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RECORDATION NO. Filed 1425

June 10, 1980

JUN 9 1980 - 3 15 PM

No. 0-161A193

INTERSTATE COMMERCE COMMISSION

Date JUN 9 1980

Interstate Commerce Commission
Washington, D. C.

Fee \$ 50.00

Gentlemen:

ICC Washington, D. C.

Enclosed for recordation under the provisions of 49 U.S.C. 11303 (formerly Section 20(c)) of the Interstate Commerce Act, as amended, are the original and 13 counterparts of a Security Agreement dated as of May 15, 1980.

A general description of the railroad rolling stock covered by the enclosed documents is set forth in Exhibit A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Debtor: Continental Illinois National Bank
and Trust Company of Chicago, as
Trustee under Consumers Power
Trust No. 80-1
30 North LaSalle Street
Chicago, Illinois 60693

Secured Party: Mercantile-Safe Deposit and Trust Company
Two Hopkins Plaza
P. O. Box 2258
Baltimore, Maryland 21203

The undersigned is the Debtor mentioned in the enclosed documents and has knowledge of the matters set forth therein.

Please return the original and 12 copies of the Security Agreement to Robert C. Nash, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Enclosed is a check in the amount of \$50.00 covering the filing fee.

Very truly yours,

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF
CHICAGO, as Trustee under
Consumers Power Trust No. 80-1

RECEIVED
JUN 9 3 09 PM '80
I.C.C.
FEE OPERATION BR.

[Signature]
TRUST OFFICER

Enclosures

[Handwritten signature]

DESCRIPTION OF UNITS OF EQUIPMENT

Manufacturer of Equipment:	Pullman Incorporated (Pullman Standard Division)
Description and Mark and Number of Units of Equipment:	Seven hundred (700) 4,100 cubic foot, 54'7" long, high side, flat bottom, open top, gondola cars marked and numbered CPOX 1200 to CPOX 1899, both inclusive
Maximum Aggregate Lessor's Cost of Equipment:	\$43,000 per Unit (\$30,100,000 for 700 Units)
Place of Delivery:	Kentucky
Outside Delivery Date:	December 1, 1980

Interstate Commerce Commission
Washington, D.C. 20423

6/9/80

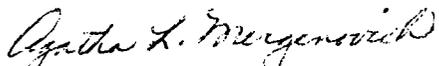
OFFICE OF THE SECRETARY

Robert C. Nash
Chapman & Cutler
111 West Monroe St.
Chicago, Illinois 60603

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 **6/9/80** at **3:15pm**, and assigned re-
recording number(s). **11882**

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

JUN 9 1980 - 3 15 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT dated as of May 15, 1980, between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not individually but solely as owner trustee (the "Owner Trustee") under a Trust Agreement (the "Trust Agreement") dated as of May 15, 1980, between the Owner Trustee and Thirteenth HFC Leasing Corporation (the "Owner Participant"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (hereinafter in its capacity as such Agent, together with any successors and assigns, called the "Secured Party") for the holders from time to time of the Series A, B and C Secured Notes due 1996 issued pursuant to the Note Purchase Agreement dated as of the date hereof (the "Note Purchase Agreement") among the Owner Trustee, the Owner Participant, HFC Leasing, Inc., Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division), the Secured Party and Canadian Imperial Bank of Commerce.

WITNESSETH:

WHEREAS the Owner Trustee has acquired or proposes to acquire the units of railroad equipment described in Schedule A hereto (the "Equipment");

WHEREAS, pursuant to the Note Purchase Agreement, Canadian Imperial Bank of Commerce will initially finance not more than 73% of the cost of the units of Equipment delivered to the Owner Trustee by purchasing an aggregate principal amount of the Owner Trustee's Series A Secured Notes due 1996 not to exceed \$21,973,000, such Series A Notes to be repaid with the proceeds of the issuance of either the Owner Trustee's Series B or Series C Secured Notes due 1996 in the circumstances contemplated by the Note Purchase Agreement (the Series A, B, and C Secured Notes due 1996 hereinafter collectively called the "Notes");

WHEREAS, as security for the payment of the Notes, the Owner Trustee has entered into an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") with the Secured Party, assigning to the Secured Party certain of the Owner Trustee's rights in and to the Equipment Lease dated as of May 15, 1980 (the "Lease"), between the Owner Trustee and Consumers Power Company (the "Lessee");

WHEREAS the Lessee has consented to the Lease Assignment pursuant to the Lessee's Consent and Agreement (the "Consent") dated as of the date hereof and annexed to the Lease Assignment; and

WHEREAS the Owner Trustee also desires to convey, warrant, mortgage, assign, pledge, deposit and grant the Secured Party a security interest in the Collateral (as hereinafter defined) to secure payment of the Notes.

