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Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Rec'd 11/8/82
Fee $50.00

Dear Ms. Mergenovich:

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and five counterparts of a Security Agreement dated as of October 1, 1982. This Security Agreement is a primary document.

A general description of the locomotives and railroad cars covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

The names and addresses of the parties to the Security Agreement are as follows:

Debtor: IC Equipment Leasing Company
111 East Wacker Drive, Suite 2700
Chicago, Illinois 60601

Secured Parties: European American Bank & Trust Company
10 Hanover Square
New York, New York 10015

European American Banking Corporation
(Nassau, Bahamas Branch)
c/o European American Bank & Trust Company
10 Hanover Square
New York, New York 10015

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

Please return the original and five copies of the Security Agreement to Larry Elkins, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of $50.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index follows:

Security Agreement between IC Equipment Leasing Company, as Debtor, 111 East Wacker Drive, Suite 2700, Chicago, Illinois 60601, and European American Bank & Trust Company, 10 Hanover Square, New York, New York 10015, and European American Banking

Corporation (Nassau, Bahamas Branch), c/o European American Bank & Trust Company, 10 Hanover Square, New York, New York 10015, as Secured Parties, covering 4 locomotives and 384 open top hopper cars.

Very truly yours,

IC EQUIPMENT LEASING COMPANY

By _____
Its Treasurer

DEBTOR AS AFORESAID

Enclosures

DESCRIPTION OF EQUIPMENT

1	SD-40 Diesel Electric Locomotive Marked and Numbered ICG 6034
3	SD-20 Diesel Electric Locomotives Marked and Numbered ICG 2039 through ICG 2041, both inclusive
384	100-Ton Open Top Hopper Cars Marked and Numbered ICG 389116 through ICG 389499, both inclusive

13835
RECORDATION NO. Filed 1425

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INTERSTATE COMMERCE COMMISSION

Matter No. 36159-2

SECURITY AGREEMENT

Dated as of October 1, 1982

From

IC EQUIPMENT LEASING COMPANY

DEBTOR

To

EUROPEAN AMERICAN BANK & TRUST COMPANY
And
EUROPEAN AMERICAN BANKING CORPORATION

SECURED PARTY

(I.C.G. No. 82-4)
(4 Locomotives and 384 Open Top Hopper Cars)

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ATTACHMENTS TO SECURITY AGREEMENT:

Schedule 1 - Description of Equipment
Schedule 2 - Principal Amortization Schedule (Prime Note)
Exhibit A - Form of Secured Note (LIBOR Note)
Exhibit B - Form of Secured Note (Prime Note)

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of October 1, 1982 (the "Security Agreement") is from IC EQUIPMENT LEASING COMPANY, an Illinois corporation (the "Debtor") Debtor's post office address being 111 East Wacker Drive, Suite 2700, Chicago, Illinois 60601 Attention: Treasurer, to EUROPEAN AMERICAN BANK & TRUST COMPANY ("EABT"), whose post office address is 10 Hanover Square, New York, New York 10015, Attention: U.S. Banking Division, and EUROPEAN AMERICAN BANKING CORPORATION ("EABC"), whose post office address is c/o European American Bank & Trust Company, 10 Hanover Square, New York, New York 10015, Attention: U.S. Banking Division (collectively the "Secured Party").

