentence shall be deemed to impose or create by implication any duties or obligations on the part of the Agent or the Creditors.

7. AGREEMENT EVENTS OF DEFAULT. This Agreement shall be in default upon the occurrence of any of the following events:

7.1. Nonpayment of by January 1, 1986 the Agreement and Collateral Obligations and the arrearages of all of the FSR Note Past Due Obligations accrued through December 31, 1985; or

7.2. Nonpayment when due of any of the direct, individual and personal Owner Obligations as set forth in Section 3 of this Agreement; or

7.3. Breach by Owner of any of the agreements, covenants, warranties, and representations made, assumed or referred to in this Agreement (except that, subject to Section 7.2 of this Agreement, failure of the Owner or the rents, revenues, payments and proceeds from the Collateral to satisfy Agreement or Collateral Obligations prior to December 31, 1985, shall not constitute an event of default); or

7.4. The insolvency, bankruptcy, or receivership of Owner or its inability to pay its recourse debts as they come due.

8. REMEDIES UPON DEFAULT. Upon occurrence of an Agreement Event of Default, the Agent and the Creditors shall have the following rights and remedies:

8.1. Agent as Secured Creditor. The Agent shall have the rights, options, duties and remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Massachusetts (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted).

8.2. Acceleration. The Agent may, by notice in writing to Owner declare the entire unpaid balance of the Notes and the remaining Owner Obligations to be immediately due and payable; and thereupon all of such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable.

8.3. Possession of Collateral. Subject to the then existing rights, if any, of parties other than Owner under the Redeployment Documents, the Agent personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of Owner, 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.

8.4. Sale of Collateral. Subject to the then existing rights, if any, of parties other than Owner under the Redeployment Documents, the Agent 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 Owner 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 the Collateral, or any part thereof, at public auction to the highest bidder or at a private sale, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Agent 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 shall be held in a commercially reasonable manner. Any such public 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 Agent or the holder

or holders of the Notes, or of any interest therein, or Owner may bid and become the purchaser at any such public sale.

8.5. Enforcement Proceedings. Subject to the rights, if any, of any parties other than Owner under the Redeployment Documents, the Agent may proceed to protect and enforce this Agreement and the FSR Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenants 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.

8.6. Rights under Redeployment Documents. Subject to the then existing rights, if any, of any parties other than Owner under the Redeployment Documents, the Agent may proceed to exercise all rights, privileges and remedies of Owner under the Redeployment Documents, and may exercise all such rights and remedies either in the name of the Agent or in the name of Owner for the use and benefit of the Agent.

8.7. Rights under Security Agreement. The Agent shall also have, in addition, and not by way of limitation to the foregoing, all rights and remedies of Secured Party under the Security Agreement and other Boxcar Loan Documents with respect to the Collateral covered thereby.

8.8. Escrow Transfer to Title. To facilitate the transfer of title to the Boxcars upon a public or private sale held under this Section 8, the Agent may notify the Escrow Agent to date and deliver the bills of sale held by it pursuant to the Escrow Agreement.

8.9. Retention of Collateral. Notify the Escrow Agent to date and deliver the bills of sale to the Agent for the purpose of the Agent's retaining the Boxcars and all other Collateral in satisfaction of the then unpaid balance of the Owner Obligations. Owner hereby acknowledges and agrees that a default exists under the Security Agreement and FSR Notes entitling the Agent to foreclose its lien on and security interest in the Collateral. Accordingly, by execution of this Agreement, Owner hereby expressly renounces and waives its rights under Section 9-505(2) of the Uniform Commercial Code to receive any further notice of or to object to the Agent's election to retain the Collateral in satisfaction of the then outstanding Owner Obligations. Owner also hereby renounces and waives its right, if

any, to object to the Agent's retention or transfer to itself of the Collateral in satisfaction of Owner Obligations on the ground that some or all of the Collateral is not now or then in the possession of the Agent or is not subject to possession because it is of an intangible nature. Owner further waives and renounces its right to have cancelled or avoided any obligation to the Creditors or the Agent which is a direct, individual and personal obligation of Owner existing on the date of the Agent's exercise of rights to retain Collateral in satisfaction of the Owner Obligations, and such outstanding direct personal and individual obligations shall remain obligations in default owing to and enforceable by the Agent and the Creditors.

8.10. Lease of Boxcars. Should any Boxcars for any reason after the occurrence of an Agreement Event of Default no longer be subject to lease or other commitment pursuant to the Redeployment Documents, the Agent may enter into any lease, carhire, management or other agreement concerning such Boxcars and collect and apply all rentals, income and other proceeds thereof to the Owner Obligations. In addition, the Agent may enter into any lease, carhire, management or other agreement for the future use, rental or disposition of Boxcars under obligation pursuant to the Redeployment

Documents at the time of the occurrence of an Agreement Event of Default.

8.11. Waiver by Owner. To the extent permitted by law, Owner covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales or other disposition thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales or other disposition, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of Owner acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to

the Agent, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

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

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

8.13.1. Collection and Realization Costs. First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale or disposition, and of all expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Agent, or the Creditors, and of all taxes, assessments or

liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made; and

8.13.2. Agreement and Collateral Obligations. Second, to the payment of accrued interest on and then to, the Agreement and Collateral Obligations; and

8.13.3. FSR Notes. Third, to the payment of accrued interest on and then to the outstanding principal balance of the FSR Notes; and

8.13.4. Agent and Owner. Fourth, to the payment of fifty percent (50%) of the surplus, if any, to the Agent for the benefit of the Creditors, and fifty percent (50%) of the surplus to Owner, or to whomsoever may be lawfully entitled to receive the same.

8.14. Discontinuance of Remedies. In case the Agent shall have proceeded to enforce any right under this 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, Owner, the Agent and the Creditors shall be restored to their former positions and rights hereunder with respect to the Collateral.

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

8.16. Protection of Purchaser. No purchaser in good faith of Collateral purporting to be sold or

otherwise disposed of under the terms of this Agreement shall be bound to ascertain the authority of the Agent to conduct such sale or enter into such other disposition or to execute any documents of such sale or disposition, 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 of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

9. CREDITORS AND THE AGENT.

9.1. Modifications. The Agent will not enter into or consent to any modification or supplement to this Agreement or the Redeployment Documents that could adversely affect the interests of the Creditors without their prior written approval.

9.2. Payment of Funds to the Creditors. The Agent will hold the moneys deposited with it pursuant to the provisions hereof and the Redeployment Documents and the rights under the Security Agreement in trust for the benefit of the Creditors.

9.3. Actions by Agent. So long as, to the actual knowledge of the Agent, no Agreement Event of Default shall have occurred and be continuing under this Agreement, the Agent shall be entitled to use its discretion with respect to exercising or refraining from exercising any rights, or taking or refraining from taking any

action which may be vested in it, or which it may be entitled to assert or take under this Agreement or the Redeployment Documents, except as otherwise specifically provided herein. The Agent shall not incur any liability hereunder or otherwise in reasonably acting upon any notice, certificate or other paper or instrument believed by it to be genuine and signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the exercise of its best judgment, or which may reasonably seem to it to be necessary or desirable in the premises, except liability resulting from its own willful misconduct or negligence; provided, however, that the Agent shall take such action as is requested by written notice signed by the Creditors having a majority interest in the outstanding indebtedness under the Notes and as is permitted by this Agreement or the Redeployment Documents or any agreement dated the date hereof pursuant to this transaction and, subject to any limitations in the aforesaid agreements and in conformity with applicable law; provided further, however, that the Agent shall not amend any of the Redeployment Documents so as to modify the amount of interest or principal payable to a Creditor, or the timing of any payment due to a Creditor, without the written approval of such Creditor. In case the Agent shall have actual knowledge of the occurrence of an Agreement Event of Default under this

Agreement, it shall promptly notify Owner and the Creditors thereof and shall take such action and assert such rights as it may be directed in accordance with the next preceding sentence. The Agent shall be indemnified by the Creditors in proportion to their respective interests in the outstanding indebtedness under the Notes against any liability or expense, including reasonable counsel fees, in connection with taking such action or asserting such rights.

9.4. Delivery of Notices. The Agent will promptly mail or deliver to each of the Creditors one counterpart or copy of all notices, statements, documents or schedules received by it from Owner or any party to a Redeployment Document or the Escrow Agent.

All notices, instructions, directions and approvals to be delivered hereunder to the Agent by any of the Creditors shall be in writing signed by an officer, assistant officer, manager or assistant manager of such Creditor, and the Agent may rely on any notice, instruction, direction or approval so signed.

9.5. Limitation of Agent's Representations and Responsibility. The Agent does not make any representation or assume any responsbility with respect to (i) the validity of this Agreement, the Redeployment Documents or the Escrow Agreement (except with respect to its own execution of any thereof) or any of the

matters covered thereby or (ii) the validity of the titles to the Boxcars.

9.6. Disputes in Respect to Funds, Documents and Title. In the event of any dispute with respect to the delivery, ownership or right to possession of funds or documents at any time held by the Agent hereunder, or with respect to title to any item of Collateral, the Agent is hereby authorized and directed to retain, without liability to anyone, all or any of such funds or documents and title to such Collateral until such dispute shall have been settled either by agreement by the parties to the dispute or by final order, decree or judgment of a court of competent jurisdiction.

9.7 Termination of Agent's Duties and Responsibilities. The Agent shall be entitled to terminate its duties and responsibilities hereunder, under the Escrow Agreement and under any of the Redeployment Documents by giving written notice to each of the Creditors that it desires to terminate such duties and responsibilities on a date (at least 30 days' subsequent to the giving of such notice) stated in said notice; it being understood and agreed that the Agent shall also give such similar notice if it is directed so to do by the Creditors having a majority interest in the outstanding indebtedness under the FSR Notes. If, prior to the date stated in said notice, the Creditors having a majority interest in the outstanding indebtedness under

the FSR Notes shall have requested in writing that the Agent assign to a person or institution designated by such Creditors all right, security title and interest of the Agent under the Boxcar Loan Documents, this Agreement and the Escrow Agreement, the Agent shall comply with such request. In the event that such request is not received by the Agent on or before the date designated in said notice, the Agent shall be entitled to appoint a successor to act hereunder (which successor shall be a bank or trust company having capital and surplus aggregating at least $100,000,000) and to assign to such successor, subject to the provisions of this Agreement, all such right, security title and interest of the Agent. Upon such assignment by the Agent to a person or institution designated by such Creditors or, in the absence of such designation, to a successor appointed by the Agent, the Agent shall thereupon be relieved of all duties and responsibilities hereunder.