NOW, THEREFORE, in consideration of the premises and agreements hereinafter contained and of the purchases and acceptances of the Notes and for the sum of One Dollar received by the Owner Trustee from the Secured Party and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

I. GRANTING CLAUSE

1.1. Granting Clause. The Owner Trustee does hereby convey, warrant, mortgage, assign, pledge, deposit and grant a security interest in and confirm unto the Secured Party, and to its successors and assigns, the following described property (herein together with the rights assigned to the Secured Party under the Lease Assignment being collectively called the "Collateral"):

(a) all the Owner Trustee's right, title and interest in and to the Equipment and all proceeds thereof, other than those payments provided for under §§ 5(a), 6, 7(b) and 19 of the Lease which are payable to or for the benefit of the Owner Participant or the institution serving as Owner Trustee in its individual capacity and other than those payments provided for under §§ 8(b)(ii) and 22(c) (but with respect to 22(c) only so long as no default or event of default under this Security Agreement has occurred and is continuing) of the Lease; and

(b) all the Owner Trustee's estate, right, title and interest in and to all accessories, equipment, parts, appurtenances and other items of tangible personal property of any kind (and all proceeds thereof) acquired by the Owner Trustee in connection with its acquisition of the Equipment, whether acquired by the Owner Trustee at the time of its acquisition of the Equipment, or there-

after acquired pursuant to the provisions of the Lease or otherwise, and whether located on the Equipment or elsewhere, including all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment (except such thereof as remain the property of the Lessee under the Lease), together with all rents, issues, income and profits therefrom.

All rights granted to the Secured Party hereunder shall be in addition to and shall in no way be construed to limit the rights of the Secured Party under the Lease Assignment.

1.2. Parity of Notes. Each and every Note executed and delivered pursuant to the Note Purchase Agreement shall have the same lien, and the principal of and premium, if any, and interest on every Note shall, subject to the terms hereof, be equally and proportionately secured hereby, as if it had been made, executed, delivered, sold and negotiated simultaneously with the execution and delivery hereof.

1.3. Release of Security Interests. The Secured Party shall have and hold the Collateral forever; provided that if and when all the Notes at that time outstanding shall have become due and payable (whether by lapse of time or by acceleration or by the exercise of the privilege of prepayment), the Owner Trustee shall (subject to the provisions of the Note Purchase Agreement) pay or cause to be paid the full amount due for principal, interest and premium, if any, on the Notes and if the Owner Trustee shall also pay or cause to be paid all other sums payable pursuant to the Note Purchase Agreement and any other documents contemplated by the Note Purchase Agreement, then and in that case this Security Agreement and all agreements herein contained and the estate hereby granted and conveyed shall cease and terminate.

II. COVENANTS AND AGREEMENTS BY THE OWNER TRUSTEE

2.1. Discharge of Liens. The Owner Trustee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Owner Trustee or the Owner Participant or the successors or assigns of any of them, not arising out of the transactions contemplated hereby (but including any tax liens asserted against the Owner Trustee or Owner Participant arising out of

the receipt of rentals and other payments under the Lease), but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not adversely affect the security interest of the Secured Party in the Collateral or otherwise under this Agreement.

2.2. Further Assurances. The Owner Trustee will from time to time do and perform any act and will execute, acknowledge, deliver and file, register and record any and all further instruments required by law or reasonably requested by the Secured Party for the purpose of the proper protection of the security interest of the Secured Party in the Collateral.

2.3. Notice of Default. The Owner Trustee further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an event of default under this Agreement or an Event of Default under the Lease of which an officer or employee of the corporate trust department of the Owner Trustee has actual knowledge.

III. POSSESSION, USE AND RELEASE OF COLLATERAL

3.1. Possession of Collateral. So long as no event of default specified in Section 5.1 hereof shall have occurred and be continuing hereunder, the Owner Trustee shall be entitled to the possession and use of the Equipment, and to permit the use of the Equipment as provided in the Lease.

