

MAR 18 1988 - 10 20 AM

ITEL

8-078A021

INTERSTATE COMMERCE COMMISSION
Itel Rail Corporation

March 18, 1988

No. MAR 18 1988 55 Francisco Street
San Francisco, California 94133
(415) 984-4000

Date.....
Fee \$26.00

ICC Washington, D. C.

\$ 13.00 filing fee
13.00 Cross indexing fee
26.00 TOTAL

Hon. Noretta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423

Re: Security Agreement dated March 18, 1988, between Itel Rail Corporation and CrossLand Credit Corp.

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in four (4) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the \$26 recordation fee.

New number
Please record this Security Agreement under a new Recordation number. Please cross-index this instrument to the Security Agreement between Itel Rail Corporation and Heller Financial, Inc. dated as of September 30, 1986, which was filed with the ICC on October 7, 1986, under Recordation No. 15063.

The parties to the aforementioned instrument are listed below:

Itel Rail Corporation (Borrower)
55 Francisco Street
San Francisco, California 94133

CrossLand Credit Corp. (Lender)
211 Montague Street
Brooklyn, New York 11201

This Security Agreement grants to the Lender a security interest in the boxcars and leases described in Exhibits A and B thereto.

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

Patricia Schumacker

Patricia Schumacker
Legal Department

PS:
Enclosures

MAR 17 10 23 AM '88
RECEIVED
100 OFFICE OF
SECRETARY OF
TRANSPORTATION

*Counterpart
G. A. Hansen*

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Patrica Schumacker
Irel Rail Corp.
55 Francisco Street
San Francisco, Ca 94133

Dear Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/18/88 at 10:30AM, and assigned recordation number(s). 15537 & 15063-J

Sincerely yours,

Narta L. McGee

Secretary

Enclosure(s)

News Member

RECORDATION NO. 1 5537 FILED 1425

MAR 18 1988 - 10 30 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of March 18, 1988

between

ITEL RAIL CORPORATION

and

CROSSLAND CREDIT CORP

03/15/88

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of March 18, 1988, between ITEL RAIL CORPORATION, a Delaware corporation (the "Borrower"), and CROSSLAND CREDIT CORP, a Delaware corporation (the "Lender").

WHEREAS, Borrower has entered into a Railcar Purchase Agreement dated as of March 18, 1988 (the "Purchase Agreement") with Lender for the purchase of up to 294 50-foot, 100-ton boxcars listed on Exhibit A attached hereto (collectively, the "Boxcars," and individually a "Boxcar"); and

WHEREAS, the Boxcars are leased pursuant to the agreements identified on Exhibit B hereto, and, pursuant to the Purchase Agreement, Lender will assign to Borrower its interest as lessor under the Leases, as and to the extent the Leases relate to the Boxcars; and

WHEREAS, the Borrower desires to borrow up to Seven Million Seventy-Nine Thousand Five Hundred Twenty Dollars (\$7,079,520) (the "Principal Sum") from Lender to finance the purchase of the Boxcars under the Purchase Agreement and Lender is willing to lend up to the Principal Sum to the Borrower on the terms and conditions hereof;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; AMOUNT AND TERMS OF LOAN

SECTION 1.01. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Purchase Agreement.

SECTION 1.02. The Loan and the Note. The Lender agrees, on the terms and conditions hereinafter set forth, to finance 80% of the purchase price of the Boxcars by making a purchase money loan (the "Loan") to the Borrower in the principal amount of up to the Principal Sum. The Loan shall be evidenced by a promissory note (the "Note") in form attached to the Purchase Agreement as Exhibit A, payable to the order of the Lender in the principal amount of the Principal Sum.

SECTION 1.03. Repayment of Principal of and Interest on the Loan. The Borrower shall pay the principal of and interest on the Loan in the amounts and at the times and rates specified in the Note.

SECTION 1.04. Interest. Interest shall accrue on the unpaid principal amount of the Loan at the rates specified in the Note; provided, however, that notwithstanding any provision of this agreement to the contrary, the rate of interest on the Loan shall at no time exceed the maximum interest rate which Lender is permitted to charge from time to time under applicable laws.