10. MISCELLANEOUS.

10.1. Amendments and Waivers. Any term, covenant or condition of this Agreement may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by an instrument or instruments in writing executed by the parties hereto; provided, however, that any such party may as to its rights waive

(in writing or otherwise) the requirements of any provision hereof which are for its benefit.

10.2. Notices. Any notice provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or five days after deposited in the United States certified mails, first class, postage prepaid, addressed in accordance with the address shown in Section 1 of this Agreement, or at such other place as any such party may designate by notice given in accordance with that section, with copies of notices to Agent or the Creditors to Carter H. Klein, Esq., Jenner & Block, One IBM Plaza, Suite 4300, Chicago, Illinois 60611, and with copies of notices to Owner to Richard J. Firfer, Esq., Kanter & Eisenberg, 22nd Floor, Three First National Plaza, Chicago, Illinois 60602 [and, if completed, to: _____]. Upon the declaration of an Agreement Event of Default, the Agent or the Creditors shall give notice thereof to the Owner as provided in the preceding sentence. Except as otherwise required by law or the express terms of this Agreement, to the fullest extent permitted by law, the right to receive all other notices or demands is hereby waived and relinquished by Owner.

10.3. Survival. All warranties, representations and covenants made by the Agent and the Creditors

herein or in any certificate or other instrument delivered by any such party or on the behalf of any such party under this Agreement shall be considered to have been relied upon by each other party hereto and shall survive the consummation of the transactions contemplated hereby regardless of any investigation made by any such party or on the behalf of any such party. All statements in any such certificate or other instrument shall constitute warranties and representations by the party so making the same.

10.4. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns and each successive holder of any FSR Note issued and delivered pursuant to the Boxcar Loan Documents whether or not an express assignment to any such holder of rights under this Agreement has been made.

10.5. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts; provided, however, that the parties shall be entitled to all rights conferred by Section 11303 of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the jurisdictions in which this Agreement or any

assignment hereof shall be filed, recorded or deposited.

10.6. Counterparts. This Agreement may be executed in any number of counterparts and each executed counterpart shall be valid, binding and enforceable as if it were an executed original.

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

10.8. Acceptance of Order. Owner acknowledges and agrees to the terms of the Order as it affects the Boxcars and the Creditors' rights pertaining thereto and under this Agreement and covenants that Owner shall not contest or raise ineffectiveness, invalidity or nonfinality of, or lack of agreement on the Order as a defense, objection or claim against the Agent or the Creditors in any action or proceeding concerning disposition of the Collateral or their exercise of any rights accorded to them under this Agreement.

10.9 Pronouns. Reference to parties in the singular or plural or masculine, feminine or neuter shall be construed or read according to the actual gender and number of the parties referred to as the context of this Agreement requires.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized and the corporate seals thereto affixed as of the day and year first above written.

SHERWIN I. POGRUND

GIRARD BANK, AGENT

By _____
Its _____

ATTEST:

By _____
Its _____

AVCO CORPORATION RETIREMENT INCOME TRUST

By _____
Its _____

ATTEST:

By _____
Its _____

THE PAUL REVERE VARIABLE ANNUITY INSURANCE COMPANY

By _____
Its _____

ATTEST:

By _____
Its _____

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this 20th day of December, 1982, before me personally appeared SHERWIN I. POGRUND, to be known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

[SEAL]

Donna A. Kerner
Notary Public

My commission expires: January 4, 1984

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized and the corporate seals thereto affixed as of the day and year first above written.

_____

By _____
Its _____

ATTEST:

By _____
Its _____

GIRARD BANK, AGENT

By _____
Its Vice President

ATTEST:

By _____
Its CORPORATE TRUST OFFICER

AVCO CORPORATION RETIREMENT INCOME TRUST
THE PAUL REVERE INVESTMENT MANAGEMENT COMPANY ITS DULY AUTHORIZED AGENT

By _____
Its Vice President - Investment

ATTEST:

By _____
Its Assistant Secretary

THE PAUL REVERE VARIABLE ANNUITY INSURANCE COMPANY

By _____
Its Vice President - Investment

ATTEST:

By _____
Its Assistant Secretary

THE PAUL REVERE LIFE INSURANCE COMPANY

By _____

Its Vice President - Investment

ATTEST:

By _____

Its Assistant Secretary

STATE OF CONNECTICUT)
) :
COUNTY OF FAIRFIELD)

On this 15th day of December, 1982, before me personally appeared Clinton A. Reynolds, to me personally known, who being by me duly sworn, says that he is a Vice President-Investment of THE PAUL REVERE INVESTMENT MANAGEMENT CORPORATION as Agent for AVCO CORPORATION RETIREMENT INCOME TRUST, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Diane L. Cotter
Notary Public

(SEAL)

Diane L. Cotter
Notary Public Fairfield County
My Commission Expires April 1, 1987

STATE OF CONNECTICUT)
) :
COUNTY OF FAIRFIELD)

On this 15th day of December, 1982, before me personally appeared Clinton A. Reynolds, to me personally known, who being by me duly sworn, says that he is a Vice President-Investment of THE PAUL REVERE LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Diane L. Cotter
Notary Public

(SEAL)

Diane L. Cotter
Notary Public, Fairfield County
My Commission Expires April 1, 1987

STATE OF CONNECTICUT)
) :
COUNTY OF FAIRFIELD)

On this 15th day of December, 1982, before me personally appeared Clinton A. Reynolds, to me personally known, who being by me duly sworn, says that he is a Vice President-Investment of THE PAUL REVERE VARIABLE ANNUITY INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Diane L. Cotter
Notary Public

(SEAL)

Diane L. Cotter
Notary Public Fairfield County
My Commission Expires April 1, 1987

COMMONWEALTH OF PENNSYLVANIA)
) SS.
COUNTY OF PHILADELPHIA)

On this 14th day of January, 1983, before me personally appeared H. E. IKELER, JR., to me personally known, who being by me duly sworn, says that he is the VICE PRESIDENT of GIRARD BANK, a Pennsylvania banking corporation, that the seal affixed to the foregoing instrument is the corporate seal of said banking corporation, that said instrument was signed and sealed on behalf of said banking 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 banking corporation.

[SEAL]

Noreen Moderski
Notary Public

My commission expires: 4-22-85

LIST OF EXHIBITS

EXHIBIT A -- Boxcars

EXHIBIT B -- Boxcar Loan Documents

EXHIBIT C -- Escrow Deposit Agreement

EXHIBIT D -- FSR Notes

EXHIBIT E -- BRAE Management Agreement

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A

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EXHIBIT A

BOXCARS

(Pogrund)

The Boxcars consist of 49 railroad boxcars identified below together with all accessories, equipment, parts, and appurtenances pertaining or attached to any of the Boxcars, all substitutions, renewals, replacements of and additions, improvements, accessions and accumulations to any of the Boxcars, and all proceeds, including insurance proceeds of any of the foregoing.

DESCRIPTION:

70-ton Railway Boxcars, 50' 6" AAR Mechanical Designation XM, 1978 construction by Berwick Forge & Fabricating Division of Whittaker Corporation, Rail Fleet Corporation or National Railway Utilization Corporation.

ORIGINAL LESSEE ROAD NUMBERS:

PT 201036 - 201071 (inclusive);
MNJ 120510 - 120516 (inclusive);
NSL 156015 - 156021 (inclusive).

LESSEE ROAD NUMBER DESIGNATIONS ON 12-16-82:

PT 201036, 201041, 201045, 201053, 201056, 201058, 201059, 201061.

WSOR 201037, 201038 (destroyed), 201042-201044, 201046-201052, 201054, 201055, 201057, 201060, 201062-201069, 201071, 120510-120516, 156015-156021, 201039, 201040.

MISS 201070.

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EXHIBIT B

BOXCAR LOAN DOCUMENTS

CONTENTS

DOCUMENT	INDEX NO.
Memorandum of Closing Documents	1
Participation Agreement dated as of September 1, 1978, made by and among Funding Systems Railcars ("Vendee"), ~~The Paul Revere Life Insurance Company~~, ~~AVCO Corporation Retirement Income Trust~~, ~~The~~ Paul ~~Revere Variable Annuity Insurance~~ Company and The Paul Revere Protective Life Insurance Company ("Note Purchasers") and Girard Bank ("Agent"/"Secured Party").	2
Purchase Order Agreements (3), dated as of September 1, 1978, made by and among the Vendee, Girard Bank as the Assignee of the Vendee and Berwick Forge & Fabricating Company, a division of Whittaker Corporation, Rail Fleet Corporation and National Railway Utilization Corporation respectively ("Builders").	3
Lease and Management Agreement dated as of September 1, 1978 made by and between Funding Systems Railcars, Inc. ("Lessor") and National Railway Utilization Corporation ("Lessee"/"Manager").	4
Security Agreement dated as of September 1, 1978 made by and between Funding Systems Railcars, Inc. ("Debtor") and Girard Bank ("Secured Party").	5
First Delivery Date Documents	
Certificate of the Assistant Secretary of the Lessee, dated September 18, 1978.	6

CONTENTS

DOCUMENT	INDEX NO.
Memorandum of Closing Documents	1
Participation Agreement dated as of September 1, 1978, made by and among Funding Systems Railcars ("Vendee"), ~~The Paul Revere Life Insurance Company~~, ~~AVCO Corporation Retirement Income Trust~~, ~~The~~ Paul ~~Revere Variable Annuity Insurance~~ Company and The Paul Revere Protective Life Insurance Company ("Note Purchasers") and Girard Bank ("Agent"/"Secured Party").	2
Purchase Order Agreements (3), dated as of September 1, 1978, made by and among the Vendee, Girard Bank as the Assignee of the Vendee and Berwick Forge & Fabricating Company, a division of Whittaker Corporation, Rail Fleet Corporation and National Railway Utilization Corporation respectively ("Builders").	3
Lease and Management Agreement dated as of September 1, 1978 made by and between Funding Systems Railcars, Inc. ("Lessor") and National Railway Utilization Corporation ("Lessee"/"Manager").	4
Security Agreement dated as of September 1, 1978 made by and between Funding Systems Railcars, Inc. ("Debtor") and Girard Bank ("Secured Party").	5
First Delivery Date Documents	
Certificate of the Assistant Secretary of the Lessee, dated September 18, 1978.	6

Certificate of the Vice President of the Lessee delivered pursuant to Section 4.1(d) of the Participation Agreement and dated September 18, 1978. 7