3.2. Release of Property. So long as no event of default hereunder or under the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any unit of Equipment with respect to which a Casualty Occurrence (as defined in the Lease) shall have occurred upon receipt from the Lessee of written notice designating the unit(s) of Equipment which have suffered a Casualty Occurrence and the receipt from the Lessee of the Casualty Value (as defined in the Lease) for such unit(s).

3.3. Transfers Prohibited. Except as permitted by the Trust Agreement, the Owner Trustee will not sell, assign or transfer its rights under this Agreement or, except as provided in this Article III, transfer the right to posses-

sion of any unit of Equipment. The Owner Trustee will not amend or consent to any change in the Trust Agreement which adversely affects the Secured Party or its interests in and to the Collateral without the prior written consent of the Secured Party.

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

4.1. Application of Rents and Other Payments.

Pursuant to the Lease Assignment the Owner Trustee has granted to the Secured Party a security interest in rentals, profits, and certain other sums due and to become due under the Lease. So long as no event of default specified in Section 5.1 hereof (or any event which upon notice or lapse of time would constitute such an event of default) has occurred and is continuing:

(a) The amounts from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of the installments of rental pursuant to Section 4 of the Lease shall be applied, first, to the payment of the installments of principal and/or interest (and in each case first to interest and then, if due and payable, to principal) 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 then the balance, if any, of such amounts shall promptly be paid to or upon the order of the Owner Trustee.

(b) Payments of Casualty Value (including all amounts of insurance or recoveries or condemnation proceeds relating to a Casualty Occurrence with respect to such unit of Equipment) from time to time received by the Secured Party in respect of any unit of Equipment pursuant to Section 13 of the Lease shall be applied by the Secured Party as follows:

(i) first, an amount equal to the accrued and unpaid interest, if any, on that portion of the Notes to be prepaid pursuant to the following subparagraph (ii) shall be applied on such Notes;

(ii) second, an amount equal to the "Indebtedness" in respect of such unit of Equipment shall be applied to the prepayment of the Notes at that

time outstanding so that each of the remaining installments of each such Note shall be reduced in the proportion that the principal amount of such "Indebtedness" bears to the aggregate unpaid principal amount of such Notes immediately prior to the prepayment; and

(iii) third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i) and (ii) shall be promptly released to or upon the order of the Owner Trustee.

For purposes of this Section 4.1(b), the "Indebtedness" in respect of any unit of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Lessor's Cost (as defined in the Lease) of such unit of Equipment and the denominator of which is the aggregate Lessor's Cost of all units of Equipment then subject to the Lease (including the Lessor's Cost of such units of Equipment in respect of which the Casualty Value payment is then being made) times (B) the aggregate unpaid principal amount of the Notes outstanding immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all payments of installments of principal (other than prepayments) made or to be made on the date of prepayment provided for in this Section 4.1(b)).

(c) Any proceeds of insurance received by the Secured Party with respect to damage to such unit of Equipment which does not constitute a Casualty Occurrence will be paid over to the Lessee upon proof satisfactory to the Secured Party that the damage to the unit of Equipment in respect of which such proceeds were paid has been fully repaired.

4.2. Default. If an event of default as defined in Section 5.1 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 4.1 hereof shall be applied in the manner provided for in Section 5.5 in respect of proceeds of the Collateral. If an event which upon notice or lapse of time would constitute such an event of default shall have occurred, all such amounts shall be held pending application under Section 4.1 or, if the event of default occurs and is continuing, under Section 5.5.

V. EVENTS OF DEFAULT AND REMEDIES

5.1. Events of Default. If any one or more of the following events of default shall occur and be continuing:

(a) if the Owner Trustee shall fail to pay, or cause to be paid, any installment of principal, interest or premium, if any, on any of the Notes or any other amount payable by the Owner Trustee hereunder or under the Note Purchase Agreement when the same shall become due and payable, whether at maturity or at a date fixed for payment or prepayment or by acceleration or otherwise and such failure shall continue unremedied for 10 business days after the earlier of (i) notice to the Owner Trustee by any holder of any Note at that time outstanding or the Secured Party of such failure and (ii) the date on which such failure shall first become known to any officer or employee in the corporate trust department of the Owner Trustee; or

(b) if the Owner Participant shall default in the payment of any amounts payable by the Owner Participant pursuant to clause (a), (b) or (c) of Article IX of the Note Purchase Agreement and such default shall continue for 10 business days after the date such amounts shall become due and payable; or