R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of October 1, 1982 (the "Participation Agreement") with Illinois Central Gulf Railroad Company (the "Lessee") and the Waterloo Railroad Company ("Waterloo") providing for the commitment of the Secured Party to purchase on various Closing Dates (as defined in the Participation Agreement) not later than December 31, 1982, the Secured Notes (the "Notes") of the Debtor not exceeding an aggregate principal amount of $13,022,425. The Notes provided to be issued and sold by the Debtor pursuant to the Participation Agreement and to be secured hereby consist of either Prime Notes or LIBOR Notes. Prime Notes will bear interest based on the Prime Rate and LIBOR Notes will bear interest based on the LIBOR Rate. The Debtor will have the option of issuing and selling either Prime Notes or LIBOR Notes on the Closing Dates under the Participation Agreement so long as all Notes sold on all Closing Dates shall be of the same type. On January 15, 1983 and on the 15th day of each month thereafter to and including March 15, 1985, the Debtor shall have the option of exchanging any Note then outstanding for either a Prime Note or a LIBOR Note; provided that if the Note outstanding is a Prime Note the Debtor may, or if the Note outstanding is a LIBOR Note not due on any such date, the Debtor will, maintain such Note outstanding and in either event the Debtor shall pay the accrued interest thereon to such date. In the event the Debtor elects to issue and sell LIBOR Notes on the Closing Dates, the maturity date thereof shall be January 15, 1983. Thereafter any LIBOR Note shall be issued to mature in either one-month, three-month or six-month intervals as the Debtor shall determine, but in no event shall any LIBOR Note mature later than April 15, 1985. Any LIBOR Notes outstanding on April 15, 1985 shall either be paid in full or exchanged for Prime Notes in like principal amount. All Prime Notes will mature in accordance with the amortization schedule attached hereto as Schedule 2. All Prime Notes will be issued and sold to and purchased by EABT and all LIBOR Notes will be issued and sold to and purchased by EABC. Each LIBOR Note is to be payable to EABC and otherwise substantially in the

form attached hereto as Exhibit A and each Prime Note is to be payable to EABT and otherwise substantially in the form attached hereto as Exhibit B, with deletions of all inappropriate installment references depending on the date of issue thereof. The term "LIBOR Rate" shall mean the rate which is 1/2 of 1% per annum in excess of the per annum cost of deposits of United States dollars in the principal amount of the LIBOR Notes then being issued and sold for the period of one month, three months or six months as then elected by the Debtor by prior written notice to EABC which are then offered to EABC by prime banks in the London Interbank market as determined by EABC two business days prior to the date of issuance and sale hereunder of any LIBOR Notes, or as EABC shall otherwise agree. The term "Prime Rate" shall mean at any time the rate of interest then most recently announced by EABT at New York, New York as its prime rate, and each change in the interest rate payable on the Prime Notes shall take effect on the effective date of the change in the Prime Rate.

B. If in response to the Debtor's election to issue LIBOR Notes either in connection with the Closing Dates or in connection with a later exchange of Notes, EABC determines, in its sole and absolute discretion exercised in good faith, that by reason of circumstances affecting the London Interbank market generally, adequate and fair means do not exist for ascertaining the LIBOR Rate, EABC shall promptly give notice of such determination to the Debtor. In the event of such notice, the Debtor may elect (by telephonic or telegraphic notice to EABC) to issue Prime Notes. In the absence of a response by the Debtor altering its decision and requesting issuance of Prime Notes, EABC shall purchase or accept in exchange from the Debtor LIBOR Notes and the Debtor and EABC shall as soon as practicable enter into negotiations in good faith to arrive at an alternative mutually satisfactory basis for determining the interest rate applicable to such LIBOR Notes. In the meantime, the per annum interest rate applicable to such LIBOR Notes shall be 1/2 of 1% per annum in excess of an interest rate certified in writing by EABC as a reasonable interest rate reflecting the average cost to EABC of acquiring such LIBOR Notes. If agreement in writing is not reached by the 15th day of the month following such certification, the Debtor shall pay said Notes in full on said following 15th day by an exchange thereof for a like principal amount of Prime Notes, together with accrued interest to the date of such payment at a rate equal to 1/2 of 1% per annum in excess of said rate so certified by EABC as its cost of accepting said LIBOR Notes.

C. Under certain circumstances resulting from changes in law as more fully set forth in Sections 2.7 and 2.9 of the Participation Agreement, the rate of interest charged on the LIBOR Notes may be increased or the LIBOR Notes may be required to be converted to Prime Notes on or prior to the maturity date thereof, all as more fully set forth in said Sections 2.7 and 2.9.

D. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums

at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Participation Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

E. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the respective commitments of EABT and EABC to acquire from time to time Prime Notes and LIBOR Notes and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on both the Prime Notes and the LIBOR Notes as the same shall from time to time be outstanding, according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all of the Debtor's covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant both to EABT and EABC, and their respective successors and assigns for the ratable use and benefit of the holders of the Prime Notes and the LIBOR Notes as the same shall from time to time be outstanding, a security interest in all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof, subject to those limitations set forth in Section 1.3 hereof; excluding, however, those Excepted Rights in Collateral as defined in Section 1.5 hereof (all of which properties other than the Excepted Rights in the Collateral, being 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 to be sold pursuant to a Purchase Agreement dated as of October 1, 1982 between Waterloo as seller and the Debtor as provided therein and to be identified thereafter as described in Schedule 1 attached hereto and made a part hereof (collectively as described in Schedule 1 the "Equipment" and individually an "Item" or "Item of Equipment"), and which constitute the Equipment leased and delivered under that certain Equipment Lease dated as of October 1, 1982 (the "Lease") between the Debtor, as lessor, and the Lessee, as lessee; together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and

accumulations to any and all of said Equipment, except such thereof as remain the property of the Lessee under the Lease, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation:

(1) the immediate and continuing right to receive and collect all rental, casualty value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by the Lessor under the Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral under Section 1.5 hereof;

(2) the right to make all waivers and agreements and to enter into any amendments relating to the Lease or any provision thereof, except with regard to the right of the Debtor to receive those sums reserved as Excepted Rights in Collateral under Section 1.5 hereof; provided that so long as no Event of Default hereunder shall have occurred and be continuing, or an Event of Default hereunder shall have occurred and be continuing due solely to an Event of Default having occurred under Sections 14.1(e) and 14.1(f) of the Lease and the Lessee shall then have otherwise performed all of its obligations under the Lease, the Secured Party agrees that it will not enter into any such waiver, agreement or amendment without the written concurrence of the Debtor; and

(3) subject to those rights granted the Debtor under Section 5.3 hereof, the right to take such action upon the occurrence of an Event of Default under the Lease or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.5 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 all rental and casualty value payments and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of

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

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee in and to the Equipment under the Lease so long as no Event of Default under the Lease, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default under the Lease shall have occurred and be continuing, (b) the lien of current taxes or assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, (c) liens of vendors, mechanics, materialmen and laborers for work or service performed, or materials furnished which are not yet due and payable, including, without limitation, the rights of Waterloo as seller, arising under the Purchase Agreement (as defined in the Participation Agreement), (d) liens and charges being contested pursuant to Section 9 of the Lease, and (e) rights reserved to or vested in any government, municipality or public authority to control or regulate any Item of Equipment or the use of such Item in any manner which has no material adverse effect on the use of such Item for the Debtor's purposes (collectively "Permitted Encumbrances").

1.4. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured then these presents and the security interests hereby granted and conveyed shall cease and this Security Agreement shall become null and void, and in such event the Secured Party shall (upon the request of the Debtor and at no cost to the Secured Party) execute and deliver to the Debtor such instrument or instruments as may be necessary or appropriate in order to make clear upon the public records the title of the Debtor in and to the Collateral; otherwise it shall remain in full force and effect.

1.5. 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 said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 6, 10.2 and 20 of the Lease or repayments to the Debtor or interest on such payments by reason of payments by the Debtor under Section 21.2 of the Lease which by the terms of any of such sections of the Lease are payable to the Debtor for its own account and all rental increases pursuant to the operation of Section 2.3 of the Lease;

(b) all rights of the Debtor under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor on account of any such indemnities or payments or rental increases pursuant to the operation of Section 2.3 of the Lease, provided 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 14 of the Lease except those contained in Section 14.2(a) thereof; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 11.1 of the Lease which by the terms of such policies or the terms of such agreements are payable directly to the Debtor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Participation Agreement, 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 Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements (as defined in the Participation Agreement) and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Agreements against the Debtor.