SECTION 1.05. Computation of Interest.

(a) Interest under the Note shall be computed on the basis of a 365-day year.

(b) Lender shall send the Borrower an invoice seven days before the eighteenth day of each month, stating and calculating the arithmetical daily average Reference Rate for the period beginning on the day the previous monthly invoice was sent (or required to be sent) and ending on the day before such invoice is sent, and stating the interest accrued on the Note with respect to such period. The invoice sent seven days prior to April 18, 1988, shall cover the period beginning on the date hereof and ending on the day before such invoice is sent. The same arithmetical daily average Reference Rate shown on the invoice sent (or to be sent) seven days prior to March 18, 1995 shall also apply to the seven days prior to March 18, 1995. Notwithstanding anything herein contained, Lender's failure to provide any such invoice shall not relieve Borrower of its obligations hereunder or under the Note.

ARTICLE II

CONDITIONS PRECEDENT

SECTION 2.01. Conditions Precedent to the Loan.

(a) The obligation of the Lender to make the Loan on the Closing is subject to fulfillment of the following conditions:

(1) The Lender shall have received evidence satisfactory in form and substance to it as to the following:

(A) The Lender has a duly perfected first priority security interest in the Collateral (as defined below) enforceable in accordance with the terms of this Agreement.

(B) Appropriate Uniform Commercial Code financing statements or other documents covering the security interest granted to the Lender hereunder have been duly filed in each jurisdiction necessary or advisable to perfect or protect the security interest granted hereunder and any appropriate documents have been filed with the Interstate Commerce Commission.

(2) The Borrower has paid the Lender the Cash Portion in accordance with the terms of the Purchase Agreement.

(3) Borrower has executed and delivered the Note.

(4) No Event of Default or event which with the giving of notice or the passage of time would constitute an Event of Default under the Purchase Agreement or this agreement has occurred and is continuing as of the Closing.

(5) The Lender has received the documents and instruments required to be delivered by Borrower pursuant to the Purchase Agreement.

(6) The Lender shall have received certificates of the insurers as to the insurance maintained and carried with respect to the Boxcars as required under this Agreement.

(7) The Lender shall have received an opinion of counsel to Borrower in customary form with respect to those matters contained in Sections 4.0(a)(i)-(iv); (vii); (viii) and (xiv) hereof.

ARTICLE III

COLLATERAL SECURITY

SECTION 3.01. Grant of Security. Borrower hereby transfers, assigns and sets over to Lender and grants to the Lender a security interest in the following (the "Collateral"), all whether now owned or hereafter acquired:

(a) The Boxcars and all claims, rights, powers, privileges and remedies on the part of the Borrower, with respect to the Boxcars, whether arising by statute, at law, in equity or otherwise;

(b) All rights and powers of the Borrower, in and to the Bill of Sale and the Assignment, together with all estates and interests of Borrower therein and thereto, and all rights, powers and privileges of Borrower thereunder, or in respect thereof;

(c) All rights and powers of Borrower, in and to the Leases, to the extent the Leases relate to the Boxcars, or any other leases, subleases or use agreements of the Boxcars that Borrower may enter into ("Future Leases"), together with all estates and interests of Borrower therein and thereto, and all rights, powers and privileges of Borrower thereunder, or in respect thereof;

(d) All proceeds from the sale, loan, exchange, lease or other disposition of any of the foregoing, including, without limitation, proceeds of any involuntary dispositions or any of the foregoing (including any insurance proceeds); and

(e) All improvements, additions, repairs and appurtenances to the Boxcars,

together with full power and authority, in the name of the Lender or Borrower or otherwise, should an Event of Default have occurred and be continuing, as attorney-in-fact of Borrower hereby irrevocably constituted, to enforce, collect, receive and receipt for any and all of the foregoing sums assigned, or entitled to be received pursuant to other rights assigned.

