TREMBATH, MCCABE, SCHWARTZ, EVANS, LEVY & DAWE
PROFESSIONAL LAW CORPORATION
ONE CORPORATE CENTRE
1320 WILLOW PASS ROAD, SUITE 500
CONCORD, CALIFORNIA 94520

EDWARD N. BACHAND
JAMES N. DAWE
BRIAN P. EVANS
BEVERLY J. LAVIN
KENNETH H. LAVIN
DAVID J. LEVY
MICHAEL P. McCABE
ALBERTA Y. MILLER
DANIEL C. PAYNE, JR.
A. CURTIS SAWYER, JR.
MARCHMONT J. SCHWARTZ
ARLENE SEGAL
JAMES R. TREMBATH

TELEPHONE
(415) 687-3450

TELECOPIER
(415) 680-0129

MAILING ADDRESS
P. O. BOX 27607
CONCORD, CA 94527-0607

April 6, 1989

RECORDATION NO 16275 FILED 1425 9-097A013

APR 7 1989 -11 30 AM

INTERSTATE COMMERCE COMMISSION

FEDERAL EXPRESS

Hon. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Re: General Electric Railcar Services Corporation/PLM Passive Income Investors 1988-II

Dear Ms. McGee:

On behalf of PLM Passive Income Investors 1988-II, a California limited partnership, we enclose for filing and recording under 49 U.S.C. 11303(a) and regulations thereunder, three executed counterparts of a primary document, not previously recorded, entitled "Railcar Security Agreement", made as of September 30, 1988, executed on January 31, 1989.

The parties to the enclosed document are:

PLM Passive Income Investors 1988-II,
a California Limited Partnership--
Debtor
655 Montgomery Street, Suite 1200
San Francisco, California 94111

General Electric Railcar Services
Corporation--
Secured Party
33 West Monroe Street, 24th Floor
Chicago, Illinois 60603

The document, among other things, grants a security interest in certain railroad rolling stock to secure a portion of the purchase price owed by PLM Passive Income Investors 1988-II to General Electric Railcar Services Corporation.

The railroad rolling stock covered by the document is described as the railcars covered by Exhibit A attached to the document, a copy of which Exhibit A is also attached hereto.

A short summary of the document to appear in the ICC Index is as follows:

"Security Agreement"

Enclosed is our firm's check in the amount of $13 in payment of the filing fee.

Once the filing has been made, please return to me the stamped counterparts of the document not required for filing purposes, together with the fee receipt, letter acknowledging filing from the ICC and the extra copy of this transmittal letter. A prepaid Federal Express air bill and envelope is enclosed for your convenience.

Very truly yours,

JAMES N. DAWE

Attorney for PLM Passive Income Investors 1988-II

JND/lls

enclosures

cc: Mr. Douglas P. Goodrich
David J. Lidstone, Esq.

jnd251C

EXHIBIT A

PLM Passive Income Investors 1988-II

Purchased From GERSCO-CAN

NATX 2679	NATX 33455
NATX 13655	NATX 33456
NATX 29842	NATX 33457
NATX 29849	NATX 33458
NATX 29850	NATX 33980
NATX 33441	NATX 71793
NATX 33442	NATX 71796
NATX 33443	NATX 72799
NATX 33444	NATX 72800
NATX 33445	NATX 72801
NATX 33446	NATX 73451
NATX 33448	NATX 76183
NATX 33449	NATX 76366
NATX 33450	NATX 76375
NATX 33451	NATX 76566
NATX 33452	NCTX 24413
NATX 33453	NCTX 24414
NATX 33454	NCTX 24417

16275
RECORDATION NO. FILED 1425
APR 7 1989 -11 30 AM
INTERSTATE COMMERCE COMMISSION

RAILCAR SECURITY AGREEMENT

This RAILCAR SECURITY AGREEMENT, dated as of the 30th day of September, 1988 (the "Agreement"), between PLM Passive Income Investors 1988-II, a California limited partnership (the "Debtor"), with its principal place of business at 655 Montgomery Street, Suite 1200, San Francisco, California 94111, and General Electric Railcar Services Corporation ("GERSCO"), a Delaware corporation, with its principal place of business at 33 West Monroe, Chicago, Illinois 60603.