Insurance Broker's Certificate and Opinion delivered pursuant to Section 12.1 of the Lease and Management Agreement and dated September 15, 1978. 8

Opinion of counsel for National Railway Utilization Corporation as a Builder delivered pursuant to Section 4.1(g) of the Participation Agreement and dated September 18, 1978. 9

Certificate of the Assistant Secretary of Whittaker Corporation, dated September 18, 1978. 10

Certificate of the Controller of the Berwick Forge & Fabricating Division of Whittaker Corporation delivered in connection with its delivery of the Items of Equipment to the Vendee, dated September 18, 1978. 11

Opinions of counsel (2) for Whittaker Corporation (Berwick Forge & Fabricating Division) delivered pursuant to Section 4.1 (g) of the Participation Agreement and dated September 18, 1978. 12

Certificate of the Assistant Secretary of Rail Fleet Corporation, dated September 18, 1978. 13

Opinion of counsel for Rail Fleet Corporation delivered pursuant to Section 4.1(g) of the Participation Agreement and dated September 18, 1978. 14

Certificate of the Vice President of the Vendee, dated September 18, 1978. 15

Certificate of Incumbency delivered by the Assistant Secretary of the Vendee, dated September 18, 1978. 16

Opinion of counsel for the Vendee delivered pursuant to Section 4.1(g) of the Participation Agreement and dated September 18, 1978. 17

Certificates of Acceptence (3) delivered to the Vendee, the Assignee of the Vendee, and the Builders respectively, dated September 18, 1978 18

Evidence of the filing of the Lease and Management Agreement and the Security Agreement with the Interstate Commerce Commission, dated September 15, 1978. 19

Bills of Sale (3) delivered by the Builders pursuant to Section 4.2(d)(ii) of the Participation Agreement and dated September 15, 1978. 20

Invoices (3) for the Items of Equipment delivered by the Builders pursuant to Section 4.2(d)(i) of the Participation Agreement. 21

Opinions of counsel (3) for the Builders, all delivered pursuant to Section 4.2 (d)(iii) of the Participation Agreement and dated September 18, 1978. 22

Promissory Notes both in the principal amount of $707,175.00 delivered to The Paul Revere Life Insurance and The Paul Revere Protective Life Insurance Company by Funding Systems Railcars, Inc. and dated September 19, 1978. 23

Sale and Leaseback Documents

Certificate of the President of Astro Corp., dated September 16, 1978. 24

Purchase Agreement made by and between Astro Corp. ("Buyer") and Funding Systems Railcars, Inc. ("Seller") and dated September 16, 1978. 25

Promissory Note in the principal amount of $177,500 delivered to the Seller by the Buyer on September 16, 1978. 26

Agreement of Lease made by and between Astro Corp. ("Lessor") and Funding Systems Railcars, Inc. ("Lessee") and dated September 16, 1978. 27

Remarketing Agreement made by and between Funding Systems Railcars, Inc. ("Agent") and Astro Corp. ("Owner") and dated September 16, 1978. 28

Bill of Sale executed by the Seller and dated September 16, 1978. 29

Limited Recourse Promissory Note - Security Agreement in the principal amount of $1,810,000, delivered by Astro Corp. ("Payor"/"Debtor") to Funding Systems Railcars, Inc. ("Payee"/"Secured Party") and dated September 16, 1978. 30

Opinion of counsel for Funding Systems Railcars, Inc. delivered to Girard Bank in connection with the sale and leaseback transaction and dated September 18, 1978. 31

Second Delivery Closing

First Amendments to Purchase Order Agreements (3), dated as of September 1, 1978, made by and among the Vendee, Girard Bank as Assignee of the Vendee and the Builders respectively. 32

First Amendment to Lease and Management Agreement, dated as of September 1, 1978, made by and among the Lessor, the Lessee and Girard Bank, as Assignee of the Lessor. 33

First Amendment to Security Agreement, dated as of September 1, 1978, made by and between the Debtor and the Secured Party. 34

Certificate of the Assistant Secretary of the Lessee, dated September 29, 1978. 35

Certificate of the Vice President of the Lessee delivered pursuant to Section 4.1(d) of the Participation Agreement and dated September 29, 1978. 36

Insurance Broker's Certificate and Opinion delivered pursuant to Section 12.1 of the Lease and Management Agreement and dated September 29, 1978. 37

Opinion of counsel for National Railway Utilization Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated September 29, 1978. 38

Certificate of the Assistant Secretary of Whittaker Corporation, dated September 29, 1978. 39

Certificate of the Controller of the Berwick Forge & Fabricating Division of Whittaker Corporation delivered in connection with its delivery of the Items of Equipment to the Vendee, dated September 29, 1978. 40

Opinion of counsel for Whittaker Corporation delivered to Roger & Wells with respect to the Purchase Order Agreement as amended, dated September 29, 1978. 41

Certificate of the Assistant Secretary of Rail Fleet Corporation, dated September 29, 1978. 42

Opinion of counsel for Rail Fleet Corporation delivered to the Vendee and the Note Purchasers, dated September 29, 1978. 43

Certificate of the Vice President of the Vendee, dated September 29, 1978. 44

Certificate of Incumbency delivered by the Assistant Secretary of the Vendee and dated September 29, 1978. 45

Opinion of counsel for the Vendee delivered to the Note Purchasers and dated September 29, 1978. 46

Certificate of the Senior Vice President of Girard Bank, dated October 4, 1978. 47

Certificates of Acceptance (3) delivered to the Vendee, the Assignee of the Vendee and the Builders respectively by the Vendee's inspector and authorized representative, dated September 29, 1978. 48

Evidence of the filing of the First Amendment to Lease and Management Agreement and the First Amendment to Security Agreement with the Interstate Commerce Commission, dated September 29, 1978. 49

Bills of Sale (3) delivered by the Builders pursuant to Section 4.2(d)(ii) of the Participation Agreement and dated September 28, 1978. 50

Invoices (3) for the Items of Equipment delivered by the Builders pursuant to Section 4.2(d)(i) of the Participation Agreement. 51

Opinion of counsel for National Railway Utilitzation Corporation delivered with respect to the Bill of Sale, dated September 29, 1978. 52

Opinion of counsel for Whittaker Corporation (Berwick Forge & Fabricating Division) delivered with respect to the Bill of Sale, dated September 29, 1978. 53

Opinion of counsel for Rail Fleet Corporation delivered with respect to the Bill of Sale, dated September 29, 1978. 54

Promissory Notes in the principal amounts of $1,212,600 and $198,618 delivered to The Paul Revere Life Insurance Company and The Paul Revere Protective Life Insurance Company respectively by Funding Systems Railcars, Inc. and dated September 29, 1978. 55

Sale and Management Documents

Certificate of Sherwin I. Pogrund, dated September 28, 1978. 56

Purchase Agreement made by and between Sherwin I. Pogrund ("Buyer") and Funding Systems Railcars, Inc. ("Seller"), dated September 28, 1978. 57

Promissory Note in the principal amount of $160,000 delivered to Funding Systems Railcars, Inc. ("Payee") by Sherwin I. Pogrund ("Payor"), dated September 28, 1978 and having a January 31, 1979 maturity date. 58

Promissory Note in the principal amount of $160,000 delivered to Funding Systems Railcars, Inc. ("Payee") by Sherwin I. Pogrund ("Payor"), dated September 28, 1978 and having a January 31, 1980 maturity date. 59

Promissory Note in the principal amount of $119,500 delivered to Funding Systems Railcars, Inc. ("Payee") by Sherwin I. Pogrund ("Payor"), dated September 28, 1978 and having a January 31, 1981 maturity date. 60

Limited Recourse Promissory Note - Security Agreement in the principle amount of $1,800,000, delivered by Sherwin I. Pogrund ("Payor"/"Debtor") to Funding Systems Railcars, Inc. ("Payee"/ "Secured Party") and dated September 16, 1978. 61

Letters of Credit (3) issued on September 28, 1978 by American National Bank with respect to Sherwin I. Pogrund to expire on March 15, 1979, March 15, 1980 and March 15, 1981 respectively. 62

Management Agreement made by and between Funding Systems Railcars, Inc. ("Manager") and Sherwin I. Pogrund ("Owner"), dated September 28, 1978. 63

Remarketing Agreement made by and between Funding Systems Railcars, Inc. ("Agent") and Sherwin I. Pogrund ("Owner"), dated September 28, 1978. 64

Collateral Assignment executed and delivered to Sherwin I. Pogrund ("Assignee") by Funding Systems Railcars, Inc. ("Assignor"), dated September 28, 1978. 65

Letter of Funding Systems Railcars, Inc. dated September 28, 1978 to Sherwin I. Pogrund respecting Funding's guaranty of Mr. Pogrund's obligations under the sale and management documents referred to in the above. 66

Opinion of counsel for Funding Systems Railcars, Inc. delivered to Girard Bank and dated September 29, 1978. 67

Third Delivery Closing

Second Amendments to Purchase Order Agreements (2), dated as of September 1, 1978, made by and among the Vendee, Girard Bank, as Assignee of the Vendee, and National Railway Utilization Corporation and Rail Fleet Corporation ("Builders") respectively. 68

Second Amendment to Lease and Management Agreement made by and among Funding Systems Railcars, Inc. ("Lessor"), National Railway Utilization Corporation ("Lessee") and Girard Bank, as Asignee of the Lessor, dated as of September 1, 1978. 69

Second Amendment to Security Agreement made by and between Funding Systems Railcars, Inc. ("Debtor") and Girard Bank ("Secured Party"), dated as of September 1, 1978. 70

Certificate of the Assistant Secretary of the Lessee, dated October 16, 1978. 71

Certificate of the Vice President of the Lessee delivered to the Vendee and the Note Purchasers pursuant to Section 4.1(d) of the Participation Agreement, dated October 16, 1978. 72

Insurance Broker's Certificate and Opinion delivered pursuant to Section 12.1 of the Lease and Management Agreement and dated October 16, 1978. 73

Opinion of counsel for National Railway Utilization Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated October 16, 1978. 74

Certificate of the Assistant Secretary of Rail Fleet Corporation, dated October 16, 1978. 75

Opinion of counsel for Rail Fleet Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated October 16, 1978. 76

Certificate of the Vice President of the Vendee, dated October 16, 1978. 77

Opinion of counsel for the Vendee delivered to the Note Purchasers and dated October 16, 1978. 78