SECTION 3.02. Security for Note. This Agreement is made for the benefit of the Lender and any subsequent holder of the Note to secure the payment of the principal and interest on all outstanding indebtedness under the Note, and the performance of and compliance with all the terms of the Note and of this Agreement, and all costs and expenses of the Lender incurred in connection

with enforcing performance of the Note and of this Agreement (all such obligations of the Borrower are hereafter referred to as the "Obligations").

SECTION 3.03. Protection of Security. Further to preserve and protect the security afforded the Lender by this Agreement, Borrower agrees:

(a) To perform and comply with each and every term of the Purchase Agreement, this Agreement, and, to the extent commercially reasonable, the Leases and Future Leases to be performed or complied with by Borrower.

(b) If an Event of Default shall occur and be continuing hereunder, then the Lender may (but shall not be obligated to), without releasing Borrower from any obligation hereunder, make or do the same in such manner and to such extent as the Lender may reasonably deem necessary or advisable to preserve and protect the Collateral secured hereby, including specifically, without limiting the Lender's general powers, the right to appear in and defend any action or proceeding purporting to affect the security interest in the Collateral created by this Agreement or the rights or powers of the Lender hereunder, and the right to perform and discharge each and every obligation, covenant and agreement of Borrower contained in the Purchase Agreement, the Leases or the Future Leases, to the extent they relate to the Boxcars; and in exercising any such powers, Lender may incur reasonable costs and expenses, for which costs and expenses the Lender shall be reimbursed by Borrower. Lender shall give Borrower notice of any action taken by it pursuant to this paragraph.

(c) Borrower agrees that it will use its best efforts to verify the location and condition of the Collateral and Borrower agrees that the Lender may at any reasonable time during ordinary business hours at its option, whether or not Borrower is in default, inspect the books and records of Borrower as they pertain to the Collateral upon reasonable notice and make copies thereof or extracts therefrom.

(d) Borrower shall not create, incur, assume or suffer to exist any lien on or with respect to the Boxcars, except materialmen's, mechanics', workmen's, repairmen's, employees' or other like liens arising in the ordinary course of business and except any Future Leases which are subordinate to the Security Agreement; provided, however, the Lender agrees that it will not, in the exercise of any of its rights under this Security Agreement, disturb or deprive any lessee of the Boxcars in or of its possession, use or quiet enjoyment of the Boxcars or other rights pursuant to the Leases or Future Leases, so long as: (i) no event of default by such lessee under such Lease or Future Lease shall have occurred and be continuing; (ii) such lessee is not an affiliate of Borrower; and (iii) such Lease or Future Lease contains market rental rates and other terms customary for leases of equivalent equipment.

SECTION 3.04. Protection of Security Interest. Borrower hereby irrevocably appoints the Lender its true and lawful attorney, with full power of substitution in the premises, to enforce the Borrower's rights under the

Leases, as and to the extent the Leases relate to the Boxcars, or any Future Leases, as and to the extent the Future Leases relate to the Boxcars, and to take any other action which the Lender may reasonably deem necessary or appropriate to protect and preserve the security interest of the Lender in the Collateral and to enforce its rights with respect to the Collateral; provided, however, Lender shall not exercise such power of attorney unless an Event of Default hereunder shall have occurred and be continuing.

SECTION 3.05. Continuing Security Interest; Transfer of Note. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full of the Obligations, (ii) be binding upon Borrower, its successors and assigns, and (iii) inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Lender, and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), Lender may assign or otherwise transfer the Note held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to Lender herein or otherwise. Upon the payment in full of the Obligations, the security interest granted hereby shall terminate. Upon any such termination, the Lender will execute and deliver to Borrower such documents as Borrower shall reasonably request to evidence such termination.