WITNESSETH:

WHEREAS, pursuant to that certain Purchase and Sale Agreement, dated as of September 30, 1988 (the "Purchase Agreement"), between GERSCO and PLM Railcar Management Services, Inc. ("RMSI"), RMSI desires to cause Debtor to purchase and GERSCO desires to sell and cause to be sold certain of the assets, properties and businesses of GERSCO for the Purchase Price; and

WHEREAS, pursuant to the Purchase Agreement, Debtor has become, as evidenced by the Note, indebted to GERSCO for a portion of the Purchase Price; and

WHEREAS, it is the intention of the parties hereto to cause the payment of the sums owed by Debtor to GERSCO, as evidenced by the Note, to be secured pursuant to this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions. Unless the context otherwise specifies or requires, the terms defined in this Section 1 shall for all purposes of this Agreement, including the recitals set forth above, have the meanings herein specified and shall be equally applicable to both the singular and plural forms of any of the terms herein defined.

"AAR Rules" shall mean the Interchange Rules adopted by the Association of American Railroads, Mechanical Division, Operations and Maintenance Department.

"AAR Value" shall, with respect to any Railcar, mean the value of that Railcar as determined in accordance with the AAR Rules in effect on the date on which the AAR Value is to be determined, or, if there are no applicable AAR Rules then in effect, determined in accordance with generally accepted accounting principles consistently applied.

"Casualty Occurrence" shall have the meaning set forth in Section 5 of this Agreement.

"Collateral" shall have the meaning set forth in Section 2 of this Agreement.

"Debtor" shall mean PLM Passive Income Investors 1988-II, a California limited partnership, together with its successors and assigns.

"Equipment" shall collectively mean all of the Railcars identified on Exhibit "A" annexed hereto.

"Event of Default" shall have the meaning set forth in Section 10 of this Agreement.

"Indebtedness" shall mean all amounts payable under the Note and all other duties and obligations from time to time due to GERSCO in connection with this Agreement.

"Lease" shall mean any contract or arrangement, written or oral, for the leasing or providing of any of the Equipment from time to time.

"Note" shall mean that certain Non-Recourse Promissory Note dated September 30, 1988, made by Debtor to the order of GERSCO in the original principal amount of Two hundred forty four thousand eight hundred Dollars ($244,800).

"Payment Date" shall mean a date on which a payment of principal, interest or principal and interest is scheduled to be made pursuant to the terms of the Note and this Agreement.

"Purchase Price" shall mean the Purchase Price as defined in the Purchase Agreement.

"Railcar" shall mean an individual item or unit of Equipment identified on Exhibit "A" annexed hereto.

"Secured Party" shall mean GERSCO, together with its successors and assigns.

Section 2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (at maturity, by acceleration, or otherwise), as well as the prompt performance otherwise, of the Indebtedness, as well as to induce Secured Party to enter into the Purchase Agreement upon the terms set forth therein, Debtor hereby grants, assigns, mortgages, pledges, hypothecates and transfers to Secured Party and grants to Secured Party a security interest in and charge on all of the right, title and interest of Debtor in, to and under the following Collateral:

(a) the Equipment; and

(b) all right, title and interest of Debtor in and to each Lease, together with all rentals, other payments and other proceeds therefrom;

Section 3. Representations and Warranties of Debtor. Debtor hereby represents and warrants to Secured Party as of the date of this Agreement, and covenants thereafter so long as any Indebtedness remains outstanding, that:

(a) Based upon the representations of Secured Party to Debtor contained in Section 5(a)(v) of the Purchase Agreement, except for the security interest granted hereby and the Lease to which any Railcar is subject, Debtor is and will remain the owner of, and has good title to, the Equipment, the Leases and any other Collateral, free and clear of all liens, encumbrances, security interests and adverse claims and demands of all persons at any time claiming the same or any interest therein;

(b) Debtor is legally organized, validly existing, and in good standing under the laws of California and duly qualified to do business, and in good standing under the laws of each jurisdiction where the nature of its business or the character of its properties makes it necessary for it to so qualify to do business;

(c) Debtor has full power and authority to execute and deliver this Agreement, together with all notes, agreements and instruments evidencing the Indebtedness, and to perform its obligations hereunder and thereunder;

(d) Debtor has full power and authority to own its properties and carry on its business as now being conducted;