(c) if any representation or warranty made by or on behalf of the Owner Trustee herein, in the Lease Assignment, the Note Purchase Agreement, the Lease or any certificate delivered in connection with the transactions contemplated hereby, or made by the Owner Participant or Owner Participant Parent in the Note Purchase Agreement, shall prove to have been false or incorrect in any material respect on the date as of which made; or

(d) if the Owner Trustee shall default in the performance of or compliance with any covenant, condition or term contained in this Agreement, the Note Purchase Agreement, the Lease or the Lease Assignment and such default shall continue unremedied for 30 business days after the earlier of (i) notice to the Owner Trustee by any holder of any Note at that time outstanding or the Secured Party and (ii) the date on which such default shall first become known to any officer or employee in the corporate trust department of the Owner Trustee; or

(e) any proceeding shall be commenced by or against the Owner Trustee, the Owner Participant or the Owner

Participant Parent for any relief which includes or might result in any modification of the obligations of the Owner Trustee hereunder or under the Lease Assignment, Note Purchase Agreement or the Notes or the Owner Participant under the Trust Agreement or the Owner Participant or Owner Participant Parent under the Note Purchase Agreement under any bankruptcy or insolvency laws or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations shall not have been and shall not continue to be duly assumed in writing within 60 days after such proceedings shall have been commenced pursuant to a court order or decree by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Owner Trustee or the Owner Participant or the Owner Participant Parent, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers; or

(f) if an Event of Default (as defined in the Lease) shall have occurred; provided, however, that any Event of Default under clause (a), (b) or (c) of Section 15.1 of the Lease shall not be deemed to be an event of default hereunder (1) if there is no other event of default under this Article 5 and (2) if the Owner Trustee shall cure such Event of Default within five business days of the earlier of (x) notice to the Owner Trustee by any holder of any Note at that time outstanding or the Secured Party of the occurrence of such Event of Default and (y) the date on which the occurrence of such Event of Default shall first become known to any officer or employee in the corporate trust department of the Owner Trustee (provided, however, that the Owner Trustee shall not have the right so to prevent such Event of Default under clause (a) or (b) of Section 15 of the Lease from becoming an event of default hereunder if (x) more than two such Events of Default shall have occurred (and such Events of Default have been cured by the Owner Trustee as permitted herein) or (y) such Event of Default

consecutively follows a prior such Event of Default (which has been cured by Owner Trustee as permitted herein));

then in every such case the Secured Party may take any one or more of the following actions:

(i) the Secured Party may by notice in writing to the Owner Trustee and the Lessee declare the entire unpaid principal balance of all the Notes then outstanding (if not then due and payable), together with all accrued and unpaid interest thereon, and any other amounts payable by the Owner Trustee hereunder or under the Note Purchase Agreement, to be due and payable immediately, and upon any such declaration such principal balance of the Notes together with said accrued and unpaid interest and other amounts shall become and be immediately due and payable, anything contained in the Notes or in the Note Purchase Agreement to the contrary notwithstanding; or

(ii) the Secured Party may,

(1) subject to compliance with any applicable mandatory legal requirements, 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 Owner Trustee, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold; or

(2) sell, to the extent permitted by law, all and singular the Collateral, and all estate, right, title and interest, claim and demand therein, and right of redemption thereof, at one or more sales, as an entirety or otherwise, and at such time and place and upon such terms as the Secured Party may fix and specify in the notice of sale to be given to the Owner Trustee and the Lessee, or as may be required by law; provided, however, that any private sale shall be conducted in a commercially reasonable manner upon no less than 30 days' advance notice to the Owner Trustee and the Lessee; or

(3) institute proceedings for the complete or partial foreclosure of this Security Agreement under the provisions of the laws of the jurisdic-

tion or jurisdictions in which the Collateral or any part thereof is located, or any other applicable provision of law; or

(4) take any action which is appropriate to enforce its rights under any instrument (including the Lease) constituting Collateral, to the extent permitted thereby; or

(5) take all steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law (for the specific performance of any covenant, condition or agreement in the Notes, the Note Purchase Agreement, the Lease, the Lease Assignment, or in this Security Agreement contained, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy) or otherwise as the Secured Party shall deem appropriate for the protection and enforcement of its rights hereunder or under the Note Purchase Agreement or the Lease Assignment.

In addition, the Secured Party shall have all the rights at the time afforded a secured party under the Uniform Commercial Code of the State of Illinois.