SECTION 3.06. Prepayments for Casualty Occurrences. If any Boxcar shall be or become stolen, lost, destroyed or damaged so that repair would be, in the Borrower's sole responsible opinion, uneconomic or not feasible (such events "Casualty Occurrences"), then on the monthly payment date for payment of principal and interest on the Loan next following the month in which Borrower has become aware of such Casualty Occurrence, Borrower shall notify Lender in writing of the reporting marks of the Boxcar that suffered such Casualty Occurrence and shall include in such monthly payment a prepayment of principal in the amount of (a) the then outstanding principal balance of the Loan (after giving effect the principal payment made for such month) divided by (b) the number of Boxcars in existence immediately prior to such Casualty Occurrence, together with interest thereon accrued to such date of payment. Such prepayment shall be made without premium or penalty and the principal balance of the Loan shall be reduced by the amount of such prepayment. Upon the making of such prepayment by Borrower, this Security Agreement shall terminate as to the Boxcar in respect of which such prepayment was made, Borrower shall be entitled to retain such Boxcar and all proceeds received by it in respect thereof, and Lender shall execute any documents reasonably requested by Borrower for the release of Lender's lien on such Boxcar. Any Boxcar which Borrower determines has not suffered a Casualty Occurrence and as to which Borrower has not made the aforementioned prepayment shall continue to be maintained in accordance with Section 4.01(a)(xvi) hereof.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations, Warranties and Covenants.

(a) The Borrower represents, warrants and covenants to the Lender that:

(i) The Borrower is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has full power and authority to enter into and perform its obligations under this Agreement, the Purchase Agreement and the Note;

(ii) The execution, delivery and performance by the Borrower of this Agreement, the Purchase Agreement and the Note (the "Basic Documents") have been duly authorized by all necessary corporate action and under present law do not and will not contravene any law or any governmental rule or regulation or any judgment, decree or order presently binding on Borrower or its Certificate of Incorporation or By-laws or contravene the provisions of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property of the Borrower, except for the lien granted to the Lender in the Collateral, under any indenture, mortgage, contract or other agreement or instrument to which Borrower is a party or by which it or its property is bound;

(iii) The execution, delivery and performance by the Borrower of the Basic Documents do not require the consent, approval, authorization or order of, the giving of notice to, the registration or filing with, or the taking of any other action in respect of, any federal, state or other governmental authority or agency;

(iv) The Basic Documents have been duly authorized, executed and delivered by the Borrower and, assuming the due authorization, execution and delivery hereof by the Lender, constitute legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally or by equitable limitations on the availability of remedies;

(v) On the closing date hereof, the Borrower shall have title to the Boxcars free and clear of all liens, claims, charges or other encumbrances whatsoever created by, through or under the Borrower, except the lien created by this Agreement and the Note;

(vi) Financing statements under the Uniform Commercial Code in the form requested by the Lender have been executed by the Borrower, and have been or shall be delivered to the Lender for filing against the Borrower in all jurisdictions where such filing is necessary in order to protect and establish the security interest for the Lender granted hereunder, and this Security Agreement shall be filed with the Interstate Commerce Commission, and upon such filings Lender shall have a purchase money security interest in the Collateral and no further action, including any filing or recording of any documents (including any financing statement in respect hereof under the Uniform Commercial Code of any applicable jurisdiction) is necessary in order to establish and perfect the Lender's security interest granted hereunder against any third parties in any jurisdiction or where such further filing or recording is necessary it has or shall have been done;

(vii) The Note will be entitled to the security of this Agreement;

(viii) This Agreement creates a valid purchase money security interest in favor of the Lender in respect of the Boxcars and the Leases, as they relate to the Boxcars, which security interest shall be superior in right to all claims of secured and unsecured creditors of Borrower and to all other security interests, liens, claims and encumbrances except for materialmen's, mechanics', workmen's, repairmen's employees' or other like liens arising in the ordinary course of business, or as permitted hereunder;

(ix) The chief executive office of Borrower is in San Francisco, California and the office where Borrower keeps its records relating to the Boxcars is in San Francisco, California;