(e) This Agreement, the Note, and all other documents evidencing the Indebtedness have been duly authorized, executed and delivered by Debtor and constitute the valid, legal and binding obligations of Debtor, enforceable in accordance with their terms, subject to the limitations on enforceability imposed by bankruptcy and creditors' right laws and general principles of equity, and the entering into, and performance of same by Debtor will not violate the terms of its Limited Partnership Agreement or any agreement, indenture, order or decree by which Debtor is bound, nor cause default under any thereof;

(f) No consent of any person, including, without limitation, any creditor of Debtor which has not been obtained, and no consent, license, approval or authorization of, or registration or declaration with, any government authority which has not been obtained, is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement;

(g) Secured Party has and will retain, so long as any amount of Indebtedness remains outstanding, and so long as Secured Party does not enter into any termination, release or subordination agreement with respect thereto or relinquish possession of Lease documents delivered to Secured Party by Debtor, if any, a first, priority security interest in each Lease, the Equipment and any other Collateral; and

(h) Debtor will not sell the Equipment or otherwise transfer any interest therein (except pursuant to a Lease) without the prior written consent of Secured Party, other than in accordance with Section 5 of this Agreement.

Section 4. Information. Debtor covenants to Secured Party that Debtor will promptly provide to Secured Party such information as Secured Party may from time to time reasonably request, and will allow Secured Party reasonable access to, including, without limitation, the right to make copies and extracts from Debtor's books and records, so long as the information and access is sought by Secured Party in good faith for reasons related to the transactions contemplated hereby.

Section 5. Maintenance and Alteration of Equipment; Sale of Equipment.

(a) Unless otherwise provided in a Lease, Debtor shall maintain and keep each unit of Equipment in good order and proper repair and in compliance with applicable law and regulations at its own costs and expense, unless and until such Railcar becomes lost, damaged beyond repair or destroyed (hereinafter called a "Casualty Occurrence").

(b) Upon the event of a Casualty Occurrence, Debtor will, on the next Payment Date which is more than three months after the Casualty Occurrence (the "Casualty Payment Date"), pay to Secured Party in addition to the payment then due and owing under the Note, as a prepayment without premium, an amount equal to the amount paid to Debtor by a responsible third party (whether lessee, insurer, railroad or other person). Any insurance proceeds paid to Secured Party by Debtor on account of any loss in respect of any Railcar covered by insurance shall be applied by Secured Party to reduce the outstanding Indebtedness. If no payment on account of a Casualty Occurrence is made to Debtor by the Casualty Payment Date, on such Casualty Payment Date, Debtor shall pay to Secured Party the amount due as if the Equipment were worn out, as described below, and Debtor shall promptly pay any balance thereafter received from a third party for such Casualty Occurrence, after reimbursing itself for any payment made from its own funds with respect to such Casualty Occurrence. If any Equipment (other than those Railcars identified in Exhibit "G" to the Purchase Agreement) becomes worn out or unsuitable for use by physical deterioration from ordinary wear and tear (and not from a Casualty Occurrence), on the same date as a payment is due as upon a Casualty Occurrence, Debtor shall pay to Secured Party, per Railcar, as a prepayment without premium, an amount equal to the principal of the Note divided by the number of Railcars covered by this Agreement (not including Railcars identified in Exhibit "G" to the Purchase Agreement). For all purposes of this Section 5, the term "unsuitable for use" shall include any condition in which Equipment is no longer usable for the purpose or purposes for which the same was designed (or an alternate purpose or alternate purposes provided that no material impairment in value shall arise therefrom) whether by virtue of its physical condition or of the effect of any applicable law, rule, regulation or order.

(c) Notwithstanding the foregoing to the contrary, in the event of a Casualty Occurrence, or should any Equipment

become worn out or unsuitable for use, within ninety (90) days thereafter, Debtor may, by executing a schedule to Exhibit "A" to this Agreement, subject an equal number of like Railcars to this Agreement which, upon execution of such schedule by Debtor, shall be deemed, collectively, to be "Equipment,' and singly, "Railcars" hereunder, and the leases with respect to such Equipment shall be deemed to be "Collateral" hereunder. Execution of a schedule by Debtor shall be deemed to be a representation to Secured Party that any substituted Equipment or Collateral is, at that time, free and clear of liens and encumbrances, except leases and inchoate liens for taxes due, but not yet payable, or otherwise.