Certificates of Acceptance (2) delivered to the Vendee, the Assignee of the Vendee and the Builders respectively, dated October 16, 1978. 79

Evidence of the filing of the Second Amendment to the Lease and Management Agreement and the Second Amendment to the Security Agreement with the Interstate Commerce Commission, dated October 16, 1978. 80

Bills of Sale (2) delivered by the Builders pursuant to Section 4.2(d)(ii) of the Participation Agreement and dated October 13, 1978. 81

Invoices (2) for the Items of Equipment delivered by the Builders pursuant to Section 4.2(d)(i) of the Participation Agreement. 82

Opinion of counsel for National Railway Utilization Corporation delivered with respect to the Bill of Sale, dated October 16, 1978. 83

Opinion of counsel for Rail Fleet Corporation delivered with respect to the Bill of Sale, dated October 16, 1978. 84

Promissory Note in the principal amount of $721,875 delivered to AVCO Corporation Retirement Income Trust by Funding Systems Railcars, Inc. and dated October 16, 1978. 85

Sale and Management Documents

Certificate of Harold Foreman, dated October 14, 1978. 86

Purchase Agreement made by and between Harold Foreman ("Buyer") and Funding Systems Railcars, Inc. ("Seller"), dated October 14, 1978. 87

Promissory Note in the principal amount of $160,000 delivered to Funding Systems Railcars, Inc. ("Payee") by Harold Foreman ("Payor"), dated October 13, 1978 and having a maturity date of January 31, 1979. 88

Promissory Note in the principal amount of $160,000 delivered to Funding Systems Railcars, Inc. ("Payee") by Harold Foreman ("Payor"), dated October 13, 1978 and having a maturity date of January 31, 1980. 89

Promissory Note in the principal amount of $126,416 delivered to Funding Systems Railcars, Inc. ("Payee") by Harold Foreman ("Payor"), dated October 13, 1978 and having a maturity date of January 31, 1981. 90

Bill of Sale delivered by the Seller to the Buyer pursuant to Section 2.1 of the Purchase Agreement, dated October 14, 1978. 91

Limited Recourse Promissory Note - Security Agreement in the principal amount of $1,815,000 delivered by Harold Foreman ("Payor"/"Debtor") to Funding Systems Railcars, Inc. ("Payee/"Secured Party") and dated October 14, 1978. 92

Limited Recourse Promissory Note - Security Agreement in the principal amount of $1,805,000 delivered by Harold Forman ("Payor"/"Debtor") to Funding Systems Railcars, Inc. ("Payee"/"Secured Party") and dated October 14, 1978. 93

Management Agreement made by and between Funding Systems Railcars, Inc. ("Manager") and Harold Foreman ("Owner"), dated October 14, 1978. 94

Remarketing Agreement made by and between Funding Systems Railcars, Inc. ("Agent") and Harold Foreman ("Owner"), dated October 14, 1978. 95

Collateral Assignment executed and delivered to Harold Foreman ("Assignee") by Funding Systems Railcars, Inc. ("Assignor"), dated October 14, 1978. 96

Opinion of counsel for Funding Systems Railcars, Inc. delivered to Girard Bank and dated October 16, 1978. 97

Fourth Delivery Closing

Third Amendments to Purchase Order Agreements (2), dated as of September 1, 1978, made by and among the Vendee, Girard Bank as Assignee of the Vendee and National Railway Utilization Corporation and Rail Fleet Corporation ("Builders") respectively. 98

Third Amendment to Lease and Management Agreement made by and among Funding Systems Railcars, Inc. ("Lessor"), National Railway Utilization Corporation ("Lessee") and Girard Bank as Assignee of the Lessor, dated as of September 1, 1978. 99

Third Amendment to Security Agreement made by and between Funding Systems Railcars, Inc. ("Debtor") and Girard Bank ("Secured Party"), dated as of September 1, 1978. 100

Certificate of the Assistant Secretary of the Lessee, dated October 31, 1978. 101

Certificate of the Vice President of the Lessee delivered to the Vendee and the Note Purchasers pursuant to Section 4.1(d) of the Participation Agreement, dated October 31, 1978. 102

Insurance Broker's Certificate and Opinion delivered pursuant to Section 12.1 of the Lease and Management Agreement and dated October 31, 1978. 103

Opinion of counsel for National Railway Utilization Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated October 31, 1978. 104

Certificate of the Assistant Secretary of Rail Fleet Corporation, dated October 31, 1978. 105

Opinion of counsel for Rail Fleet Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated October 31, 1978. 106

Certificate of the Vice President of the Vendee, dated October 31, 1978. 107

Opinion of counsel for the Vendee delivered to the Note Purchasers and dated October 31, 1978. 108

Certificates of Acceptance (2) delivered to the Vendee, the Assignee of the Vendee and the Builders respectively, dated October 31, 1978. 109

Evidence of the filing of the Third Amendment to Lease and Management Agreement and Third Amendment to Security Agreement with the Interstate Commerce Commission, dated October 31, 1978. 110

Bills of Sale (2) delivered by the Builders pursuant to Section 4.2(d)(ii) of the Participation Agreement and dated October 30, 1978. 111

Invoices (2) for the Items of Equipment delivered by the Builders pursuant to Section 4.2(d)(i) of the Participation Agreement. 112

Opinion of counsel for National Railway Utilization Corporation delivered with respect to the Bill of Sale, dated October 31, 1978. 113

Opinion of counsel of Rail Fleet Corporation delivered with respect to the Bill of Sale, dated October 31, 1978. 114

Promissory Note in the principal amount of $721,875 delivered to The Paul Revere Variable Annuity Insurance Company by Funding Systems Railcars, Inc. and dated October 31, 1978. 115

Fifth Delivery Closing

Fourth Amendments to Purchase Order Agreements (2), dated as of September 1, 1978, made by and among the Vendee, Girard Bank as Assignee of the Vendee and National Railway Utilization Corporation and Rail Fleet Corporation ("Builders") respectively. 116

Fourth Amendment to Lease and Management Agreement made by and among Funding Systems Railcars, Inc. ("Lessor"), National Railway Utilization Corporation ("Lessee") and Girard Bank as Assignee of the Lessor, dated as of September 1, 1978. 117

Fourth Amendment to Security Agreement made by and between Funding Systems Railcars, Inc. ("Debtor") and Girard Bank ("Secured Party"), dated as of September 1, 1978. 118

Certificate of the Assistant Secretary of the Lessee, dated November 8, 1978. 119

Certificate of the Vice President of the Lessee delivered to the Vendee and the Note Purchasers pursuant to Section 4.1(d) of the Participation Agreement, dated November 8, 1978. 120

Insurance Broker's Certificate and Opinion delivered pursuant to Section 12.1 of the Lease and Management Agreement and dated November 8, 1978. 121

Opinion of counsel for National Railway Utilization Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated November 8, 1978. 122

Certificate of the Assistant Secretary of Rail Fleet Corporation, dated November 8, 1978. 123

Opinion of counsel for Rail Fleet Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement as amended, dated November 8, 1978. 124

Certificate of the Vice President of the Vendee, dated November 8, 1978. 125

Opinion of counsel for the Vendee delivered to the Note Purchasers and dated November 8, 1978. 126

Certificates of Acceptance (2) delivered to the Vendee, the Assignee of the Vender and the Builders respectively, dated November 8, 1978. 127

Evidence of the filing of the Fourth Amendment to Lease and Management Agreement and the Fourth Amendment to Security Agreement with the Interstate Commerce Commission, dated November 8, 1978. 128

Bills of Sale (2) delivered by the Builders pursuant to Section 4.2(d)(ii) of the Participation Agreement and dated November 7, 1978. 129

Invoices (2) for the Items of Equipment delivered by the Builders pursuant to Section 4.2(d)(i) of the Participation Agreement. 130

Opinion of counsel for National Railway Utilization Corporation delivered with respect to the Bill of Sale, dated November 8, 1978. 131

Opinion of counsel for Rail Fleet Corporation delivered with respect to the Bill of Sale, dated November 8, 1978. 132

Promissory Note in the principal amount of $721,875 delivered to The Paul Revere Variable Annuity Insurance Company by Funding Systems Railcars, Inc. and dated November 8, 1978. 133

Sixth Delivery Closing

Certificate of the Assistant Secretary of the Lessee, dated November 22, 1978. 134

Certificate of the Vice President of the Lessee delivered to the Vendee and the Note Purchasers pursuant to Section 4.2(d) of the Participation Agreement, dated November 22, 1978. 135

Insurance Broker's Certificate and Opinion delivered pursuant to Section 12.1 of the Lease and Management Agreement and dated November 22, 1978. 136

Opinion of counsel for National Railway Utilization Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement and dated November 22, 1978. 137

Certificate of the Assistant Secretary of Rail Fleet Corporation, dated November 22, 1978. 138

Opinion of counsel for Rail Fleet Corporation delivered to the Vendee and the Note Purchasers with respect to the Purchase Order Agreement and dated November 22, 1978. 139

Certificate of the Vice President of the Vendee, dated November 22, 1978. 140

Opinion of counsel for the Vendee delivered to the Note Purchasers and dated November 22, 1978. 141

Certificates of Acceptance (2) delivered to the Vendee, the Assignee of the Vendee and the Builders respectively, dated November 22, 1978. 142

Bills of Sale (2) delivered by the Builders pursuant to Section 4.2(d)(ii) of the Participation Agreement and dated November 21, 1978. 143

Invoices (2) for the Items of Equipment delivered by the Builders pursuant to Section 4.2(d)(i) of the Participation Agreement. 144

Opinion of counsel for National Railway Utilization Corporation delivered with respect to the Bill of Sale, dated November 22, 1978. 145

Opinion of counsel for Rail Fleet Corporation delivered with respect to the Bill of Sale, dated November 22, 1978. 146

Promissory Note in the principal amount of $500,000 delivered to The Paul Revere Variable Annuity Insurance Company by Funding Systems Railcars, Inc. and dated November 22, 1978. 147

Promissory Note in the principal amount of $221,875 delivered to AVCO Corporation Retirement Income Trust by Funding Systems Railcars, Inc. and dated November 22, 1978. 148

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EXHIBIT C

ESCROW DEPOSIT AGREEMENT

No._____

This Escrow Deposit Agreement is made this 20th day of December, 1982 by Sherwin I. Pogrund("Owner"), Girard Bank ("Trustee") and the Shawmut Worcester County Bank, N.A. ("Escrow Agent").