(x) The Borrower will at all times during the term of this Agreement carry and maintain or cause to be carried and maintained on the Boxcars at its or its lessees' cost and expense, similar public liability and property damage insurance on the Boxcars as it carries with respect to similar railcars owned or leased by it, and Lender shall be an additional insured and loss payee on such property insurance, and an additional insured on such liability insurance, as its interests may appear. Borrower shall furnish the Lender with certificates or other satisfactory evidence of the maintenance of the insurance required hereunder and shall furnish certificates or other satisfactory reports evidencing renewal prior to the expiration date of the original and any renewal policy or policies. Notwithstanding the foregoing, Borrower may allow lessees of the Boxcars to self-insure to the extent Borrower allows similar lessees of railcars owned by Borrower to self-insure; provided, however, that Borrower shall maintain railcar contingent liability insurance covering the Boxcars similar to that covering other similar railcars owned or leased by Borrower, and Lender shall be an additional insured and loss payee on such insurance, as its interests may appear. In no event shall insurance policies maintained by Borrower pursuant to the terms of this Subsection (x) be lesser in amount or scope of coverage or carry greater deductibles than insurance policies normally maintained by Borrower with respect to the fleet of railcars owned by Borrower and subject to the liens of other lenders, and such policies shall provide that Lender shall receive 30 days prior written notice of cancellation.

(xi) The Borrower shall not create, incur, assume or suffer to exist any lien, encumbrance, lease or security interest in the Collateral except (a) the lien of this agreement, (b) materialmen's, mechanics', workmen's, repairmen's, employees' or other like liens arising in the ordinary course of business (which liens Borrower shall remove as soon as commercially reasonable, except those as to which it shall in good faith be contesting), and (c) the Leases and any Future Leases.

(xii) The Borrower and its consolidated subsidiaries shall maintain a tangible net worth at all times of not less than \$81,276,000. "Tangible net worth" shall mean, as of the date of determination thereof, tangible assets less total liabilities. "Tangible Assets" shall mean, as of the date of determination thereof, the total assets of the Borrower and its consolidated subsidiaries (less applicable reserves and other properly deductible items) which under generally accepted accounting principles ("GAAP") would be reflected on a consolidated balance sheet of

the Borrower, after deducting therefrom organization expenses, general intangibles, intellectual property, covenants not to compete, research and development costs, training costs, unamortized debt discount, and deferred charges (other than prepaid insurance), which in each case under GAAP would otherwise be included on such balance sheet. "Total liabilities" shall mean, as of the date of determination thereof, the total liabilities of the Borrower and its consolidated subsidiaries as determined in accordance with GAAP.

(xiii) The Borrower shall cause to be furnished to the Lender:

(a) within forty-five (45) days after the end of any quarter (provided that with respect to the fourth quarter, within sixty (60) days after the end of such quarter) a statement of income and changes in financial position of the Borrower and the Borrower's consolidated subsidiaries for the quarter and for the period from the beginning of the then current fiscal year to the end of such quarter and a balance sheet of the Borrower and the Borrower's consolidated subsidiaries as of the end of the current quarter and as of the end of the preceding fiscal year, all in reasonable detail and certified as presenting fairly in accordance with GAAP the Borrower's financial position and results of operations by the chief financial officer or treasurer of the Borrower, subject to changes resulting from normal adjustments, together with a statement and Schedule from Borrower demonstrating Borrower is in compliance with Section 4.01(a)(xii) hereof; and

(b) within one hundred twenty (120) days after the end of each fiscal year, statements of income and changes in financial position of the Borrower and the Borrower's consolidated subsidiaries for such year, and a balance sheet of the Borrower and the Borrower's consolidated subsidiaries as of the end of such year, setting forth in each case, in comparative form, corresponding figures for the period covered by the preceding annual audit and as of the end of the preceding fiscal year, all in reasonable detail and satisfactory in scope to the Lender and examined and certified by independent public accountants selected by the Borrower together with a statement and Schedule from Borrower demonstrating Borrower is in compliance with Section 4.01(a)(xii) hereof.