(d) Secured Party, by its agents, shall have the right once in each calendar year, but shall be under no duty, to inspect the Equipment wherever it may be found, subject to the permission of any third party in possession thereof. For the purpose of enabling Debtor to meet the transportation requirements of present and future lessees, Debtor may from time to time make, or cause to be made, changes and alterations in the design, structure and equipment of any of the Railcars constituting a part of the Equipment, all at the expense of Debtor; provided, however, that no material impairment in value shall result therefrom.

(e) Notwithstanding the provisions of clause (h) of Section 3 of this Agreement, Debtor may sell any Railcar in the event that (a) Debtor has become legally obligated to do so by reason of a Casualty Occurrence, (b) Debtor is required to sell such Railcar pursuant to a purchase option contained in a Lease, or (c) the exercise of any governmental power of condemnation or expropriation requires such sale; provided, however, that, prior to consummation of such sale Debtor shall have either delivered to Secured Party the payment required as upon a Casualty Occurrence or subjected additional Equipment to this Agreement in substitution thereof as provided in Section 5(c) hereof.

Section 6. Agency for Collection of Rents. Upon the occurrence of an Event of Default which is not cured in accordance with the terms of Section 11 hereof, Debtor hereby appoints Secured Party as its agent and, as set forth in Section 17 hereof, attorney-in-fact (and Secured Party hereby accepts such appointment) to collect and receive all payments due and to become due under Leases in respect of Equipment; provided, however, that, upon Debtor's cure of such Event of Default under the Note and this Agreement, Debtor may

terminate that agency and that agency shall terminate immediately upon notice of such termination from Debtor to Secured Party in accordance with the provisions of Section 11 of the Agreement.

Section 7. Further Assurances. Debtor hereby covenants and agrees that from and after the date of this Agreement and until the Indebtedness has been fully discharged and satisfied, Debtor shall execute, acknowledge, deliver, file and record, or cause to be executed, acknowledged, delivered, filed and recorded, all and every such further acts, deeds, grants, releases, conveyances, financing statements, continuation statements, assignments, mortgages, pledges, transfers and assurances as shall be necessary, or as Secured Party shall require, for the better granting, releasing, conveying, confirming, assigning, ceding, charging, mortgaging, pledging, transferring and assuring unto Secured Party of all the property, rights and interests hereby granted, bargained, sold, aligned, revised, conveyed, confirmed, warranted, assigned, ceded, charged, mortgaged, pledged, transferred, delivered or set over or intended so to be, or which Debtor may become bound to grant, bargain, sell, alien, revise, release, convey, confirm, warrant, assign, cede, charge, mortgage, transfer, deliver or set over to, or pledge with, Secured Party. Debtor shall pay all filing fees and out-of-pocket expenses in connection with the perfection of the security interest in favor of Secured Party granted hereby; provided, however, such fees and expenses shall not include the attorney fees of Secured Party incurred in connection therewith.

Section 8. Subordination Clause. Immediately upon entering into any Lease not containing an effective subordination clause, Debtor shall give notice in writing, in a form satisfactory to Secured Party, to the lessee under each such Lease advising such lessee of (i) the existence of this Agreement and the security interests created hereby and (ii) such lessee's obligation to pay to Secured Party, upon an Event of Default, all further rentals then due, and thereafter coming due, under such Lease. All such notices shall be sent by Debtor by certified mail, return receipt requested, with all such receipts directed to Secured Party. Debtor shall use reasonable efforts to obtain, as promptly as possible, acknowledgments (in form reasonably satisfactory to Secured Party) of the receipt of all such notices with respect to any such Leases and deliver all such acknowledgments to Secured Party.

Section 9. Additional Covenants of Debtor. Debtor further covenants and agrees with Secured Party as follows:

(a) Debtor shall pay, unless otherwise provided in a Lease, as and when the same become due, all taxes, assessments, license fees, registration fees, and governmental charges, local, state or federal (including any interest and/or penalties thereon) of any and every nature, special or otherwise, levied or assessed upon the Equipment or any portion thereof, or upon the use or operation thereof, or upon or in respect of the Indebtedness (other than withholding taxes imposed by the Canadian government or other taxes on Secured Party's net income) or this Agreement;

