RECORDATION NO. 11938-A Filed 1425

AUG 31 1981 -9 40 AM

INTERSTATE COMMERCE COMMISSION

$20

Rec Nos. 11938-A
11938-B

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
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OF COUNSEL
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CABLE ADDRESS
"ALVORD"

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RECORDATION NO. 11938-B Filed 1425

AUG 31 1981 -9 40 AM

INTERSTATE COMMERCE COMMISSION

August 28, 1981

No. 1-243A030
Date AUG 31 1981
Fee $ 20.00
ICC Washington, D. C.

Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D.C. 20434

Dear Madam:

Enclosed for recordation pursuant to the provisions of §11303(a) of Title 49 of the U.S.C. and the regulations thereunder are two Letter Agreements dated June 27, 1980 with reference to the Security Agreement dated June 27, 1980 between Funding Systems Railcars, Inc. and American National Bank and Trust Company of Chicago, which was duly filed and recorded at 11:20 a.m. on June 27, 1980 and assigned Recordation Number 11938.

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

35 Rebuilt Boxcars (70-ton) bearing Upper Merion and Plymouth Railroad Company Road Numbers UMP 1287 to UMP 1321 (both inclusive).

45 Rebuilt Boxcars (70-ton) bearing Hillsdale County Railway Company Road Numbers HCRC 1047, 1048, 1049, 1050, 1053, 1059, 1062-1100 (all inclusive).

FEE OPERATION BR.
AUG 31 9 34 AM '81
RECEIVED

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

Secured Party/Addressee:

American National Bank and Trust
Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

Counterpart - 1 for C. T. Kappler

8
20
Rec. No 11938-A
11938-B

Debtor/ Addressor:

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

Owner/Addressor:

Refco Rail Equipment, Inc.
39 South LaSalle Street
Chicago, Illinois 60603

The undersigned is agent for the Secured Party/ Addressee mentioned in the enclosed documents for the purpose of submitting the enclosed documents for recordation and has knowledge of the metters set forth therein.

Also enclosed is a remittance in the amount of $20 in payment of the required recordation fees.

Very truly yours,

ALVORD AND ALVORD

By: Charles T. Kappler

Charles T. Kappler

CTK/lac
Enclosures

11938-B

REFCO RAIL EQUIPMENT, INC.
39 South LaSalle Street
Chicago, Illinois 60603

June 27, 1980

TO: American National Bank and
Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

Attention: Jonathan P. Hecht,
Vice President

RECORDATION NO. 11938-B Filed 1425

AUG 31 1981 -9 40 AM

INTERSTATE COMMERCE COMMISSION

Gentlemen:

Reference is made to the Security Agreement, of even date herewith (the "Security Agreement"), between The American National Bank and Trust Company of Chicago (the "Lender"), and Funding Systems Railcars, Inc. ("Debtor"). Terms used herein and not otherwise defined shall have the meanings specified in the Security Agreement, a copy of which is attached hereto as Exhibit A.

Refco Rail Equipment, Inc. (the "Owner") and Debtor have heretofore entered into a Purchase Agreement, dated October 5, 1979, pursuant to which Debtor sold certain railcar hulks to the Owner. These hulks are being rebuilt by St. Louis Refrigerator Car Company pursuant to an agreement dated November 20, 1979, between Owner (as assignee of Debtor) and Builder. Upon the completion of the rebuilding, each rebuilt item of Equipment, as more fully described on Schedule A to the Security Agreement, will be leased to Debtor pursuant to an Agreement of Lease, dated March 21, 1980, as amended, between the Owner, as lessor, and Debtor, as lessee. Pursuant to a Collateral Assignment of Leases, of even date herewith, between the Owner and Debtor, Debtor is assigning, among other things, its interest in the rentals and other amounts payable under the Lease and Management Agreement to the Owner, as collateral security for Debtor's obligations under the Owner Lease (as hereinafter defined) referred to in this paragraph.

The agreement dated October 5, 1979 between the Owner and Debtor is hereinafter referred to as the "Purchase Agreement". All Items of Equipment rebuilt by St. Louis Refrigerator Car Company are hereinafter collectively referred to as the "Equipment". St. Louis Refrigerator Car Company is hereinafter referred to as the "Builder". The rebuilding agreement, between the Owner, and St. Louis Refrigerator Car Company dated November 20, 1979, is hereinafter referred to as the "Rebuilding Order". The Agreement of Lease hereinabove referred to is hereinafter referred to as

the "Owner Lease". The Collateral Assignment of Leases hereinabove referred to is hereinafter referred to as the "Collateral Assignment".