(xiv) There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened, before any court, administrative agency, arbitrator or governmental body which individually or in the aggregate, materially impair the ability of the Borrower to perform its obligations hereunder and under the Note and there is no event of default by Borrower under any material indenture, mortgage, contract or other agreement or instrument to which it is a party or by which it or its property is bound;

(xv) To the extent commercially reasonable, Borrower, at its own cost and expense, will or will require lessees of the Boxcars to, at all times (a) maintain and keep the Boxcars in good operating order, repair and condition, ordinary wear and tear excepted, (b) maintain the Boxcars as an operating and functional part of its business, (c) replace any part

of the Boxcars which shall be or become stolen, lost, destroyed or damaged for which a Casualty Occurrence is not declared, and (d) maintain the Boxcars in such condition as will enable them to be used in the interchange system under load.

ARTICLE V

EVENTS OF DEFAULT

SECTION 5.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Any installment of principal or interest on the Note shall not be paid within ten (10) days after Borrower's receipt of notice from Lender that such sums are due (it being understood that Lender's failure to provide any such notice shall not relieve Borrower of its obligations under this Security Agreement or the Note); or

(b) Any representation or warranty made by Borrower in this Agreement or in Subsections 7(a) or 7(b) of the Purchase Agreement shall prove to have been incorrect in any material respect when made; or

(c) Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall continue for twenty (20) days after Borrower's receipt of written notice from the Lender; or

(d) Borrower shall be adjudicated as bankrupt or insolvent, or admit in writing its inability to pay its debts as they mature, or shall apply for or consent to the appointment of any receiver or similar officer for it or for all or any substantial part of its property; or such receiver, or similar officer shall be appointed without the application or consent of the Borrower and such appointment shall continue undischarged for a period of 45 days; or the Borrower shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against the Borrower and shall remain undismissed for a period of 45 days; or any judgment, writ, warrant of attachment of execution or similar process shall be issued or levied against the Collateral, or any part thereof and such judgment, writ or similar process shall not be released, vacated or fully bonded within 45 days after its issue or levy;

then, and in any such event, the Lender may, in addition to the remedies provided for in this Agreement and by written notice to Borrower, declare the entire unpaid principal amount of the Note, all interest accrued and unpaid thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Note, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower.

ARTICLE VI

REMEDIES

SECTION 6.01. Remedies of Default. If an Event of Default under this Agreement shall occur and be continuing, then the Lender, without the necessity or obligation to resort to any other security, shall have, in addition to the rights and remedies granted by this Agreement, the right at any time and from time to time, in its sole discretion, to exercise any rights and remedies granted to a secured party holding a purchase money security interest under the Uniform Commercial Code, and the Lender may reduce its claim hereunder and on the Note to a judgment, foreclose or otherwise enforce the security interest granted hereby by any procedure, judicial or otherwise, as allowed by law. Any sale of the Collateral hereunder may be held in the Lender's discretion, in any of the following locations: where the Collateral is located, at the office of Borrower or at any of the Lender's offices or at any other location specified by the Lender. Upon such sale, the Lender may purchase the Collateral free from any equity of redemption, which is hereby waived and released. Upon such sale, after deducting all costs and expenses of every kind for sale or delivery (including, but not limited to, the reasonable fees and expenses of counsel for the Lender) from the proceeds of such sale, the Lender shall apply any residue remaining first to the payment of the liabilities of Borrower under the Note and then under this Agreement. The balance, if any, remaining after payment in full of any and all such liabilities shall be paid to Borrower. Any right granted to Borrower under the Uniform Commercial Code of any State to redeem the Collateral prior to disposition or discharge of the obligation is expressly conditioned upon receipt of the Lender of all funds then due under this Agreement and all expenses of the Lender in retaking, holding and preparing the Collateral, including, without limitation, reasonable fees and expenses of counsel for the Lender. The rights of the Lender specified in this paragraph shall be cumulative and shall in no event be deemed exclusive of any other right the Lender may have hereunder and pursuant to the laws of the United States or any State of the United States. Notwithstanding the foregoing, the security interests granted hereby are effective immediately and their effectiveness is not contingent upon the occurrence of an Event of Default under this Agreement. Upon the occurrence and during the continuance of an Event of Default, the Lender in its discretion may declare the unpaid principal amount of the Note and accrued interest thereon to be immediately due and payable, upon which declaration such principal amount and such accrued interest shall immediately become due and payable without further act or notice of any kind.