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, excepting only this Security Agreement and Permitted Encumbrances. The Debtor also agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral arising by, through or under the Debtor other than this Security Agreement and Permitted Encumbrances. Without limiting the foregoing, there is no financing

statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, upon the request of and at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will, pursuant to Section 16 of the Lease, notify the Lessee of the assignment hereunder and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease other than Excepted Rights in Collateral directly to the Secured Party or as the Secured Party may direct in writing.

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 cooperate fully with the Lessee and/or the Secured Party in any effort to cause this Security Agreement and all supplements hereto, the Lease and all 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 place as may be requested in writing by the Secured Party in order to fully preserve and protect the rights of the Secured Party hereunder.

2.6. Modifications of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease (except as otherwise expressly provided herein) or, except as permitted under the Lease, by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof;

(b) except in respect of Excepted Rights in Collateral, receive or collect any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment which is then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) except as otherwise provided in the Operative Agreements (as defined in the Participation Agreement) and except in respect of Excepted Rights in Collateral, sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease. The 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 if an Event of Default shall have occurred and be continuing hereunder 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; provided that so long as no Event of Default hereunder shall have occurred and be continuing, or an Event of Default hereunder shall have occurred and be continuing due solely to an Event of Default having occurred under Sections 14.1(e) and 14.1(f) of the Lease and the Lessee shall then have otherwise performed all of its obligations under the Lease, the Secured Party agrees that it will not enter into any waiver, agreement or amendment of any of the Operative Agreements (as defined in the Participation Agreement) in the name of the Debtor under this power of attorney without the written concurrence of the Debtor.

2.8. Notice of Default. The Debtor 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 the Lease if the Debtor has actual knowledge of such event or condition.

2.9. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise provided in Section 2.10 hereof.

2.10. Restrictions on Mergers, Consolidations and Sales of Assets. The Debtor will not sell, lease, transfer or otherwise dispose of all or a substantial portion of its corporate property or assets to any person, firm or corporation or consolidate with or merge into any other corporation or permit another corporation to merge into it unless (i) the successor formed by or resulting from such consolidation or merger or to which such sale, lease or other disposition shall have been made shall be a solvent corporation organized under the laws of the United States of America or a State thereof or the District of Columbia; (ii) such successor corporation (if other than the Debtor) shall assume all of the Debtor's obligations under this Security Agreement, the Notes, the Participation Agreement, the Lease and the Purchase Agreement; and (iii) immediately after such merger, sale, lease or other disposition, such successor corporation shall not be in default in the performance or observance of any of the covenants, agreements or conditions contained in the Participation Agreement, this Security Agreement, the Lease or the Purchase Agreement.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder, it shall be 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, provided, always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

3.2. Release of Property. So long as no default referred to in Section 14 of 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 Item of Equipment designated by the Lessee for settlement of casualty value pursuant to Section 11 of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of all sums payable for such Item of Equipment in compliance with Section 11 of the Lease.

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 Rents and Other Payments. As more fully set forth in Section 1.2 hereof, the Debtor has hereby granted to the Secured Party a security interest in certain rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof 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 under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of rental which are received by the Secured Party, and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the "Casualty Value" for any Item of Equipment pursuant to Section 11 of the Lease shall be applied by the Secured Party as follows:

(i) First, to the payment of an amount, if any, equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph;

(ii) Second, an amount equal to the Loan Value of the Item of Equipment for which settlement is then being made shall be applied to the prepayment of the Notes 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

(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 released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding clauses (i) and (ii).

For purposes of this Section 4.1(b), 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 Total Cost (as defined in the Participation Agreement) of such Item of Equipment for which settlement

is then being made and the denominator of which is the sum of the Aggregate Total Cost (as defined in the Participation Agreement) of all Items of Equipment then subject to the Lease (including the Total Cost of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all prior payments of installments of principal made or to be made in connection with the prepayment provided for in this Section 4.1(b));

(c) The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default under the Lease has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor to reimburse or pay the Lessee for expenditures made for such repair upon receipt by the Secured Party of a certificate of an authorized officer of the Lessee to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Lessee shall have notified the Secured Party in writing that the Lease is to be terminated in respect of such Item in accordance with the provisions of Section 11.2 of the Lease then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Notes, all in the manner and to the extent provided for by Section 4.1(b) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor on the date of such prepayment of the Notes.