The Secured Party may conduct any number of sales from time to time. The power of sale shall not be exhausted by any one or more such sales as to any part of the Collateral remaining unsold, but shall continue unimpaired until all of the Collateral shall have been sold or the Notes and all indebtedness of the Owner Trustee hereunder and under the Note Purchase Agreement shall have been paid.

The remedies of the Secured Party contained in the foregoing subsection (ii) are subject to the conditions that so long as (1) no Event of Default exists under the Lease, (2) the Lessee is complying with the provisions of the Consent and (3) the Secured Party is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, the Lease may not be terminated.

The Secured Party shall promptly notify the Lessee by telegraph (confirmed in writing) at its address set forth in the Lease if the Secured Party shall not receive any installment of principal, interest or premium, if any, on any of the Notes on the due date or within any applicable grace period.

Notwithstanding anything else in this Agreement to the contrary, in the case of an event of default hereunder,

the Owner Trustee shall have the option in accordance with clause (1) or (2) below, for a period of 30 days after the commencement of such event of default, to prepay all, but not less than all, of the then outstanding Notes plus accrued interest thereon to the date of such payment and any other amounts due hereunder or under the Note Purchase Agreement:

(1) with the consent of 100% of the holders of the Notes at that time outstanding or

(2) if such prepayment is not being made in connection with or in anticipation of any refinancing involving directly or indirectly the borrowing of money by any person at an effective interest cost (calculated in accordance with accepted financial practice) equal to or less than the rate of interest which the Notes at that time outstanding bear or on terms which permit optional prepayment of the Notes and if the chief financial officer of the Owner Participant and Owner Participant Parent shall certify to the holders of the Notes at that time outstanding that such prepayment complies with this clause (2);

it being agreed, however, that unless and until the Owner Trustee has unconditionally obligated itself to pay on or before the expiration of such 30-day period the aggregate unpaid principal amount of the Notes at that time outstanding plus interest accrued thereon to the date of such payment and any other amounts due hereunder or under the Note Purchase Agreement, and the Owner Participant and HFC Leasing Inc. have unconditionally guaranteed such obligation to pay in writing, the Secured Party may exercise all of its rights and remedies upon the occurrence of an event of default under this Agreement.

Notwithstanding anything else in this Agreement to the contrary, in the case that the Secured Party shall take any action pursuant to clause (i) or (ii) of this Section 5.1, the Owner Trustee shall have the right to immediately pay all, but not less than all, of the then outstanding Notes plus accrued interest thereon to the date of such payment and any other amounts due hereunder or under the Note Purchase Agreement, and thereupon the provisions of Section 1.3 hereof shall apply.

5.2. Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any default on the part of the Owner Trustee 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 of any such default shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder 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; nor shall the giving, taking or enforcement of any other or additional security, collateral or guarantee 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 be required to first look to, enforce or exhaust such other or additional security, collateral or guarantees.

5.3. Waiver by Owner Trustee. To the extent permitted by law, the Owner Trustee 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 appraisal 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 acquiring any interest 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.

5.4. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceed-

ings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Owner Trustee in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Owner Trustee, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Owner Trustee, its successors or assigns.

5.5. Application of Funds. The proceeds of any sale made under or by virtue of this Article V, together with any other sums which then may be held by the Secured Party under this Security Agreement or the Lease Assignment as part of the Collateral or the proceeds thereof, whether under the provisions of this Article V or otherwise, shall be applied as follows:

FIRST: To the payment of the costs and expenses of such sale, including reasonable compensation to the Secured Party, agents and counsel of or for the Secured Party, and of any judicial proceeding wherein the same may be made, and of all expenses, liabilities and advances made or incurred by the Secured Party under this Security Agreement or the Lease Assignment, together with interest at the rate of one percent in excess of the rate at that time applicable to the Notes per annum on all advances made by the Secured Party, and all taxes or assessments, except any taxes, assessments or other charges subject to which the Collateral shall have been sold.

SECOND: To the payment of the whole amount then due, owing or unpaid upon the Notes for principal, interest and premium, if any, and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon the Notes, then ratably according to the aggregate of such principal, interest, and premium, if any, without preference or priority as between principal, premium, if any, or interest.

THIRD: To the payment of any other sums required to be paid by the Owner Trustee to the Secured Party and the holders of the Notes pursuant to any provision of this Security Agreement, the Lease Assignment, the Note Purchase Agreement or of the Notes.