SECTION 6.02. Remedies Cumulative. Each and every right, power and remedy herein specifically given to the Lender shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Further Assistance. Borrower from time to time shall execute, deliver to the Lender and file, all such instruments and take all

such actions as the Lender may reasonably request in order to preserve and protect the security interest granted or intended to be granted to the Lender hereunder, to effectuate the purpose of this Agreement or to carry out the terms hereof, including, without limitation, the execution and filing of financing statements or continuation statements under the Uniform Commercial Code and the filing of any documents, agreements or statements with the Interstate Commerce Commission. Borrower hereby authorizes the Lender to file this Agreement or any such financing statements or continuation statements (and to sign the same on behalf of Borrower) with respect to the Collateral with any appropriate governmental office in order to preserve, protect, perfect or continue the perfection of any and all security interests granted or created hereby.

SECTION 7.02. Assignment by Borrower. Borrower may not sell or assign its interest in the Boxcars.

SECTION 7.03. Assignment by Lender. All or any of the right, title or interest of Lender in, to or under this Security Agreement and the rights, benefits and advantages of Lender hereunder may be assigned or transferred and may be reassigned or retransferred by any assignee of Lender at any time and from time to time, but such assignment shall not be binding upon Borrower until Borrower has received written notice thereof.

SECTION 7.04. Termination. The assignments made and the security interests created hereunder shall terminate when all the obligations of Borrower under the Note and this Agreement then due and unpaid shall have been discharged and all amounts due hereunder have been paid, and the Lender, at the request of Borrower, will execute termination statements and such other documents as may be necessary or appropriate to make clear upon the public records and otherwise the termination of any and all such assignments and security interests.

SECTION 7.05. Controlling Law; Successors and Assigns. This Agreement shall be governed by and be construed in accordance with the laws of the State of California (without regard to any conflicts of law rule which might result in the application of the law of any other jurisdiction), including all matters of construction, validity and performance, and shall inure to the benefit of and be binding upon the Borrower and the Lender and their respective successors and assigns.

SECTION 7.06. Changes, Waivers, etc. 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 thereof is sought. No failure or delay by the Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other further exercise thereof or the exercise of any other right, power or privilege.

SECTION 7.07. Notices. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such notice shall become effective upon being deposited in the mails,

certified or registered, with appropriate postage prepaid for first-class mail, return receipt requested, or, if delivered by hand, when received, and shall be directed (i) if to Lender or Borrower, to the respective addresses set forth opposite the signature of such parties at the foot of this Agreement, or (ii) if to any assignee or successor in interest of Borrower or Lender, addressed to such assignee or successor in interest at such address as such assignee or successor in interest shall have furnished by notice to the Lender or the other parties hereto, or (iii) to such other address as any such party or any such assignee or successor in interest may designate by notice given to the parties hereto.

SECTION 7.08. Indemnity. Borrower agrees to indemnify and defend Lender and its respective successors, assigns, agents and employees against, and hold such indemnified persons harmless from any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities at law or in equity, including attorneys' fees and disbursements ("Impositions"), caused by, arising out of, connected with or resulting from (i) this Agreement, the Note or the Boxcars, including without limitation the selection, purchase, possession, condition, use, or operation of the Boxcars, and (ii) the untruth, inaccuracy or breach of any representations, warranties or agreements of Purchaser contained herein, all from and after the date hereof, except any Impositions arising out of, connected with or resulting from Lender's gross negligence or wrongful acts and except as provided in the Purchase Agreement or the Management Agreement or the Termination. The Borrower's obligations hereunder will survive the satisfaction of the Note.