(b) Debtor shall, at Debtor's sole cost and expense, maintain with financially sound and reputable companies insurance policies insuring it and the Secured Party against liability for personal injury and property damage relating to the Collateral which insurance shall be (i) in such form as may be reasonably satisfactory to the Secured Party and (ii) in the amount of the AAR Value. The Secured Party shall, as its interests shall appear, be named as loss payee on all such insurance and any payments received under such insurance with respect to a "total loss" shall be paid to the Secured Party in accordance with Section 5 of this Agreement. Debtor shall, if so requested by Secured Party, deliver to Secured Party as often as Secured Party may reasonably request a report of a reputable insurance broker with respect to the insurance on the Collateral. All insurance with respect to the Collateral shall (i) provide that no cancellation, reduction in amount or change in coverage thereof shall be effective until at least thirty (30) days after receipt by the Secured Party of written notice thereof, and (ii) be satisfactory in all respects to the Secured Party.

(c) In the event that Debtor shall fail to (i) maintain the Equipment in good repair and operating condition, (ii) maintain insurance on the Equipment in accordance with Section 9(b) hereof, (iii) maintain the Collateral free and clear from liens, security interests, encumbrances or adverse claims, (iv) discharge taxes and other liabilities on or in respect of the Collateral as herein covenanted, or (v) fully and punctually perform any other covenant contained herein, then in any such case, Secured Party may (but shall not be required to) pay or perform any such duty or obligation for and on behalf of Debtor. In such event, Debtor hereby covenants and agrees to reimburse Secured Party immediately upon

receipt of an invoice for all sums paid or advanced by Secured Party for any such purpose or disbursed by Secured Party to protect the Equipment or the lien and security interest of this Agreement together with all costs, expenses and attorneys' fees paid or incurred by Secured Party.

(d) Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, and shall, upon request of Secured Party, make such records freely available to Secured Party at a mutually agreeable time. Debtor shall mark its books and records pertaining to the Collateral to evidence this Agreement and the security interests granted hereby. Debtor agrees that Secured Party shall have a special property interest in such books and records and, upon the occurrence of an Event of Default and a demand by Secured Party, Secured Party shall have the right to possession of such books and records or true copies thereof.

(e) Debtor will comply, in all material respects, with all laws, rules, regulations, decrees and ordinances (collectively, the "Laws") with respect to the Collateral and with the terms of the Leases applicable to Debtor; provided, however, that Debtor shall have the right, in good faith and at Debtor's sole expense, to contest any such Laws or terms, so long as such contest does not materially and adversely affect the rights of Secured Party with respect to the Collateral or the priority of its security interest in the Collateral.

(f) Debtor will keep and maintain the Collateral free and clear of all liens, encumbrances and adverse claims, except for those created by the Leases and for taxes which are not yet payable. Debtor will defend all of the Collateral which is referred to herein and take such other action as is necessary to remove any lien, security interest, encumbrance, claim or right in or to such Collateral which purports to be prior to the security interest in favor of the Secured Party created under this Agreement, and Debtor will defend the right, title and interest of Secured Party in and to any of the Collateral and the proceeds and products thereof against the claims and demands of all persons whomsoever claims an interest superior to the security interest granted to the Secured Party hereunder. Debtor will hold harmless and indemnify Secured Party from any claim by a third party that a lien is superior in right to that of Secured Party and notify Secured Party promptly upon learning of any lien, encumbrance or adverse claim asserted against the Collateral.

(g) Debtor shall not, without the prior written consent thereto of Secured Party, change the reporting mark on any Railcar. Debtor will furnish to Secured Party from time to time such statements and schedules further identifying the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail. Debtor shall also promptly notify Secured Party of the expiration or earlier termination of any Lease.

Section 10. Default. The occurrence of any of the following shall constitute an Event of Default hereunder:

(a) The failure to make any payment of principal or interest due and owing under the Note or such other amount in accordance with the terms hereof;

(b) A failure by Debtor to perform any of its undertakings under this Agreement or a breach by Debtor of any representation, warranty or covenant or any of its other obligations contained in this Agreement;

(c) Any representation or warranty of Debtor or RMSI contained in the Purchase Agreement or any exhibit thereto shall prove to have been incorrect in any material respect on or as of the date made;

(d) Dissolution, termination of existence, insolvency, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor;

(e) The failure of the (i) rents and (ii) other sums payable by (x) lessees and (y) other persons in the position of lessees with respect to all Equipment covered by this Agreement over any calendar quarter to exceed the interest payable by Debtor under the Note for that same calendar quarter by four hundred percent (400%); or

(f) The creation by Debtor of any indebtedness to any third party secured by Equipment or any Lease, rental agreement, or utilization agreement (or the rentals or revenues therefrom), with respect to the Equipment, or the assignment of any sums due Debtor thereunder to any third party, unless any such indebtedness or rights with respect thereto of any such third party are expressly subordinated to the security interest of Secured Party evidenced by this Agreement.