4.2. 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.

4.3. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1 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" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and such default shall continue unremedied for five business days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease;

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

(d) Any representation or warranty on the part of the Debtor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished by the Debtor in connection with this Security Agreement, the Lease or the Participation Agreement, or the transactions contemplated therein, shall prove to have been false or misleading in any material respect when made;

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee is obligated to discharge under Section 9 of the Lease) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed (or bonded in a manner reasonably satisfactory to the Secured Party) within thirty calendar days after written notice from the Secured Party to the Debtor and the Lessee demanding the discharge or removal thereof;

(f) The Debtor commences a voluntary case under any bankruptcy law or similar law for relief of debtors or consents to the appointment of a custodian, trustee or receiver for the Debtor or the major part of its property or makes an assignment for the benefit of its creditors, or enters into an agreement of composition with its creditors;

(g) A custodian, trustee or receiver is appointed for the Debtor or the major part of its property and is not discharged within 30 days after such appointment; or

(h) A decree or order for relief by a court having jurisdiction in respect of the Debtor is entered in an involuntary case under any bankruptcy law or similar law for the relief of debtors and such decree or order shall remain unstayed and in effect for 30 days following such entry, or bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Debtor, and if instituted against the Debtor are consented to or are not dismissed within 60 days after such institution.

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Sections 5.3 and 6 hereof, 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 Illinois, and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute.

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

(b) Subject always to the rights of the Lessee under the Lease, provided the same is not then in default, 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 of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease, provided the same is not in default, the Secured Party may, if at the time such action may be lawful and always 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 and the Lessee 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 the 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 Debtor may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease, provided the same is not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the 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, or subject to the provisions of Section 6 hereof, 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) Subject always to the rights of the Lessee under the Lease, provided the same is not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease 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. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Lease. If an Event of Default under the Lease (other than an Event of Default resulting from an event referred to in Section 14.1(e) or (f) thereof) or under Section 5.1(a) hereof shall have occurred and be continuing, the Secured Party shall give the Debtor not less than ten days' prior written notice of the date (the "Enforcement Date") on which the Secured Party will exercise any remedy or remedies pursuant to Section 5.2 hereof. If an Event of Default under the Lease (other than an Event of Default resulting from an event referred to in Section 14.1(e) or (f) thereof), and any resulting default under Section 5.1 hereof, shall have occurred and be continuing, the Debtor shall have the following rights hereunder:

(a) Right to Cure. In the event of the occurrence of an Event of Default pursuant to Section 14.1(a) or 14.1(c) of the Lease (or both) resulting from the failure of the Lessee to pay any sums due thereunder, or to observe or perform any other of its covenants, conditions and agreements contained in any of the Operative Agreements, the Debtor may, prior to the Enforcement Date, in the case of an Event of Default pursuant to said Section 14.1(a) (and a resulting default hereunder), pay to the Secured Party an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, and in the case of an Event of Default pursuant to said Section 14.1(c) pay any sums necessary and effective to accomplish the observance or performance of the covenant, condition or agreement which the Lessee has failed to observe or perform, such sums to be paid to the party entitled to receive the same (including interest, if any, thereon), or otherwise provide for the performance of such undertaking of the Lessee and any such payment or performance by the Debtor under this Section 5.3(a) shall be deemed to cure any such Event of Default under the Lease and any Event of Default hereunder resulting therefrom (including, without limitation, an Event of Default under Section 5.1(a) hereof) which would otherwise have arisen on account of such non-payment, non-observance or non-performance by the Lessee under the Lease; provided, however, that the Debtor may not exercise such right in respect of more than two consecutive Fixed Rental (as defined in the Lease) payment defaults or in any event more than a total of six times throughout the term of the Lease in respect of Fixed Rental payment defaults.

The Debtor shall not, by exercising the right to cure any such Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Party in and to the Collateral.