SECTION 7.09. Costs. Except as provided for in this Section, each party hereto shall pay its own costs and expenses in connection with the transactions contemplated by this Agreement.

SECTION 7.10. Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 7.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

SECTION 7.12. Section Headings. The section headings in this Agreement have been inserted for convenience only and form no part of this Agreement.

SECTION 7.13. Power of Attorney. Borrower does hereby constitute Lender its true and lawful attorney, irrevocable, with full power (in the name of Borrower or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for the enforcement of the lien of this Agreement, whether pursuant to foreclosure or power of sale or otherwise, and to execute and deliver all such Bills of Sale, assignments and other instruments as Lender may reasonably consider necessary and appropriate, with full power of substitution; provided, however, Lender shall not exercise such power of attorney unless an Event of Default hereunder shall have occurred and be continuing. If so requested by Lender or any purchaser, Borrower shall ratify and confirm any such sale, assignment, transfer or delivery by executing and delivering to Lender or such purchaser all bills of sale, assignments,

releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

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

CROSSLAND CREDIT CORP

By: 

Name: Robert F. Sumners

Title: Vice President

Address: 211 Montague Street
Brooklyn, NY 11201

ITEL RAIL CORPORATION

By: 

Name: Desmond P. Hayes

Title: President

Address: 55 Francisco Street
5th Floor
San Francisco, CA 94133

EXHIBIT A
IDENTIFICATION OF CARS

<u>Reporting Mark</u>	<u>AAR Mech. Designation</u>	<u>Description</u>
MDW 8100-8199 (100 Cars)	XP	50' 6", 100-ton, 12' plug door boxcars end of car cushioning plate C, built 1979.
*MDW 5000-5099 except 5007 and 5042 (98 Cars)	XP	
CIRR 90202-90300 except 90218, 90247 and 90256 (96 Cars)	XM	
<hr/>		
294 Cars Total		

* Subleased from East Camden and Highland Railroad Company

EXHIBIT B

SCHEDULE OF LEASES

- 1) Lease Agreement made as of September 24, 1979, between FMC Finance Corporation, as Lessor, and Chattahoochee Industrial Railroad, as Lessee, which Lease Agreement expires November 13, 1994.
- 2) Sublease Agreement dated as of August 27, 1984, between East Camden and Highland Railroad Company, as Sublessor, Minnesota, Dakota and Western Railway Company, as Sublessee, and FMC Finance Corporation, as Lessor, which Sublease Agreement expires December 1, 1994.
 - 2A) Lease Agreement dated as of August 31, 1979, between FMC Finance Corporation, as Lessor, and East Camden and Highland Railroad Company, as Lessee, which Lease Agreement expires December 1, 1994.
- 3) Lease Agreement dated as of September 11, 1979, between FMC Finance Corporation, as Lessor, and Minnesota, Dakota and Western Railway Company, as Lessee, which Lease Agreement expires December 11, 1994.
 - 3A) Assignment Agreement dated as of March 14, 1986, between Minnesota, Dakota and Western Railway Company, as Assignor, and Canadian Pacific Rail, as Assignee, which Assignment Agreement is ongoing subject to annual review.

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 16th day of March, 1988, before me personally came Demond P. Hayes to me known, who, being by me duly sworn, did depose and say that he is the President of Itel Rail Corporation, one of the parties described in and which executed the above instrument; that the execution of the above instrument was duly authorized by the board of directors of Itel Rail Corporation; and that he signed his name thereto pursuant to like authority.



Patricia Schumacker
Notary Public

STATE OF CALIFORNIA)
) ss:
COUNTY OF Santa Clara)
~~SAN FRANCISCO~~)

On this 17th day of March, 1988, before me personally came Robert F. Sumners to me known, who, being by me duly sworn, did depose and say that he is the Vice President of Crossland Credit Corp, one of the parties described in and which executed the above instrument; that the execution of the above instrument was duly authorized by the board of directors of Crossland Credit Corp; and that he signed his name thereto pursuant to like authority.



Sue Van Schaack
Notary Public