Pursuant to the Security Agreement, Debtor will grant to the Lender a first security interest in the Debtor's interest in the Equipment and the Lease and Management Agreement, except as otherwise provided therein, to secure Debtor's obligations to the Lender under the Finance Agreement, the Security Agreement, the Notes and the Other Agreements. In order to induce the Lender to participate in the transactions contemplated by the Security Agreement, the Owner hereby covenants and agrees with the Lender as follows:

1. Grant of Security Interest to Lender. To secure Debtor's obligations to the Lender under the Finance Agreement, the Security Agreement, the Notes and the Other Agreements, the Owner hereby grants to the Lender a security interest in the Equipment and all its right, title and interest in the Lease and Management Agreement, and the Owner Lease, including any "Rent" (as defined in the Owner Lease) in excess of $350 per month, and any substitutions therefor, such security interest having priority over any other interests of the Owner in the Equipment and the Lease and Management Agreement (including any interests arising under that Collateral Assignment of Leases between Owner and Debtor) and the Owner Lease or any substitutions therefor; provided, further, however, that nothing contained herein shall constitute or be deemed to constitute any release of Debtor from any of its obligations, or a waiver by the Owner of any rights or remedies it may have against Debtor, under the Owner Lease or otherwise, provided, however, that the exercise by the Owner of any rights or remedies will not disturb the validity, priority or perfection of the security interest of the Lender in and to the Equipment and the Lease and Management Agreement. Owner hereby agrees not to exercise any rights to possess or foreclose upon the Equipment upon an Event of Default by Debtor under the Owner Lease without the prior written consent of the Lender which consent shall not be unreasonably withheld. Upon the occurrence of an event of default under the Security Agreement or the Notes, the Lender shall, except as otherwise provided herein, have the remedies with respect to the Equipment and the Lease and Management Agreement as are provided with respect to the Collateral by the Security Agreement and by law. The Lender agrees that the Owner has no liability whatsoever for payment of the Notes or satisfaction of Debtor's obligations hereunder or under the Security Agreement or for any deficiency judgment on any foreclosure of the Lender's security interests in the Equipment and the Lease and Management Agreement or for any other obligations of Debtor to the Lender. Upon full payment of the Notes and satisfaction of Debtor's obligations thereunder and under the Security Agreement, the Lender agrees to execute and deliver to the Owner such releases, termination statements or other documents reasonably requested by the Owner as may be necessary or desirable to evidence such satisfaction.

2. Acknowledgment of Lender's Security Interest. In order to preserve and protect the security interests granted to the Lender under the Security Agreement and this Agreement, the Owner hereby (i) acknowledges the execution and delivery of the Security Agreement by Debtor, (ii) waives any objection to the enforceability thereof, (iii) recognizes the security interests granted to the Lender thereby, (iv) agrees that the Owner's interest in the Equipment and its interest in the Lease and Management Agreement (including any interests arising under the aforementioned Collateral Assignment of Leases) shall in all respects be further subject and subordinate to the security interests granted to the Lender by the Security Agreement and this Agreement, (v) to the extent deemed necessary or desirable by the Lender, agrees that it shall execute and deliver to the Lender, for the purpose of further perfecting or confirming the security interests of the Lender created by the Security Agreement and this Agreement, such financing statements and other documents as the Lender shall reasonably request.

3. Representations, Warranties and Agreements of the Owner. The Owner represents and warrants that:

(a) The Owner has, on the date hereof, whatever title to the railcar hulks was conveyed to it by Debtor, and upon the rebuilding of such railcar hulks such title shall only be subject to the Permitted Liens and the security interests of the Builders under the Rebuilding Order ("Builder's Liens"). The Owner has not taken, or failed to take, nor will it take or omit to take, any action which would result in the imposition of a lien on the Equipment, other than the Permitted Liens, the Builder's Liens and the liens of the Lender pursuant to the Security Agreement and this Agreement.

(b) The Owner has filed all tax returns required to be filed by it and is not in default in the payment of any taxes levied or assessed against it or any of its assets.