Recitals of Fact

On December 20, 1982, the Owner, the Trustee and Avco Corporation Retirement Income Trust, The Paul Revere Variable Annuity Insurance Company and The Paul Revere Life Insurance Company (collectively "Creditors") entered into a Post-Default Settlement Agreement ("Settlement Agreement") a copy of which is attached hereto as Exhibit I. The Settlement Agreement provides, inter alia, that contemporaneously with the Settlement Agreement's execution, the Owner shall deposit in Escrow (as hereinafter defined) a duly executed but undated Bill of Sale to all boxcars which are identified in Exhibit A of the Settlement Agreement (the "Boxcars") transferring and conveying to the Trustee all right, title and interest in and to the Boxcars, Owner now or hereafter may have, warranting that such transfer is rightful. Upon the Trustee's request, Owner also shall execute and deposit into the Escrow undated Bills of Sale covering any replacement Boxcars or amended Bill of Sale in the event that the description of any Boxcars in the originally deposited Bills of Sales covering the Boxcars is or

becomes inaccurate. All of these Bills of Sale shall be known collectively as "Bills of Sale" and shall be in the form substantially as that attached hereto as Exhibit II.

Owner and Trustee desire to designate an Escrow Agent to perform the duties of escrow agent contemplated by the Settlement Agreement. In consideration of the foregoing and of the covenants set forth below, it is hereby agreed as follows:

1. Establishment of Escrow. As of the date of the Escrow Deposit Agreement and Settlement Agreement, and subject to their terms and conditions, the Escrow Agent shall establish an escrow at its offices in Worcester, Massachusetts ("the Escrow"). Trustee and Owner hereby appoint the Shawmut Worcester County Bank, N.A. as Escrow Agent to administer the Escrow, and the Shawmut Worcester County Bank, N.A. hereby accepts the appointment.

2. Identification of Bills of Sale. Owner has delivered to Trustee the duly executed but undated Bills of Sale prior to their deposit into the Escrow, only for the purpose of verifying that the items so delivered conform to the requirements and description of the Escrow Deposit and Settlement Agreements.

3. Deposit of Escrow Property. As of the date of the Escrow Deposit and Settlement Agreements, Owner and Trustee have deposited the Bills of Sale with Escrow Agent, the receipt of which is hereby acknowledged by Escrow Agent. Except as otherwise provided in the Escrow Deposit Agreement, the aforesaid deposit and any subsequent deposit by or on behalf of Owner shall be irrevocable until delivery of the Bills of Sale is made in accordance with paragraphs 4 and 5 hereof or the Escrow Deposit Agreement expires in accordance with paragraph 6 hereof.

4. Escrow Agent's Powers. Owner hereby irrevocably authorizes Escrow Agent to date and perform all tasks necessary to deliver the Bills of Sale to Trustee upon receipt of Trustee's Certification in accordance with paragraph 5 hereof. Owner also irrevocably authorizes Escrow Agent, upon Trustee's written request, to amend the Bills of Sale in accordance with such written request, the event that the description of any Boxcars in the originally deposited Bills of Sale is or becomes inaccurate.

5. Delivery of Bills of Sale to Trustee. Escrow Agent shall date and deliver the executed Bills of Sale to Trustee on the fifth business day after receipt of a written certification executed by an officer of Trustee ("Trustee's Certification") that an Agreement Event of Default has occurred under the Settlement Agreement. Escrow Agent shall, within one (1) business day after receipt of Trustee's Certification, give written notice to Owner of receipt of the Trustee's Certification, with a copy of it enclosed.

6. Duration. This Escrow Deposit Agreement shall remain in effect until the Bills of Sale are delivered pursuant to Paragraph 5 hereof or if they are not so delivered until Escrow Agent receives certification executed by an officer of Trustee ("Completion Certification") that the terms of the Settlement Agreement have been completed. Upon receipt of a Completion Certification, Escrow Agent shall deliver the Bills of Sale to Owner.

7. Conflicting Demands. In case of conflicting or disputed demands upon it, Escrow Agent is authorized, directed and empowered to perform its duties under the Escrow Deposit Agreement in accordance with its sole discretion or it may, in case of

substantial doubt about its duties, withhold performance until such time as the conflicting or disputed demands shall have been withdrawn or the rights of the respective parties shall have been settled or determined by court adjudication, arbitration or otherwise.

8. General Terms. The acceptance by Shawmut Worcester County Bank, N.A. of its appointment under the Escrow Deposit Agreement as Escrow Agent is subject to the following terms and conditions, which shall govern and control the rights, duties, liabilities and immunities of the Escrow Agent:

(a) Escrow Agent's duties and responsibilities shall be limited to those expressly set forth in this Escrow Deposit Agreement and Section 8.8 of the Settlement Agreement.

(b) Escrow Agent is authorized, in its sole discretion, to disregard any and all notices or instructions given by Owner or Trustee or by any other person, firm or corporation, except only such notices or instructions as are provided for in this Escrow Deposit Agreement or the Settlement Agreement, and orders or process of any court entered or issued with or without jurisdiction. If any property subject hereto is at any time attached, garnished, or levied upon under any court order or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such events Escrow Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel of its own choosing is binding upon it; and if it complies with any such order, writ, judgment or decree it shall not be liable to any of the parites hereto or to any other person, firm or corporation by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

(c) Escrow Agent shall not be personally liable for any act taken or omitted hereunder if taken or omitted by it in good faith and in the exercise of its own best judgment. Escrow Agent shall also be fully protected in relying upon any written notice, demand, certificate or document which it in good faith believes to be genuine.

(d) Escrow Agent shall not be responsible for the sufficiency or accuracy of the form, execution, validity or genuineness of documents now or hereafter deposited hereunder, or of any endorsement thereon, or for any lack of endorsement thereon, or for any description therein, nor shall it be responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such document, security or endorsement or these escrow instructions.

(e) Any notices which Escrow Agent is required or desires to give hereunder to Owner or Trustee shall be in writing and may be given by mailing the same to the address indicated below opposite the respective signature of Owner or Trustee (or to such other address as Owner or Trustee may have theretofore substituted therefor by written notification to it), by United States certified mail, postage prepaid. For all purposes hereof any notice so mailed shall be as effectual as though served upon Owner or Trustee at the time it is deposited in the United States mail by Escrow Agent whether or not the addressee thereafter actually receives such notice. Notices to Escrow Agent shall be in writing and shall not be deemed to be given until actually received by its trust department employee or officer who administers this escrow. Whenever under the terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or holiday, such time shall be extended to the next business day.

(f) If Escrow Agent reasonably believes it to be necessary to consult with counsel concerning any of its duties in connection with this escrow, or in case it becomes involved in litigation on account of being escrowee hereunder or on account of having received property subject hereto, then in either case, its costs, expenses, and reasonable attorney's fees shall be paid equally by Owner and Trustee.

(g) Escrow Agent shall be paid a reasonable fee for its services and reimbursed for its costs and expenses thereunder equally by Owner and Trustee.

(h) If Escrow Agent's fees, costs, expenses, or reasonable attorney's fees provided for herein are not promptly paid, Escrow Agent shall have the right to sell the property held hereunder and reimburse itself therefor from the proceeds of such sale.

(i) It is understood that Escrow Agent reserves the right to resign as Escrowee at any time by giving written notice of its resignation, specifying the effective date thereof, to both Owner and Trustee. Within 30 days after receiving the aforesaid notice, Owner and Trustee agree to appoint a successor Escrowee to which Escrow Agent may distribute the property then held hereunder, less its fees, costs and expenses. If a successor Escrowee has not been appointed and has not accepted such appointment by the end of the 30-day period, Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrowee, and the costs, expenses and reasonable attorneys' fees which it incurs in connection with such a proceeding shall be paid equally by Owner and Trustee.

(j) The Escrow Deposit Agreement may at any time and from time to time, be amended or modified by a writing signed by the parties hereto, delivered to the Escrow Agent on or before its effective date, provided that the duties, powers, compensation and liabilities of the Escrow Agent shall not be changed without its written consent; or this Escrow Agreement may be terminated or revoked by a writing signed by the parties upon payment to the Escrow Agent of reasonable compensation for its services and payment of its disbursements, if any.

(k) This Escrow Deposit Agreement shall inure to and be binding upon the parties hereto and their respective legal representatives, heirs, successors and assigns.

(l) All parties to the Escrow Deposit Agreement agree to take any and all action and sign, seal, execute, acknowledge and deliver any and all documents and instruments necessary or convenient in the reasonable opinion of any other party to this Escrow Deposit Agreement to carry out the terms and provisions hereof.

(m) If, by its terms, this escrow shall not have previously terminated, then it shall terminate in accordance with paragraph 6 (unless renewed or extended by written agreement of all parties), at which time the property then held hereunder shall be returned by Escrow Agent to the Owner.

9. Choice of Law. This Escrow Agreement shall be construed, enforced, and administered in accordance with the laws of the Commonwealth of Massachusetts.

10. Escrow Agent's Duty. The undersigned Escrow Agent hereby agrees to hold, deal with and dispose of the property described in this Escrow Deposit Agreement and other property at any time held by it hereunder in accordance with the foregoing Escrow Deposit Agreement.

Parties to Escrow

Addresses

_____
SHERWIN I. POGRUND

_____

_____

_____

_____

_____

_____

GIRARD BANK

By_____

Title:_____

ATTEST:

By_____

Title: _____

ATTEST:

SHAWMUT WORCESTER COUNTY BANK, N.A.

_____
Trust Officer

By:_____
Vice President

EXECUTED IN _____ COPIES

EXHIBIT II

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, Sherwin I. Pogrund ("SELLER") for and in consideration of Ten Dollars ($10.00) and other good and valuable consideration received from GIRARD BANK, a Pennsylvania Chartered Bank acting as Agent for the Avco Corporation Retirement Income Trust, The Paul Revere Life Insurance Company and The Paul Revere Variable Annuity Insurance Company, and located at 3 Girard Plaza, Philadelphia, Pennsylvania 19101 ("Buyer"), the receipt and sufficiency of which is hereby acknowledged, has bargained, sold, transferred, assigned, set over and conveyed, and by these presents does bargain, sell, transfer, assign, set over and convey unto the Buyer, its successors and assigns forever, all of Seller's right, title and interest in and to the railroad cars (the "Equipment") described on the Schedule attached hereto.

TO HAVE AND TO HOLD the Equipment unto the Buyer, its successors and assigns, to its and their own use and behalf forever.