Section 11. Remedies of Secured Party. Upon the occurrence of an Event of Default hereunder and provided such Event of Default remains outstanding for a period of ten (10) days thereafter, Secured Party may, upon notice to Debtor, (a) notify (and/or cause Debtor to notify) each lessee under each Lease to remit all rental payments then due and owing, and which shall become due and owing, directly to Secured Party, (b) declare all Indebtedness immediately due and payable, and (c) exercise any rights and remedies of a secured party under the Uniform Commercial Code and all other remedies to which Secured Party is entitled by law or equity (subject, always to the provisions of Section 12 hereof). Secured Party or its representative may enter upon the premises where the Equipment or other Collateral may be and remove same or maintain possession on such premises pending disposition thereof, all without charge to or liability on the part of Secured Party to Debtor. Upon request of Secured Party, Debtor agrees, at the expense of Secured Party, if not borne by the lessee (provided, however, that all such expense borne by Secured Party shall at once become additional principal Indebtedness repayable upon demand), to assemble the Equipment and other Collateral and to deliver same to Secured Party at a place designated by Secured Party. Debtor's obligation to assemble and deliver the Equipment and other Collateral is of the essence of this Agreement and, upon application to a court of equity having jurisdiction, Secured Party shall be entitled to a decree requiring specific performance by Debtor of said obligation. The proceeds of any sale or other disposition of Equipment or other collateral, less the expenses of retaking, holding, preparing for disposition, disposing of Equipment or other Collateral and the like (including reasonable attorneys' fees and expenses, collection agency fees and other legal expenses incurred by Secured Party), shall be credited to the Indebtedness, in such order of preference as Secured Party may determine. Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address for Debtor provided in accordance with the provisions of Section 15 of this Agreement at least five (5) days before the time of the sale or other disposition.

Section 12. Non-Recourse Nature of Obligation of Debtor. The Note and the obligations evidenced thereby, including, but not limited to, the obligations created by

this Agreement on the part of Debtor, are without recourse to Debtor. Secured Party shall look solely to the Collateral for the satisfaction thereof and Debtor shall have no personal liability for the satisfaction thereof; provided, however, that, subject to the foregoing, nothing contained in this Section 12 shall limit or be deemed to limit the right of Secured Party to proceed against Debtor's right, title and interest in and to the Collateral, or to seek injunctive or other equitable relief with respect thereto.

Section 13. Prepayment. If Debtor shall elect to prepay all or any part of the Indebtedness, said prepayment may be made only upon payment in full of all accrued interest on the Indebtedness, together with all other amounts then due and owing in accordance with the terms of this Agreement.

Section 14. Substituted Performance. With respect to any covenant, agreement or undertaking to be performed by Debtor pursuant to this Agreement which shall be capable of being delegated to another person or entity for performance, that covenant, agreement or undertaking shall be deemed performed by Debtor if, and to the extent that, either (a) it shall have been delegated to or assumed by a lessee under its respective Lease and shall be performed by such lessee or (b) a lessee shall have agreed by the terms of its respective Lease to a covenant, agreement, or undertaking substantially similar thereto, which covenant, agreement, or undertaking of the lessee shall be the legal and enforceable obligation of that lessee, specifically enforceable by Secured Party prior to or subsequent to any foreclosure on its Collateral. Notwithstanding the foregoing, to the extent that Secured Party retains certain obligations under any Lease which is partially assigned to Debtor pursuant to the terms of the Purchase Agreement, Debtor shall have no obligation with respect to such Lease obligations so retained by Secured Party.

Section 15. Notices. All notices and demands required or permitted to be given or made hereunder on any party shall be in writing and be deemed duly given or made and received for purposes of this Agreement when personally delivered by overnight courier delivery service or mailed, by registered mail, return receipt requested, postage prepaid, to the party intended as the recipient thereof at the address of such party set forth on the first page hereof or at such other address as the intended recipient shall have provided for such purpose in a notice given in accordance with the

provisions of this paragraph. If mailed, such notice shall be deemed delivered on the fifth day after mailing.