FOURTH: To the payment of the surplus, if any, to the Owner Trustee or whomever may be lawfully entitled to receive the same.

5.6. 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 Owner Trustee and the Secured Party 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.

VI. REGISTRATION; SUBSTITUTION OF NOTES

6.1. Registration of Notes. The Owner Trustee shall cause to be kept at its office listed in Section 7.5 a register for the registration and transfer of the Notes. The names and addresses of the holders of Notes, the transfer thereof and the names and addresses of the transferees of Notes shall be registered in the register and a copy of such register (and any modification thereof) shall be supplied to the Secured Party. The person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Agreement, and the Owner Trustee shall not be affected by any notice or knowledge to the contrary.

6.2. Exchange of Notes. Upon surrender of any Note at the office of the Owner Trustee maintained pursuant to Section 7.5, the Owner Trustee, at the request of the holder thereof, will execute and deliver, at the holder's expense, new Notes in exchange therefor in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note (and give advice thereof to the Secured Party). Each such new Note shall be payable to the registered holder or transferee thereof and shall be substantially in the forms of the Notes set out in Annexes II-A, II-B and II-C, as the case may be, to the Note Purchase Agreement. Each such new Note shall be dated and bear interest from the date to which interest has been paid on the surrendered Note or dated the date of the surrendered Note if no interest has been paid thereon. The Owner Trustee may require payment by the transferor of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer.

6.3. Replacement of Notes. Upon receipt by the Owner Trustee of evidence reasonably satisfactory to it of

the ownership of and the loss, theft, destruction or mutilation of any Note and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of the Note is an insurance company with a combined capital and surplus of at least \$50,000,000, its own agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancelation thereof,

the Owner Trustee at the expense of the holder of such Note will execute and deliver in lieu thereof a new Note (and give advice thereof to the Secured Party) of like tenor, dated and bearing interest from the date to which interest has been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest has been paid thereon.

VII. MISCELLANEOUS

7.1. Limitations on Personal Liability of Owner Trustee, Owner Participant and HFC Leasing, Inc. Notwithstanding anything in this Agreement to the contrary, each representation, warranty and agreement herein made on the part of the financial institution acting as Owner Trustee hereunder (except for the covenant set forth in Section 2.1 hereof to the extent such Section relates to claims, liens, charges or security interests claimed by any party from, through or under the Owner Trustee in its individual capacity or its successors or assigns, it being understood that (1) the Owner Trustee in its individual capacity shall not be personally liable for any claims, liens, charges or security interests claimed by any party from, through or under the Owner Participant or its successors and assigns not arising out of the transactions contemplated hereby (whether or not they are tax liens arising out of the receipt of rentals and other payments under the Lease) and (2) any such claims, liens, charges or security interests against the Owner Participant shall not be deemed to be claims from, through or under the Owner Trustee in its individual capacity or its successors or assigns) is made and intended not as a personal representation, warranty or agreement by said institution or for the purpose or with the intention of binding said

institution personally, but is made and intended for the purpose of binding only the Trust Estate (as such term is used in the Trust Agreement) and this Agreement is executed and delivered by said institution solely in the exercise of the powers expressly conferred upon said institution as Owner Trustee under the Trust Agreement; and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said institution (except as aforesaid) on account of any representation, warranty or agreement herein of the Owner Trustee (except as aforesaid or in the case of gross negligence or wilful misconduct), either expressed or implied, all such personal liability, if any, being expressly waived and released by the Secured Party and by all persons claiming by, through or under the Secured Party; provided, however, that the Secured Party or any person claiming by, through or under the Secured Party making claim hereunder may look to said Trust Estate for satisfaction of the same. The Secured Party agrees that, unless the Owner Participant and HFC Leasing Inc. shall have otherwise agreed, the Owner Participant and HFC Leasing Inc., shall not be personally liable for any principal payments on the Notes and shall be personally liable only for interest payments which are due and payable by the Owner Trustee prior to July 1, 1981, in the case of the Series B or C Notes, and on or prior to March 31, 1981, in the case of the Series A Notes; provided, however, that the Secured Party may look to said Trust Estate for satisfaction of the same. Nothing contained in this Section 7.1 shall limit, restrict or impair the rights of the Secured Party to take all actions to enforce the rights and remedies provided for herein and to bring suit and obtain a judgment against the Owner Trustee (provided that neither the Owner Trustee in its fiduciary nor individual capacity shall have any personal liability on any such judgment and the satisfaction thereof shall be limited to the Trust Estate) or to foreclose the lien and security interest created by this Agreement or otherwise realize upon the Trust Estate, including the right to proceed against the Equipment or the Lessee under the Lease, or to proceed against the Owner Participant and Owner Participant Parent on their obligations pursuant to Articles IX and X of the Note Purchase Agreement.