EXCEPT AS SPECIFICALLY SET FORTH IN THIS BILL OF SALE, THERE ARE NO WARRANTIES OR REPRESENTATIONS OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, CONCERNING THE EQUIPMENT, ITS CONDITION, ITS FITNESS FOR A PARTICULAR PURPOSE, ITS MERCHANTABILITY OR WITH RESPECT TO PATENT INFRINGEMENT OR THE LIKE. SELLER SHALL, IN NO EVENT, BE LIABLE TO BUYER FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES CAUSED, DIRECTLY OR INDIRECTLY, BY THE EQUIPMENT OR ANY INADEQUACY THEREOF FOR ANY PURPOSE, OR ANY DEFICIENCY OR DEFECT THEREIN, OR THE USE OR MAINTENANCE THEREOF, OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO.

Seller, for itself and its successors and assigns further covenants and agrees to do, execute and deliver, or to cause to be done, executed and delivered, all such further acts, transfers and assurances, for the better assuring, conveying and confirming unto Buyer and its successors and assigns, all and singular, the rights and interests in the Equipment hereby bargained, sold, assigned, transferred, set over and conveyed, as Buyer and its successors and assigns shall request.

This Bill of Sale and the representations, warranties, and covenants herein contained shall inure to the benefit of Buyer and its successors and assigns, shall be binding upon Seller and its successors, assigns and transferees, and shall survive the execution and delivery hereof.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed on _____, 19 ____.

_____

Sherwin I. Pogrund

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this _____ day of _____, 19____, before me personally appeared SHERWIN I. POGRUND, to be known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

[SEAL] _____
Notary Public

My commission expires: _____

SCHEDULE TO BILL OF SALE

(Pogrund)

The Boxcars consist of 49 railroad boxcars identified below together with all accessories, equipment, parts, and appurtenances pertaining or attached to any of the Boxcars, all substitutions, renewals, replacements of and additions, improvements, accessions and accumulations to any of the Boxcars, and all proceeds, including insurance proceeds of any of the foregoing.

DESCRIPTION:

70-ton Railway Boxcars, 50' 6" AAR Mechanical Designation XM, 1978 construction by Berwick Forge & Fabricating Division of Whittaker Corporation, Rail Fleet Corporation or National Railway Utilization Corporation.

ORIGINAL LESSEE ROAD NUMBERS:

PT 201036 - 201071 (inclusive);
MNJ 120510 - 120516 (inclusive);
NSL 156015 - 156021 (inclusive).

LESSEE ROAD NUMBER DESIGNATIONS ON 12-16-82:

PT 201036, 201041, 201045, 201053, 201056, 201058, 201059, 201061.

WSOR 201037, 201038 (destroyed), 201042-201044, 201046-201052, 201054, 201055, 201057, 201060, 201062-201069, 201071, 120510-120516 156015-156021, 201039, 201040.

MISS 201070.

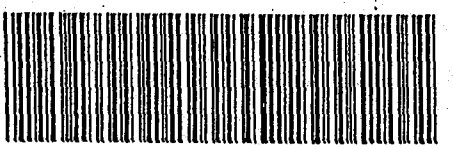

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EXHIBIT D

FSR NOTES

(POGRUND)

The FSR Notes secured by Owner's Boxcars are two 11 1/4% promissory notes dated September 29, 1978, executed by FSR and payable to PRLIC, one in the principal amount of $1,212,600.00 and the other in the principal amount of $198,618.00.

Total unpaid principal as of 11-30-82 -- $ 1,322,810.55

Total accrued unpaid interest as of 11-30-82 -- $ 360,769.43

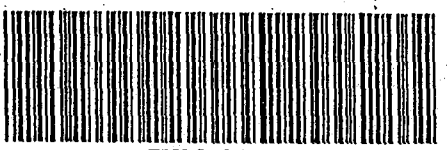

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EXHIBIT E

MANAGEMENT AGREEMENT

DATE: December 20, 1982

PARTIES: BRAE Corporation, Four Embarcadero Center, Suite 3100, San Francisco, California 94111 ("BRAE"), _____ SHERWIN I. POGRUND _____ ("Owner"), and the Girard Bank, 3 Girard Plaza, Phildelphia, Pennsylvania 19101 (the "Agent"), as agent for The Paul Revere Life Insurance Company, The Paul Revere Variable Annuity Insurance Company, Avco Corporation Retirement Income Trust (the "Creditors").

DEFINITIONS:

"Account"	-	The account in the name of the Paul Revere Life Insurance Company, maintained to receive payments hereunder for the benefit of the Creditors, at Morgan Guaranty Trust Company, 23 Wall Street, New York, New York 10015, account no. 051-67-716.
"Agreement"	-	the Post Default Settlement Agreement dated December 20, 1982, among the Agent, Owner, and the Creditors.
"Agreement Event of Default"	-	an event of default declared by the Agent or the Creditors under the Agreement.
"Boxcars"	-	the boxcars listed and described on Exhibit A attached hereto

"Boxcar Loan Documents"	-	the financing and related documents described in Exhibit B to the Agreement whereby Agent was appointed by the Creditors and was granted a purchase money security interest in the Boxcars and a security interest in all lease and management agreements concerning, and proceeds of, the Boxcars.
"Collateral Obligations"	-	those obligations of the Owner described in Section 1.15 of the Agreement, which include all obligations assumed by Owner under this agreement and the Utilization Agreements.
"Creditors"	-	Avco Corporation Retirement Income Trust, Paul Revere Life Insurance Company, and Paul Revere Variable Annuity Insurance Company.
"Utilization Agreements"	-	lease, car hire, rental or other revenue producing deployment agreements of or concerning the Boxcars obtained by BRAE pursuant to this agreement.
"Limited Recourse Obligations"	-	all obligations of or assumed by Owner under this agreement and under the Utilization Agreements which are not Recourse Obligations. Limited Recourse Obligations are payable by Owner solely from the revenues, rents, payments, profits, distributions and proceeds from this agreement and the Utilization Agreements.
"Recourse Obligations"	-	all direct liability to third persons and indemnity liability to BRAE or Agent under this agreement and under the Utilization Agreements arising only from or out of (i) the negligence, misconduct or unauthorized

actions of Owner, (ii) products liability, strict tort liability or other tort liability based on ownership, or (iii) statutory or any other noncontractual liability based on ownership.

RECITALS:

A. Owner owns the Boxcars. Pursuant to the Agreement and the Boxcar Loan Documents, Agent retains a security interest in the Boxcars and pursuant to which Agent is assigned the Owner's rights to receive all revenues, rents, payments, profits, distributions and proceeds from this agreement and the Utilization Agreements. BRAE acknowledges and is willing to recognize such assignment. Pursuant to rejection by the prior manager, the Boxcars are now becoming available for disposition pursuant to this Agreement.

B. BRAE engages in the business of managing railcars for railcar owners, and Owner and Agent desire to retain BRAE as agent for the purpose of managing the Boxcars on their behalf. This Management Agreement is not intended as a partnership or a joint venture among or between any of BRAE, the Owner and/or the Agent and in that respect BRAE has no authority to bind Owner or Agent without their written consent.

C. In consideration of the mutual promises made herein, Owner, Agent and BRAE, intending to be legally bound, hereby agree as follows:

AGREEMENTS:

1. Engagement of BRAE

Subject to rejection by the present managers of the Boxcars, and their becoming available for disposition pursuant to this Agreement, Owner and Agent hereby engages BRAE as agent of Owner and Agent to manage the Boxcars, remarket the Boxcars, store the Boxcars prior to remarketing, collect amounts due to or on behalf of Agent and Owner with respect to the Boxcars and disburse funds to pay costs, expenses and obligations of Owner with respect to the Boxcars, all on the terms and conditions set forth herein, and BRAE accepts such engagement and agrees to act as agent for Owner and Agent and perform in accordance with the terms and conditions hereof.

2. Term

The term of this Agreement and the agency created hereby shall commence as of the date hereto or the date BRAE receives possession of the Boxcars, whichever is later, and shall continue for a period of five years; provided, however, that notwithstanding any termination of this Agreement, BRAE and Owner shall continue to be obligated to fulfill all obligations arising out of events occurring prior to termination of this Agreement. BRAE, Agent and Owner hereby agree that following the first twelve months of this Agreement should any Boxcar not be subject to a Utilization Agreement for a period of 180 or more consecutive days, Owner shall have the right to terminate this Agreement, with

respect to any such Boxcar, upon 60 days' advance written notice to BRAE.

3. Duties of BRAE

In consideration of the compensation to be paid to BRAE by Owner pursuant to Section 6 hereof, and subject to the agreement of Owner to reimburse BRAE pursuant to Section 5 hereof, BRAE, at its own expense except as hereinafter provided, shall provide and perform during the term of this Agreement on behalf of Owner the following services:

(a) Inspect up to 15% of the Boxcars to determine whether the Boxcars have been properly maintained and repaired by the responsible parties under any lease or other agreement which they may have been subject to prior to the date hereof. Promptly upon request by BRAE, the Owner will reimburse BRAE for all costs and expenses incurred by BRAE in connection with such inspection.

(b) Use its best efforts to arrange to have the Boxcars maintained and/or repaired, if necessary, at Owner's expense, and arrange for all alterations, modifications, improvements or additions to the Boxcars to comply with applicable laws or regulations, provided, however, that no alterations, modifications, improvements or additions of the type referred to in Section 5 hereof or any such repairs or maintenance expenses exceeding $500 per Boxcar or an aggregate exceeding $10,000 shall be made without the approval of Owner and Agent. Such approval will not be unreasonably withheld. Promptly upon request by BRAE, the Owner will

reimburse BRAE for all costs, expenses, fees and charges incurred in connection with repairing, maintaining and servicing the Boxcars, unless any such repairs, maintenance or servicing was (or were) occasioned by the negligence or wilfull misconduct of BRAE or any of BRAE's agents or employees.

(c) Use reasonable efforts to keep the Boxcars in use on terms satisfactory to Owner and Agent, and enter into, as agent for Owner, utilization agreements providing for such utilization of the Boxcars, provided, however, all such agreements shall have been previously approved by Owner and Agent in writing, which approval shall not be unreasonably withheld. It shall not be unreasonable for Owner or Agent to withhold consent to any Utilization Agreement which would constitute a transaction or disposition of the Boxcars described in Section 5.2.1(ii) of the Agreement.

(d) Perform, on behalf of Owner, all of Owner's obligations under any Utilization Agreement; provided, however, that any such obligations which require payments by Owner shall be performed by BRAE subject to reimbursement by Owner as hereinafter provided.