Section 16. Termination. This Agreement and the security interest of Secured Party hereunder shall terminate when the Indebtedness has been discharged in full and, upon such discharge, Secured Party will cooperate to release the security interest created hereby.

Section 17. No Waiver; Attorney-In-Fact. The failure of Secured Party to exercise any right or privilege or the granting of any indulgence to Debtor shall not be deemed to be a waiver of such right or privilege. No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. Upon the occurrence of an Event of Default, Debtor hereby irrevocably appoints Secured Party its true and lawful attorney, with power of substitution, to endorse Debtor's name upon any checks or other items of payment relating to a Lease or upon any documents relating to the sale or other disposition of the Lease or Equipment and to do all other things necessary in Secured Party's judgment to carry out the purposes of this Agreement; provided, however, that, notwithstanding the foregoing provisions of this Section 17, nothing contained herein will be deemed to add personal liability to Debtor hereunder or add to Secured Party's right of recourse to the Debtor. No release by Secured Party of a portion of the Collateral shall in any way alter, vary or diminish the force, effect or lien of this Agreement on the balance of the Collateral.

Section 18. Limitation on the Secured Party's Duty in Respect of the Collateral. Beyond the safe custody thereof, the Secured Party shall not have any duty hereunder as to any Collateral in their possession or control or in the possession or control of any of their agents or nominees or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

Section 19. Illegality of Invalidity of Provision. In case any one or more of the provisions contained in this Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby.

Section 20. Binding Character; Governing Law. This Agreement shall be binding on and inure to the benefit

of Debtor and Secured Party, together with their respective successors and assigns. The validity, interpretation, enforcement and effect of this Agreement shall be governed by the laws of the State of Illinois without giving effect to conflicts of laws. Debtor hereby consents to the jurisdiction of all courts in the State of Illinois.

Section 21. Headings; Sole Agreement of the Parties. Section headings and titles used herein are for convenience only and shall in no way be held to explain, modify, amply or aid in the interpretation of this Agreement. This Agreement constitutes the sole agreement respecting (i) the grant of a security interest in the Equipment and the Leases, (ii) the limitations on recourse to Debtor for the Indebtedness under the Note and this Agreement, and (iii) the other subject matter hereof, and this Agreement supersedes all prior agreements and understandings between the parties with respect thereto. None of the terms or provisions hereof may be waived, altered, modified or amended except by an agreement in writing executed by Debtor and Secured Party.

Section 20. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute but one and the same instrument.

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

PLM Passive Income Investors 1988-II
Debtor

By: PLM Transportation Equipment Corporation
Its General Partner

By: Douglas P. Goodrich
Title: Attorney-in-fact

(SEAL)

GENERAL ELECTRIC RAILCAR SERVICES CORPORATION

By:
Title: Vice President

State of Illinois)
) ss.:
County of Cook)

On this 31st day of January, 1989, before me personally appeared Winston I. Lowe, to me personally known, who, being by me duly sworn, says that he is a Vice President of General Electric Railcar Services Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was on January 31, 1989, 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.

Doris M Helbeardt
Notary Public

My Commission Expires: May 13, 1990

(Notarial Seal)

State of Illinois)
) ss.:
County of Cook)

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Douglas P. Goodrich (name) Attorney-in-fact (title) of PLM Transportation Equipment Corporation General Partner of PLM Passive Income Investors 1988-II, a California limited partnership.

Doris M Helbeardt
Notary Public

My Commission Expires: May 13, 1990

(Notarial Seal)

B47672.1/1-2

EXHIBIT A

PLM Passive Income Investors 1988-II

Purchased From GERSCO-CAN

NATX 2679	NATX 33455
NATX 13655	NATX 33456
NATX 29842	NATX 33457
NATX 29849	NATX 33458
NATX 29850	NATX 33980
NATX 33441	NATX 71793
NATX 33442	NATX 71796
NATX 33443	NATX 72799
NATX 33444	NATX 72800
NATX 33445	NATX 72801
NATX 33446	NATX 73451
NATX 33448	NATX 76183
NATX 33449	NATX 76366
NATX 33450	NATX 76375
NATX 33451	NATX 76566
NATX 33452	NCTX 24413
NATX 33453	NCTX 24414
NATX 33454	NCTX 24417