*50 5
NEW NUMBER
(2)

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

ROBERT W. ALVORD
ALBERT H. GREENE
CARL C. DAVIS*
CHARLES T. KAPPLER
ROBERT S. HOPE
JOHN H. DOYLE
MILTON C. GRACE*
*NOT A MEMBER OF D.C. BAR

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

OF COUNSEL
JESS LARSON

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
393-2266

11380
RECORDATION NO. ..... Filed 1425
JAN 16 1980 -12 10 PM
INTERSTATE COMMERCE COMMISSION

January 16, 1980

0-016AC17

Date JAN 16 1980
Fee $ 50.00
ICC Washington, D. C.

Secretary
Interstate Commerce Commission
Washington, DC

Dear Madam:

Enclosed for recordation pursuant to the provisions of Section 11303(a) of Title 49 of the United States Code and the regulations thereunder are 1) Security Agreement dated as of January 16, 1980; 2) Letter Agreement dated January 16, 1980; and Lease and Management Agreement dated as of December 31, 1979.

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

Fifty (50) 70-ton 50'6" railroad boxcars
Type XM bearing reporting mark and numbers
PARY 14000 through PARY 14049, both inclusive

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

Security Agreement

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

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

C. T. Kappler

(1) Certified

Letter Agreement

ADDRESSOR: Refco Transport Equipment, Inc.
39 South LaSalle Street
Chicago, Illinois 60603

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

Lease and Management Agreement

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

LESSEE/MANAGER Upper Merion & Plymouth Railroad Company
P.O. Box 404
Conshohocken, Pennsylvania 19428

The undersigned is agent for the Debtor/Lessor and Addressee mentioned in the enclosed documents for the purpose of submitting the enclosed documents for recordation and has knowledge of the matters set forth therein.

Also enclosed is a remittance in the amount of $150, in payment of the required recordation fee.

Very truly yours,

ALVORD AND ALVORD,
as Agent

By Charles T. Kappler
Charles T. Kappler

CTK/bp
Enclosures

814(g-1)/A19

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

RECORDATION NO. 11380 Filed 1425

JAN 16 1980 - 12 10 PM

INTERSTATE COMMERCE COMMISSION

January 16, 1980

To: American National Bank and
Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690
Attention: Jonathan P. Hecht,
Second Vice President

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 Transport Equipment, Inc., a Delaware corporation (the "Owner"), and Comet Leasing Corp. ("Comet") have heretofore entered into a Purchase Agreement, dated December 31, 1979 (the "Purchase Agreement"), pursuant to which Comet sold the equipment described on Schedule A to the Security Agreement (the "Equipment") to the Owner. Upon such acquisition, Owner leased the Equipment to Debtor pursuant to an Agreement of Lease, dated December 31, 1979 (the "Owner Lease"), between the Owner, as lessor, and Debtor, as lessee. Pursuant to a Collateral Assignment of Leases, of even date therewith (the "Collateral Assignment"), between the Owner and Debtor, Debtor assigned, among other things, its interest in the rentals and other amounts payable under the Management Agreement to the Owner, as collateral security for Debtor's obligations under the Owner Lease.

Pursuant to the Security Agreement, Debtor will grant to the Lender a first security interest in the Equipment and the Management Agreement, except as otherwise provided therein, to secure Debtor's obligations to the Lender under the Security Agreement and under the Notes. 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 interests in the Management Agreement, and any substitutions therefor, such security interest having priority over any other interests of the Owner in the Equipment and the Management Agreement (including any interests arising under that certain Collateral Assignment of Leases between Owner and Debtor) or any substitutions therefor; provided, however, that nothing contained herein shall in any way give the Lender any right to receive the rentals and other payments due from Debtor to the Owner under the Owner Lease or to declare a default or waive a default by Debtor thereunder; and 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 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 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 thereunder or under

the Security Agreement or for any deficiency judgment on any foreclosure of the Lender's security interests in the Equipment and the 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 ownership interest in the Equipment and its interest in the 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 Equipment was conveyed to it by Comet subject to the Permitted Liens and the security interest of the Builder under the Rebuilding Order ("Builder's Lien"). 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 Lien 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 sucessors 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 TRANSPORT EQUIPMENT, INC.

By: [signature]

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: Jonathan P. Hecht

Name: JONATHAN P. HECHT

Title: 2 VP

STATE OF Illinois)
: ss.:
COUNTY OF Cook)

On this 15th day of January, 1980, before me, personally appeared Allen P. Palles to me personally known, who being by me duly sworn, says that he is a Vice President of Refco Transport 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 Piechota
Notary Public

(SEAL)

STATE OF Illinois)
: ss.:
COUNTY OF Cook)

On this 15th day of January, 1980, before me, personally appeared Jonathan P. Hecht to me personally known, who being by me duly sworn, says that he is a 2nd 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 Piechota
Notary Public

(SEAL)

SECURITY AGREEMENT

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

RECITALS:

A. Pursuant to a Finance Agreement dated as of January , 1980 (the "Finance Agreement") between the Debtor and the Secured Party, the Secured Party has committed to purchase certain notes of Debtor (collectively the "Notes") not exceeding the maximum aggregate principal amount of $1,479,100 to enable Debtor to pay the purchase price 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 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, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment 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 (hereinafter referred to as the "Management Agreement") dated as of December 31, 1979 between Debtor and Upper Merion and Plymouth Railroad Company (the "Railroad") including any and all amendments thereto whether now existing or hereafter entered into, including all extensions of the term of the Management Agreement together with all rights, powers, privileges, options and other benefits of the Debtor under the Management Agreement, 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, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Debtor under the Management Agreement or pursuant thereto;

(2) The right to make all waivers and agreements and to give and receive duplicate copies of all notice and other instruments or communications under the Management Agreement; and