(e) Arrange for any Boxcars not subject to a Utilization Agreement to be safely stored as economically as possible until such Boxcars can be placed in use under a Utilization Agreement. Promptly upon request by BRAE, Owner will reimburse BRAE for all costs incurred in connection with storing the Boxcars.

(f) Register the Boxcars, comply with all applicable statutes, rules, regulations and orders affecting the Boxcars or their use, and file all required initial and ongoing reports with the AAR, ICC or Department of Transportation or any other regulatory authority having jurisdiction over the Boxcars or any Utilization Agreement in order to ensure that the Boxcars will at all times be entitled to generate the maximum possible revenue subject to the provisions of any Utilization Agreement and will at all times comply with all statutes, rules, regulations and administrative or judicial orders affecting the title, operation and use of the Boxcars.

(g) Immediately upon execution of this Agreement, or as soon thereafter as reasonably practicable, commence to manage and operate the Boxcars, as hereinafter provided, and continue, during the term of this Agreement, to manage and operate the Boxcars, at all times in conformance with all applicable rules and regulations of the AAR, ICC, Department of Transportation, or any other regulatory authority having jurisdiction over the Boxcars.

(h) Collect all rental payments, boxcar hire, mileage allowances and any other revenue due to the Owner or Agent with respect to the Boxcars, identifying itself as agent for that purpose, and account for and remit all such sums to Agent as hereinafter provided.

(i) Place in Owner's and Agent's name, subject to Owner's and Agent's prior approval (which approval will not

be unreasonably withheld) and at Agent's expense (except for the cost of coverage for Owner which shall be paid by Owner or the costs which may be assumed by any user or lessee under a Utilization Agreement), such insurance as may be reasonably available to protect the interest of the Agent and Owner in the Boxcars including, without limitation, insurance against (i) personal liability, including property damage and personal injury, (ii) loss of or damage to the Boxcars, and (iii) loss of revenues with respect to the Boxcars. Such insurance shall name Agent, Owner, and BRAE as co-insureds.

(j) Pay on behalf of Owner all charges, assessments, or levies imposed upon or against the Boxcars (other than charges, assessments, or levies payable by any lessee under a Utilization Agreement) of whatever kind or nature and, in BRAE's discretion, defend against any such charges and seek revision or appeal from any assessment or charge deemed improper, all such actions to be in the name of Owner. Promptly upon request by BRAE, Owner will reimburse BRAE for all such sums paid by BRAE on behalf of Owner. If, in order to pursue such actions, BRAE deems it necessary to retain the services of outside counsel, the expense of such counsel shall be borne by Owner, provided that BRAE has secured prior approval from Owner and Agent.

(k) Monitor and record movement of the Boxcars.

(l) Maintain complete and accurate records relating to the Boxcars in the same form and to the same extent

as BRAE customarily maintains records of its own boxcars, and make such records available for inspection by Owner or Agent or any of their representatives during reasonable business hours.

(m) Cause the Boxcars, at the expense of Owner, to be painted such colors and with such designs designated by any user under a Utilization Agreement in accordance with the terms of such Utilization Agreement and place reporting marks or such other marks, legends, or placards on the Boxcars as shall be appropriate or necessary to comply with any regulation imposed by the AAR, provided that BRAE shall cause such Boxcars to be permanently and conspicuously marked if they are not presently so marked, by a plate or a stencil printed upon each side of each Boxcar in letters not less than one inch in height stating that the Boxcars are owned by the Owner and subject to a security interest recorded with the I.C.C., with appropriate changes thereto as from time to time may be required by law in order to protect the title of Owner and the rights of Agent as secured party.

(n) Cause the Boxcars to be moved at Owner's expense to the required destination points, as provided in the Utilization Agreements, at the lowest possible transportation cost to Owner, consistent with the operating needs of the user under any such Utilization Agreement. If possible, BRAE will cause all Boxcars to be loaded and moved as revenue earning equipment to their destinations.

(o) Upon the termination of any Utilization Agreement with respect to each Boxcar at expiration or otherwise, BRAE will arrange, at Owner's expense (except to the extent such expenses are to be paid by the user under such Utilization Agreement), for the transportation, gathering, storage and remarking of the Boxcars to the extent required. Following the termination of any Utilization Agreement, BRAE will attempt to secure alternative Utilization Agreements or other uses for the Boxcars which will maximize the economic return to Owner.

(p) Use its best efforts to collect all sums due Owner or Agent, including, without limitation, insurance benefits or railroad indemnity payments, in the event of damage to, or loss or total destruction of, a Boxcar during the term of this Agreement and to remit all sums due Owner and Agent as hereinafter provided. If, in order to collect sums due Owner and Agent, BRAE deems it necessary to retain the services of outside counsel, the expense of such counsel shall be borne by Owner, provided that BRAE has secured prior approval from Owner and Agent.

4. Car Revenue

All revenue received by BRAE to which Agent is entitled in connection with the Boxcars from whatever source and for whatever reason, including, but not limited to, per diem, incentive per diem, mileage, penalties, demurrage, indemnity payments and insurance proceeds shall be remitted to the Agent to the Account on a monthly basis. BRAE shall

deduct from such amounts remitted to Agent both expenses and management fees to which BRAE is entitled under paragraphs 5 and 6 below.

5. Expenses

BRAE shall be entitled to reimbursement for all disbursements that it has properly made in accordance with the provisions of this Agreement for maintenance, insurance, or other payments made by BRAE subject to reimbursement as provided in Section 3 above. In addition, any payments made by BRAE with the written authorization of the Owner and Agent for special improvements which may be required by the AAR, ICC or other regulatory authority or for liability claims for damage or loss assessed against the Owner shall be made within 10 days of invoice from BRAE and paid via check or wire transfer. All other expenses incurred by BRAE in connection with the performance of its obligations to the Owner under this Agreement shall be for the account of BRAE and shall not be subject to reimbursement.

6. Compensation

As compensation for its services hereunder, BRAE shall be paid by Owner a fee of $10 per Boxcar per month pro rated on a daily basis, with respect to each Boxcar which is placed in storage at any time during the term hereof, payable monthly in arrears, commencing, with respect to each such Boxcar, on the date that such Boxcar first goes into storage and continuing as long as such Boxcar remains in storage; and a fee equal to 15% of the gross rental earned by each

Boxcar with respect to any Boxcar made subject to a Utilization Agreement during the term hereof, payable 30 days after the receipt of each revenue payment made by the user subject to such Utilization Agreement commencing, with respect to each such Boxcar, on the date that such Boxcar first becomes subject to such Utilization Agreement and continuing as long as such Boxcar remains subject to such Utilization Agreement.

7. Reports

BRAE shall, within 15 days of the last day of each calendar quarter during the term of this Agreement, submit to the Owner and Agent each a report of the activity of the Boxcars for such preceding calendar quarter. This report will summarize for each Boxcar for such calendar quarter (i) amounts earned; (ii) amounts received and deposited to the Account; (iii) amounts outstanding with respect to prior quarters with explanations for overdue amounts; (iv) maintenance expenditures; (v) storage fees; (vi) other expenditures; and (vii) casualty occurrences.

BRAE shall notify the Owner and the Agent immediately upon becoming aware of (i) the occurrence of any event which would cause any Boxcar to be taken out of service; (ii) the occurrence of any event which would be an event of default under a Utilization Agreement; (iii) the occurrence of any event which would enable the Owner or Agent to terminate a Utilization Agreement with respect to any Boxcar; (iv) the imposition of any rules or regulations by any regulatory authority having jurisdiction over the Boxcars which may

have a material impact on the Owner's or Agent's revenue or expense relative to the Boxcars.

The Owner and the Agent shall have the right, by its agents, to inspect BRAE's records with respect to the matters covered by this Agreement at such reasonable time as the Owner or Agent may request during the term of this Agreement.

8. Default

(a) The occurrence of any of the following events shall be an event of default:

(i) The non-payment by BRAE or Owner of any sum required herein to be paid within 10 days after written notice that any such payment is overdue.

(ii) The breach by either party of any other term, covenant, or condition of this Agreement, which is not cured within 30 days after written notification of breach.

(iii) Any act of insolvency by either party or the filing of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against either party that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of such party unless such petition or appointment is set aside or

withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(b) Upon the occurrence of any event of default and in addition to any other remedies provided under applicable law, the party not in default may, at its option, terminate this Agreement or proceed by any lawful means to enforce performance of this Agreement.

(c) If BRAE or any user of the Boxcars for any reason becomes a debtor in any state or federal bankruptcy, insolvency, receivership or reorganization proceedings under any present or future law, BRAE covenants and agrees to use all reasonable means available and its best efforts to assist Owner and Agent in obtaining possession of the Boxcars from BRAE or any lessee/user including but not limited to refusal to extend any time period set forth in 11 U.S.C. §1168, and BRAE agrees that 11 U.S.C. §1168 shall apply to any reorganization or liquidation proceedings in which BRAE is a debtor. BRAE shall have the right, within 90 days from commencement of such proceedings, or within such further time as the parties mutually agree in writing, to assign the use, management, control and right to possession of the Boxcars to a railroad or other entity acceptable to Owner and Agent. Nothing herein shall preclude Owner or Agent from enforcing its rights against BRAE or any lessee/user in any such proceedings. If an event of default has occurred hereunder that has not been cured, BRAE will not hinder,

delay or oppose any efforts by Owner to enforce its ownership rights, and Agent its security interest, or to secure possession of the Boxcars.

9. Indemnification

Owner shall defend (if such defense is tendered to Owner), indemnify and hold BRAE harmless from and against any and all claims, actions, damages, expenses (including reasonable attorneys' fees and reasonable cost of investigation), losses or liabilities incurred by or asserted against BRAE as a result of the use, operation, possession, control, maintenance, repair or storage of the Boxcars including, claims for injury to or death of persons, loss of or damage to property (including the Boxcars), and economic loss (except that of BRAE) due to the inavailability for use of the Boxcars; provided, however, that Owner shall not defend, indemnify or hold BRAE harmless from and against, and BRAE shall not be exculpated from, any claim, action, damage, expense, loss or liability caused by or arising from the negligence, bad faith, recklessness, or wilfull misconduct of BRAE.