(c) The Owner has full authority to enter into this Agreement and to consummate the transactions contemplated hereby; the execution and delivery of this Agreement and the performance of the Owner's obligations hereunder have been duly authorized by all necessary corporate action on the part of the Owner; and this Agreement constitutes the valid and binding agreement and obligation of the Owner, enforceable against the Owner in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws relating to or affecting creditors' rights generally.

4. Miscellaneous. All notices hereunder shall be in writing and shall be delivered or mailed by first class, registered or certified mail, postage prepaid, addressed to the parties at their respective addresses first set forth above, or at such other address as any party hereto shall have designated by

written notice, as aforesaid, to the other. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. The terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. This Agreement may be executed in two or more counterparts, each of which when so executed shall be an original, but all of which shall constitute one and the same instrument. This Agreement shall be construed in accordance with and governed by the laws of the State of Illinois.

If you are in agreement with the foregoing, please sign the acceptance on the enclosed counterpart of this letter and return such counterpart to the Owner, whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

REFCO RAIL EQUIPMENT, INC.

By _____
Name: ALLEN P. PALLES
Title: VICE PRESIDENT

Agreed and Accepted as of the
date first above written:

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO

By _____
Name: JONATHAN P. HECHT
Title: VICE PRESIDENT

EE/WK3

STATE OF Illinois)
)SS:
COUNTY OF Cook)

On this 27th day of June, 1980, before me, personally appeared Allen W. Pattis to me personally known, who being by me duly sworn, says that he is a Vice President of Refco Rail Equipment, Inc. that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Marilyn Picchiotta
Notary Public

(SEAL)

STATE OF Illinois)
)SS:
COUNTY OF Cook)

On this 27th day of June, 1980, before me, personally appeared Jonathan P. Hecht to me personally known, who being by me duly sworn, says that he is a Vice President of American National Bank and Trust Company of Chicago 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.

Marilyn Picchiotta
Notary Public

(SEAL)

EXHIBIT A

SECURITY AGREEMENT

Dated as of June ___, 1980

BETWEEN

FUNDING SYSTEMS RAILCARS, INC.

DEBTOR

AND

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO

SECURED PARTY

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SCHEDULE A -- Description of Equipment

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of June ___, 1980 (the "Security Agreement") is between FUNDING SYSTEMS RAILCARS, INC., a Delaware corporation (the "Debtor") and AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO (the "Secured Party" or "Note Purchaser").

RECITALS

A. Pursuant to a Note Purchase Agreement dated as of June ___, 1980 (the "Finance Agreement") between the Debtor and the Secured Party, the Secured Party has committed to purchase a certain note or notes of Debtor (the "Note" or "Notes") not exceeding the maximum aggregate principal amount of $1,866,522 to enable Debtor to pay rebuilding costs with regard to that certain railroad equipment described on Schedule A hereto (collectively the "Equipment" or "Items of Equipment" and individually, an "Item of Equipment").

B. The Note or Notes and all principal thereof and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by Debtor under the terms of the Notes or this Security Agreement, the Finance Agreement or any other agreements (the "Other Agreements") between Debtor and Secured Party whether now existing or hereinafter entered into which relate to the Equipment are hereinafter sometimes referred to as "indebtedness hereby secured."

Section 1. GRANT OF SECURITY

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes, in the Finance Agreement and in this Security Agreement and in the Other Agreements contained, does hereby convey, warrant, mortgage, pledge, assign, and grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's rights, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof subject only to the exceptions, reservations and limitations contained in Section 1.4 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the railroad equipment described in Schedule A attached hereto, together with all accessories, equipment, parts and appurtenances

appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, except such thereof as remain the property of Upper Merion & Plymouth Railroad Company, a Pennsylvania corporation ("UMP"), by the express terms of that certain Lease and Management Agreement dated as of the date hereof (the "Lease" or the "Lease and Management Agreement") between the Debtor and UMP, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, except such thereof as remain the property of UMP under the Lease and Management Agreement together with all the rents, issues, income, profits and avails therefrom.

1.2. Lease and Management Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the certain Lease and Management Agreement dated as of the date hereof between the Debtor and UMP, including any and all amendments thereto, whether now existing or hereafter entered into, including all extensions of the term of the Lease together with all rights, powers, privileges, options and other benefits of the Debtor under the Lease, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.4 hereof.