7.2. Governing Law. This Security Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Illinois.

7.3. Severability of Invalid Provisions. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.4. Counterpart Execution. This instrument and any amendment or supplement to this instrument may be executed in any number of counterparts and by the different parties hereto and thereto on separate counterparts, each of which, when so executed, shall be an original, but all such counterparts shall together constitute but one and the same instrument. Fully executed sets of counterparts shall be delivered to, and retained by, the Owner Trustee and the Secured Party.

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 personally or when deposited in the United States mail, registered, postage prepaid, addressed to the same address(es) as set forth in the Note Purchase Agreement, with a copy to the holder(s) of the Notes at that time outstanding at its or their address(es) as set forth in the Note Purchase Agreement or to any such 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. Amendments. This Security Agreement may, from time to time and at any time, be amended or supplemented only by an instrument or instruments, in writing, executed by the parties hereto.

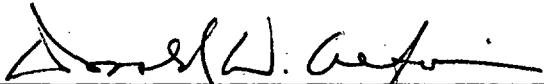
7.7. Release. The Secured Party shall, upon request of the Owner Trustee, release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

7.8. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto.

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 Owner Trustee and the Secured Party have each caused this instrument to be duly executed by their respective officers thereunto duly authorized, all as of the date first set forth above.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not individually, but solely as Owner Trustee,

by 
Title: Vice President

[Corporate Seal]

Attest:


Title: Trust Officer

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Secured Party as aforesaid,

by 
Title: Assistant Vice President

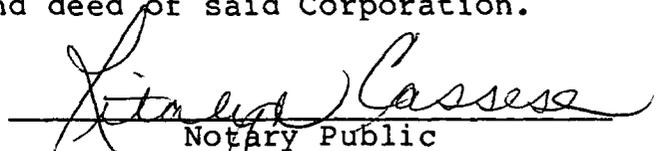
[Corporate Seal]

Attest:


Title: Corporate Trust Officer

STATE OF ~~ILLINOIS~~ ^{NEW YORK},)
COUNTY OF ~~COOK~~ ^{NEW YORK},) ss.:

On this ^{6th} day of ^{June} 1980, before me personally appeared DONALD W. ALFVIN, to me personally known, who, being by me duly sworn, says that he is a Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, and that said instrument was signed 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

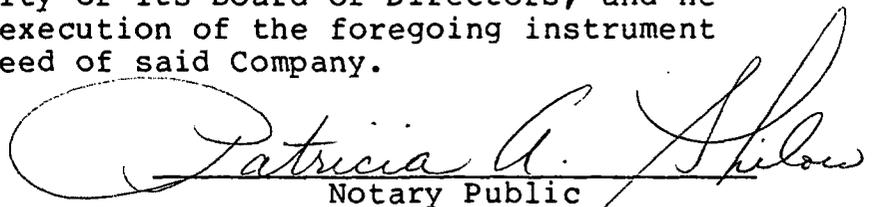
[Notarial Seal]

My Commission expires

RITALYN CASSESE
Notary Public, State of New York
No. 41-4657019
Qualified in Queens County
Certificate Filed in New York County
Commission Expires March 30, 1981

STATE OF MARYLAND,)
CITY OF BALTIMORE,) ss.:

On this ^{9th} day of ^{June} 1980, before me personally appeared ^{N. L. MASON}, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, and that said instrument was signed on behalf of said Company 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 Company.


Notary Public

[Notarial Seal]

My Commission expires ⁷⁻¹⁻⁸²

SCHEDULE A

DESCRIPTION OF THE EQUIPMENT

Manufacturer of Equipment:	Pullman Incorporated (Pullman Standard Division)
Description and Mark and Number of Units of Equipment:	Seven hundred (700) 4,100 cubic foot, 54'7" long, high side, flat bottom, open top, gondola cars marked and numbered CPOX 1200 to CPOX 1899, both inclusive
Maximum Aggregate Lessor's Cost of Equipment:	\$43,000 per Unit (\$30,100,000 for 700 Units)
Place of Delivery:	Kentucky
Outside Delivery Date:	December 1, 1980