10. Conflicts of Interest

It is understood and agreed that BRAE is managing other boxcars and leasing other boxcars similar to the Boxcars for its own account and that BRAE may have conflicts of interest between the management of the Boxcars and such other boxcars. Although there can be no assurance that the Boxcars will earn revenues equal to those of such other

boxcars and except for utilization agreements approved by Owner and Agent for disposition of the Boxcars, to the extent possible and as permitted by the constraints of overall operations, BRAE further agrees that it will not take affirmative steps or consciously omit steps, the effect of which is to treat the Boxcars less favorably than such other similar boxcars. BRAE expressly reserves the right, however, to attempt to lease those boxcars in its fleet which have been off lease and available for lease for the longest period of time. BRAE represents and warrants that it has given no more favorable terms than those set forth in this Section 10 to any other party with which it has contractual arrangements of any nature. BRAE agrees that if, in the future, it gives more favorable terms relating to conflicts of interest, it will promptly advise Owner and Agent of said more favorable terms and will, at the request of Owner or Agent, amend this Agreement to provide at least these same terms to the Owner and Agent.

11. Notices

Any notice required or permitted hereunder shall be in writing and shall be deemed given when delivered personally or dispatched in any post office of the United States by registered or certified mail, postage prepaid, addressed to the other party as follows:

If to BRAE: BRAE Corporation
Four Embarcadero Center
Suite 3100
San Francisco, California 94111
Attn: William F. Bryant

If to Owner:	Sherwin I. Pogrund, Esq. 221 North LaSalle Street, 28th Floor Chicago, Illinois 60601
With a copy to:	Richard J. Firfer Kanter & Eisenberg 3 First National Plaza 22nd Floor Chicago, Illinois 60602
If to Agent:	Girard Bank 3 Girard Plaza Philadelphia, Pennsylvania 19101 Attn: Harold Ikeler Vice President
With a copy to:	William C. Crooks, Esq. Vice President & General Counsel The Paul Revere Investment Management Corp. 1275 King Street Greenwich, Connecticut 06830

and any party may change such address by notice given to the other party in the manner set forth above.

12. Rights among BRAE, Owner and Agent.

(a) BRAE and Owner acknowledge and agree that in accordance with the Agreement but subject to Sections 12(b) and 12(c) hereof, the Owner has assigned to Agent as collateral security all its right, title and interest in and to this agreement, and any Utilization Agreement and all rents, income, payment and proceeds under or from this agreement or any Utilization Agreements; and that to protect its rights under the Agreement the Agent shall have all rights, privileges and powers and shall receive all revenue, income, rentals, payments, distributions and proceeds under or pursuant to this agreement and the Utilization Agreements. Accordingly, the parties acknowledge that it is of the essence of this

agreement, and the Owner and Agent irrevocably direct, that at all times (i) the Agent shall directly receive and BRAE shall directly pay to the Agent into the Account all revenues, income, rentals, payments, distributions and proceeds from this agreement, the Utilization Agreements and the Boxcars, (ii) upon the declaration of an Agreement Event of Default and the delivery to BRAE of a copy thereof as provided in Section 10.2 of the Agreement, with respect to BRAE or any lessee or other obligor under any Utilization Agreement of the Boxcars, Agent may, in Owner's place and stead, consent or withhold consent, authorize or withhold authorization, compromise or settle any claims, amend any covenants or agreements and cure or declare any defaults with respect to any matter coming within the scope and subject matter of this agreement, any Utilization Agreement or any other agreement or action concerning the Boxcars. At Agent's request Owner agrees to acknowledge in writing by language satisfactory to Agent the rights of Agent over the Owner with respect to each Utilization Agreement, as provided herein and in the Agreement.

(b) Notwithstanding the assignment of this agreement and the Utilization Agreements contemplated hereby as set forth in the prior subparagraph of this agreement, Owner shall continue to be responsible for and shall promptly pay and discharge all payment obligations and liabilities assumed by Owner or that are Owner's responsibility hereunder and under the Utilization Agreements. All such obligations and

liabilities assumed by Owner hereunder and thereunder shall be on a nonrecourse basis payable solely out of the revenues, rents, payments, distributions and proceeds of this agreement and the Utilization Agreements, i.e., they shall be Limited Recourse Obligations, except to the extent as otherwise provided in Section 3 of the Agreement and except for Recourse Obligations. To the extent that any of the Limited Recourse Obligations assumed by Owner hereunder are not satisfied on a monthly basis from the revenues, rents, payments, distributions and proceeds of this agreement or the Utilization Agreements, Agent shall upon notice thereof advance funds to BRAE to the extent necessary to eliminate any deficiency. Such advances by Agent shall be treated as additional Collateral Obligations of the Owner under the Agreement.

(c) Notwithstanding the assignment of this agreement and the Utilization Agreements to Agent, it is expected that Owner, subject to the management duties of BRAE set forth in this Agreement, will actively participate as Owner in decision-making concerning and monitoring of this Agreement and the Utilization Agreements, provided, however, that (i) Owner shall not make any decision, take any action, or grant or withhold consent to any action requested of it by BRAE or any third party in connection with this agreement, the Utilization Agreements or the Boxcars leased thereunder without first notifying and obtaining the written consent of the Agent to such decision, action, consent or withholding of consent, (ii) in no event shall Owner be deemed authorized

or shall Owner take any action which shall result in any of the revenues, rentals, payments, profits, distributions and proceeds of this agreement, the Utilization Agreements and the Boxcars not being paid directly to the Agent or the Account, (iii) Owner will promptly take any action and execute any consents, instruments, leases, management agreements, utilization agreements, or other agreements or documents requested of it in writing by the Agent which, in the Creditors' sole discretion and judgment, will or is intended to preserve, protect or enhance its or the Creditors' interest in, rate of return on or revenues from and rights with respect to, this agreement, the Utilization Agreements or the Boxcars, or any other deployment agreement or document concerning the Boxcars, (iv) Owner's authority and rights of management and control retained hereunder and under the Utilization Agreements may be revoked, partially or entirely, temporarily or permanently, upon notice from the Agent to Owner and BRAE of the occurrence of an Agreement Event of Default, and (v) no amendment, modification, settlement, replacement or substitution with respect to this agreement, the Utilization Agreements or the Boxcars shall be made or be effective, binding or enforceable without the express written consent of the Agent.

(d) Upon receipt by BRAE of a copy of written notice from the Agent or the Creditors to the Owner that an Agreement Event of Default has occurred under the Agreement, at Agent's election, all rights, powers and privileges of

Owner hereunder, under the Utilization Agreements and concerning the Boxcars shall cease, including the right to receive notice of any act, make any decision, grant any consent, negotiate any term or settle or compromise any claim under this agreement or the Utilization Agreements or any deployment or disposition of the Boxcars. From and after receipt of such notice of an Agreement Event of Default, BRAE shall deal with and receive directions, solely and exclusively from Agent concerning any and all rights, powers and privileges of Owner and Agent under this agreement, the Utilization Agreements or pertaining to the Boxcars, without relieving Owner of any of its obligations under this agreement, the Utilization Agreements, or with respect to the Boxcars.

(e) The parties hereto recognize that the Agent is not acting for itself, but solely as agent for the Creditors identified in the Agreement, and is acting with authority contained in the Agreement and the Boxcar Loan Documents. The Agent shall therefore not be personally or individually liable for any action taken or obligation assumed by it contemplated by this Agreement or the Utilization Agreements.

13. Miscellaneous

(a) Governing Law. This Agreement shall be governed by and construed under the laws of the state of California.

(b) Headings. Titles and headings of the Sections and Subsections of this Agreement are for the convenience of reference only and do not form a part of this Agreement and shall not in any way affect the interpretation hereof.

(c) Amendment. No explanation or information by either of the parties hereto shall alter or affect the meaning or interpretation of this Agreement and no modification or amendment to this Agreement shall be valid unless in writing and executed by all parties hereto, except as provided in Paragraph 12(d) hereto.

(d) Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto; provided, however, that no assignment hereof by Owner or BRAE or transfer of any of the Owner's or BRAE's rights hereunder whether by operation of law or otherwise shall be valid and effective as against BRAE, Owner or Agent without the prior written consent of BRAE, Owner and Agent, which consent shall not be unreasonably withheld.

(e) Force Majeure. None of the parties hereto shall be deemed to be in breach or in violation of this Agreement if any of them is prevented from performing any of its obligations hereunder for any reason beyond its reasonable control including, without limitation, acts of God, riots, strikes, fires, storms, public disturbances, or any regulation of any Federal, State or local government or any agency thereof.

(f) Waiver. The waiver of any breach of any term or condition hereof shall not be deemed a waiver of any other or subsequent breach, whether of like or different nature.

(g) Severability. If any term or provision of this Agreement or the performance thereof shall to any extent be invalid or unenforceable, such invalidity or unenforceability shall not affect or render invalid or unenforceable any other provision of this Agreement, and this Agreement shall be valid and enforced to the fullest extent permitted by law.

(h) This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BRAE CORPORATION

ATTEST:

By: _____
Its: _____

BY: _____
Its: _____

_____
SHERWIN I. POGRUND

GIRARD BANK, as Agent

By: _____
Its: _____

ATTEST:

By: _____
Its: _____

THE PAUL REVERE LIFE INSURANCE COMPANY

By: _____
Its: _____

ATTEST:

By: _____
Its: _____

THE PAUL REVERE VARIABLE ANNUITY INSURANCE COMPANY

By: _____
Its: _____

ATTEST:

By: _____
Its: _____

AVCO CORPORATION RETIREMENT INCOME TRUST

By: _____
Its: _____

ATTEST:

By: _____
Its: _____

EXHIBIT A

BOXCARS

(Pogrund)

The Boxcars consist of 49 railroad boxcars identified below together with all accessories, equipment, parts, and appurtenances pertaining or attached to any of the Boxcars, all substitutions, renewals, replacements of and additions, improvements, accessions and accumulations to any of the Boxcars, and all proceeds, including insurance proceeds of any of the foregoing.

DESCRIPTION:

70-ton Railway Boxcars, 50' 6" AAR Mechanical Designation XM, 1978 construction by Berwick Forge & Fabricating Division of Whittaker Corporation, Rail Fleet Corporation or National Railway Utilization Corporation.

ORIGINAL LESSEE ROAD NUMBERS:

PT 201036 - 201071 (inclusive);
MNJ 120510 - 120516 (inclusive);
NSL 156015 - 156021 (inclusive).

LESSEE ROAD NUMBER DESIGNATIONS ON 12-16-82:

PT 201036, 201041, 201045, 201053, 201056, 201058, 201059, 201061.

WSOR 201037, 201038 (destroyed), 201042-201044, 201046-201052, 201054, 201055, 201057, 201060, 201062-201069, 201071, 120510-120516, 156015-156021, 201039, 201040.

MISS 201070.