(3) The right to take such action upon the occurrence of an Event of Default under said Management Agreement or an event which with the lapse of time or giving of notice or both would constitute an Event of Default under said Management Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by said Management Agreement or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under said Management Agreement, 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, insurance proceeds, condemnation awards and other payments with respect to the Equipment for application in accordance with 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 Payor 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 Management Agreement, 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 Management Agreement which by the terms thereof are payable to the Debtor for its own account;

(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 the Railroad pursuant to Sections 6 and 10.2 of the 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 Management Agreement except those contained in Section 15.1(f)(1) thereof;

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

(d) All proceeds of the Management Agreement in excess of the amount required to discharge the amounts due and owing to the Secured Party hereunder or under the Note at the time that such proceeds are received; and

(e) All proceeds derived by Debtor from the transfer of its interest in the Equipment as described in Section 6 hereof.

Section 2. COVENANTS AND WARRANTIES OF THE PAYOR.

The Debtor covenants, warrants and agrees as to itself 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 Management Agreement, the Other Agreements and the Notes 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 Agree-

ment, the Management Agreement, the Other Agreements and the Notes 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). 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; and (d) the rights of the Railroad under the Management Agreement; and (e) the liens and lease 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 revenues and other sums due and to become due under the Management Agreement, the Debtor covenants and agrees that it will cause the Railroad to be notified of such assignment and direct the Railroad to make all payments of such revenues and other sums due and to become due under the Man-

agement 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 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 Debtor shall give proof thereof to the Secured Party.

2.6 Modification of the 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 Management Agreement;

(b) Receive or collect or permit the receipt or collection of any payment under the Management Agreement, prior to the date for payment thereof provided for by the Management Agreement or assign, transfer or hypothecate (other than to the Secured Party or, subject and subordinate in all respects to the rights of 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 Management Agreement;

(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 Management Agreement. Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, 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 MAINTENANCE OF PROPERTY; INSURANCE

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, possession and control of the Equipment by the Railroad in compliance with the terms of the 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 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 the Railroad for settlement pursuant to Section 12 of the Management Agreement upon receipt from the Railroad of written notice designating the Item of Equipment in respect of which the Management Agreement will terminate, together with a statement that there is no such default thereunder, and the receipt from the Railroad of payment for the Casualty Value for such Item of Equipment in compliance with Section 12 of the 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 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 installments of 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 the 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 of the Casualty Value for any Item of Equipment pursuant to Section 12 of the Management Agreement 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 Purchase Price of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject hereto 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 the Railroad in respect of the Equipment 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 the Railroad for expenditures made for such repair upon receipt by the Secured Party of a certificate of an appropriate officer of the Railroad as required by the last paragraph of Section 12.1 of the 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 the Railroad shall have notified the Secured Party in writing that the Management Agree-

ment in respect to any Item of Equipment is to be terminated in accordance with the provisions of Section 12 thereof, 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 Management Agreement; or

(c) Default on the part of the Payor in the due observance or performance of any covenant or agreement to be observed or performed by the Payor under this Security Agreement, and such default shall continue unremedied for

20 days after written notice from the Secured Party to the Payor specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty on the part of the Payor or the Railroad made herein or in the Finance Agreement, the 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 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 thereafter; or

(f) Any proceeding shall be commenced by or against the Payor for any relief which includes or might result in any modification of the obligations of the Payor hereunder or under the Note 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 Commonwealth of Pennsylvania (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and, in addition, the Secured Party shall also have the following rights and remedies:

(a) The Secured Party may, by notice in writing to the Payor 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 Owner and its successors and assigns (the "Redeeming Party") shall have the right to redeem all but not less than all of the Items of Equipment owned by said Redeeming Party 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 Purchase Price (as defined in the Finance Agreement) of the Item or Items of Equipment to be redeemed and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject hereto, 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 shall 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, 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 execise all rights, privileges and remedies of the Debtor under the 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 Payor. To the extent permitted by law, the Payor 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 Payor, acquiring any interest through the Payor 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 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 property expenses, liability 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 to the holder or holders of the Notes of the amount then owing or unpaid on the Note 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 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 Payor, 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 therfrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness

secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of the 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 costs for the Equipment. In addition, the Owner is leasing the Equipment to Debtor. Pursuant to the documents executed in connection with the foregoing transactions, the ownership interest of Owner, the aforementioned security interest of Comet and the aforementioned lease from Owner to Debtor are subject and subordinate in all respects to the security interest of Secured Party hereunder and to the Management Agreement.

Section 7. MISCELLANEOUS.

7.1 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 Payor 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 hereinafter defined. 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 Note 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 such Note.

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

(b) All amounts constituting payment of the installments of rents under the Mangement 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 the Notes to the extent of the amounts so received and applied.

7.2 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 Commonwealth of Pennsylvania are authorized or obligated by law to remain closed.

7.3 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 any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

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

7.5 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 personablly or when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to Debtor:

Funding Systems Railcars, Inc.
Suite 404
1000 RIDC Plaza
Pittsburgh, PA 15238
Attention: James Schein, 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,
Second Vice President

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

7.6 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.

7.7 Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 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 secured jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

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

7.9 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 parties hereto have executed this Security Agreement as of the day and year first above written.

FUNDING SYSTEMS RAILCARS, INC.

By_____
Title:

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO

By_____
Title:

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)

SCHEDULE A

DESCRIPTION OF EQUIPMENT

Type	Builder's Specifications	Quantity	Equipment Numbers (Inclusive)	Average Unit Price	Total Price	Delivery
XM	70-ton 50' 6" railroad box-cars	50	PARY 14,000 through 14,049	$42,260	$2,113,000	Bessemer, Alabama