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

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

(3) the right to take such action upon the occurrence of an Event of Default under said Lease or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under said Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by said Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under said Lease, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.4 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said revenue, Casualty Value payments, insurance proceeds, condemnation awards and other payments for application in accordance with the provisions of Section 4 hereof at all times during the period from and after

the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

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

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

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

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

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

(d) all proceeds of the Lease in excess of the amount required to discharge the amounts due and owing to the Secured Party hereunder or under the Notes at the time that such proceeds are received.

Section 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions,

covenants and agreements set forth in this Security Agreement, the Finance Agreement, the Lease, in the Other Agreements, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Finance Agreement, the Lease, and the Other Agreements were fully set out in an amendment or supplement to this Security Agreement.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor. The Debtor will not create, assume or suffer to exist any Lien on the Collateral other than Permitted Liens. As used herein, "Lien" shall mean any mortgage, pledge, security interest, encumbrance, lease, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction or any filing or recording pursuant to the Interstate Commerce Act). As used herein, "Permitted Liens" shall mean (a) the lien created by this Agreement; (b) the lien of taxes, assessments or governmental charges which are not at the time delinquent; and (c) the lien of taxes, assessments or governmental charges which are delinquent but the validity of which is being contested in good faith by appropriate action diligently pursued, provided that such proceeding shall suspend the collection of such taxes, assessments or governmental charges and, in the reasonable opinion of the Secured Party, the security interest in the Collateral, or any part thereof, would not be adversely affected or forfeited during the period of such contest; (d) the rights of UMP under the Lease and Management Agreement; and (e) the liens and leases referred to in Section 6 hereof which are subject and subordinate to the lien of Secured Party (which liens and lease shall not be foreclosed on without the express written consent of Secured Party, said consent not to be unreasonably withheld).

2.3. Further Assurances. The Debtor will, at its expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Lease and Management Agreement, the Debtor covenants and agrees that it will cause UMP to be notified of such assignment pursuant to Section 17 of the Lease and Management Agreement and direct UMP to make all payments of such revenues and other sums due and to become

due under the Lease and Management Agreement, other than the Excepted Rights in Collateral, directly to the Secured Party or as the Secured Party may direct.

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

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

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

(a) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of or waiver with respect to, the Lease and Management Agreement;

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

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

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

Section 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. So long as there is no Event of Default hereunder or an event which with the giving of notice or lapse of time or both would constitute such an Event of Default, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto. It is expressly understood that the use and possession of the Equipment by UMP in compliance with the terms of the Lease and Management Agreement shall not constitute a violation of this Section 3.1.

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

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

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

4.1. Application of Rentals; Certain Prepayments. So long as no Event of Default hereunder or event which with the giving of notice or lapse of time or both would constitute such an Event of Default has occurred and is continuing, the amounts from time to time received by the Secured Party which constitute payment of the installments of rental under the Lease and Management Agreement shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party, and second, the balance, if any, of such amounts held by the Secured Party after making the applications provided for herein shall be released promptly to or upon the order of Debtor.

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

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

(b) Second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes, without premium, so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

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

For purposes of this Section 4.2, the Loan Value, in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Rebuilding Costs of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Rebuilding Costs of all Items of Equipment then subject hereto (including the Rebuilding Costs of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment

provided for in this Section 4.2 (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.2).

4.3. Application of Casualty Insurance Proceeds. The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by UMP with respect to the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

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

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

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

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

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

4.5. Default. If an Event of Default has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

Section 5. DEFAULTS AND OTHER PROVISIONS.

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

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

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

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

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

(e) Any claim, lien or charge (other than Permitted Liens) shall be asserted against or levied or imposed upon the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty calendar days; or

(f) Any proceeding shall be commenced by or against the Debtor for any relief which includes or might result in any modification of the obligations of the Debtor hereunder under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the State of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and the Secured Party shall have all of the rights and remedies granted pursuant to the Interstate Commerce Act and the Secured Party shall also have the following rights and remedies:

(a) The Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable. Notwithstanding anything to

the contrary contained herein, the Debtor or the Owner, or their respective successors or assigns (hereinafter collectively referred to as the "Redeeming Party") shall have the right to redeem all but not less than all of the Items of Equipment by paying to Secured Party, within ten (10) days of the receipt by Debtor of the notice from the Secured Party, an amount equal to the Redemption Value (as hereinafter defined) for each Item of Equipment to be redeemed. For the purposes of this Section 5.2(a), the Redemption Value, in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Rebuilding Costs (as defined in the Finance Agreement) of the Item or Items of Equipment to be redeemed and the denominator of which is the aggregate Rebuilding Costs of all Items of Equipment then subject to the Lease, times (B) the unpaid principal amount of the Notes plus accrued and unpaid interest as of the date of payment of the Redemption Value. In addition to the Redemption Value, the Redeeming Party must also pay any and all costs and expenses incurred by Secured Party applicable to those Items of Equipment to be redeemed as would have been paid under Paragraph 5.6(a) hereinafter from the proceeds and/or avails of any sale. Upon payment of the Redemption Value and the costs and expenses referred to above, the redeemed Items of Equipment shall be released from all liens, claims or encumbrances of the Secured Party.

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

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

or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale.

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

(e) The Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and Management Agreement and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

5.4. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor, acquiring any interest through

Debtor in, or title to, the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

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

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

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

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

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

5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in

every such case, the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 6. TRANSFER OF EQUIPMENT.

The Secured Party hereby acknowledges that the Equipment is owned by Refco Transport Equipment, Inc., a Delaware corporation ("Owner"), and that Owner has granted a security interest in the Equipment to Comet Leasing Corp. ("Comet") to finance the Owner's acquisition and rebuilding costs for the Equipment. In addition, the Owner is leasing the Equipment to Debtor upon the completion of the rebuilding of the Equipment under the Rebuilding Orders (as defined in the Finance Agreement). The Debtor hereby represents and warrants that pursuant to the documents executed in connection with the foregoing transactions, the ownership interest of Owner, the aforementioned security interest of Comet, the aforementioned lease from Owner to Debtor, and the rights of UMP under the Lease and Management Agreement are all subject and subordinate in all respects to the security interest of Secured Party hereunder.

Section 7. MISCELLANEOUS.

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

7.2. Payment of the Notes.

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

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

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

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

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

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

7.7 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in

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

If to the Debtor: Funding Systems Railcars, Inc.
Suite 404
1000 RIDC Plaza
Pittsburgh, PA 15238

ATTENTION: President

If to the Secured Party: American National Bank and Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

ATTENTION: Jonathan P. Hecht
Vice President

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

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

7.9. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

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

7.11. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

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

(CORPORATE SEAL) FUNDING SYSTEMS RAILCARS, INC.

WITNESS:

_____ By _____
Title:

WITNESS: AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO

_____ By _____
Title:

J/WK6

STATE OF _____)
)SS:
COUNTY OF _____)

On this _____ day of _____, 19___, before me, personally appeared _____ to me personally known, who being by me duly sworn, says that he is a _____ of Funding Systems Railcars, Inc. that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

(SEAL)

STATE OF _____)
)SS:
COUNTY OF _____)

On this _____ day of _____, 19___, before me, personally appeared _____ to me personally known, who being by me duly sworn, says that he is a _____ of American National Bank and Trust Company of Chicago that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

(SEAL)

ITEL CORPORATION

SCHEDULE A

DESCRIPTION OF EQUIPMENT

TYPE	BUILDER'S SPECIFICATIONS	QUANTITY	EQUIPMENT NUMBERS (INCLUSIVE)	AVERAGE UNIT REBUILDING COSTS	TOTAL REBUILDING COSTS	TOTAL ACQUISITION AND REBUILDING COSTS	DELIVERY
XM	70-ton Rebuilt Railroad Boxcars	45	HCRC 1047, 1048, 1049 1050, 1053 1059, 1062-1100	$26,500.00	$1,192,500	$1,462,500.00	Mobile, Alabama

B2/WK17

ST. LOUIS REFRIGERATOR
CAR COMPANY

SCHEDULE A

DESCRIPTION OF EQUIPMENT

TYPE	BUILDER'S SPECIFICATIONS	QUANTITY	EQUIPMENT NUMBERS (INCLUSIVE)	AVERAGE UNIT REBUILDING COSTS	TOTAL REBUILDING COSTS	TOTAL ACQUISITION AND REBUILDING COSTS	DELIVERY
XM	70-ton Rebuilt Railroad Boxcars	35	UMP 1287- UMP 1321	$28,499.00	$997,465	$1,203,960.40	St. Louis, Missouri

B1/WK17