Upon such payment by the Debtor of the amount of principal and interest then due and payable on the Notes, the Debtor shall be subrogated to the rights of the Secured Party in respect of any Fixed Rental which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Secured Party of such Fixed Rental and such interest, the Debtor shall be entitled to receive such Fixed Rental and such interest upon receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinate to the rights of the Secured Party in respect of such payment of Fixed Rental and such interest prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

The exercise by the Debtor of its rights set forth herein in accordance with the provisions hereof shall cure any Event of Default cured by the exercise of such rights nunc pro tunc.

(b) Option to Prepay Notes. In addition to the rights of the Debtor granted in the Notes and whether or not the Debtor shall then have the right to cure an Event of Default under the Lease pursuant to Section 5.3(a) above, the Debtor may, if an Event of Default has occurred and is continuing which is the result of an Event of Default under the Lease, at its option prepay the Notes, without premium or penalty, by payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment.

5.4. 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 cash.

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

5.6. 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 (subject, however, to the then existing rights, if any, of the Lessee under the Lease); provided however, that nothing in this Agreement shall operate to deprive the Debtor of title to the Collateral prior to any sale or sales thereof made pursuant to any provision herein contained, or pursuant to the decree, judgment or order of any court of competent jurisdiction.

5.7. Application of Proceeds. The proceeds and/or avails of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be as soon as practicable after the receipt thereof paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party 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 Secured Party of the amount then owing or unpaid on 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, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on each Note to be made, first, to the unpaid interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

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

5.8. 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, then and in every such case the Debtor 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.

5.9. Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any default or Event of Default under this Agreement shall exhaust or impair any such right or power or prevent its exercise during the continuance thereof. No waiver by the Secured Party of any such default or Event of Default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. 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 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 be required to first look to, enforce or exhaust such other or additional security, collateral or guaranty.

SECTION 6. LIMITATIONS OF LIABILITY.

Except as otherwise provided in Section 2.2 hereof, anything in this Security Agreement to the contrary notwithstanding, neither the Secured Party nor its successors or assigns, shall have any claim, remedy or right to proceed against the Debtor in its individual corporate capacity or any incorporator or any

past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor; for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever in this Security Agreement, from any source other than the Collateral, including the sums due and to become due under the Lease; and the Secured Party by the execution of this Security Agreement waives and releases any personal liability of the Debtor in its individual corporate capacity and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor for and on account of such indebtedness or such liability, and the Secured Party agrees to look solely to the Collateral, including the sums due and to become due under the Lease for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of the Notes upon a default under this Security Agreement; to bring suit and obtain a judgment against the Debtor on the Notes or to exercise all rights and remedies provided under this Security Agreement or otherwise realize upon the Collateral.

SECTION 7. MISCELLANEOUS.

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

7.2. Payment of the Notes. (a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds to the Secured Party, as provided in Schedule 2 to the Participation Agreement or as such Secured Party shall otherwise designate by notice to the Debtor. All payments so made shall be valid and effective to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Secured Party agrees that, before selling, transferring or otherwise disposing of any Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 7.4 and 7.5.

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

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

and addresses of the transferees of all Notes shall be registered in the Register.

7.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes in denominations not less than $50,000 (except as may be necessary to reflect any principal amount not evenly divisible by $50,000) in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes as instructed by such holder to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of $50,000 (except as may be necessary to reflect any principal amount not evenly divisible by $50,000) or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and in the aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer, in form satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.4, and the holder of any Note issued as provided in this Section 7.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to the Secured Party.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from

all risks, and the applicant shall also furnish to the Debtor such mutilated Note or evidence to its satisfaction of the destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or will mature within three months shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same in accordance with the provisions thereof (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish the mutilated Note or evidence to the satisfaction of the Debtor of the destruction, loss or theft of such Note and the ownership thereof. If the original Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such original Secured Party setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such original Secured Party to indemnify the Debtor for any claims or action against it (and for its attorney's fees) resulting from the issuance of such new Note or the reappearance of the old Note.

7.5. The New Notes.

(a) Each new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 7.5, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark, at the direction of the Secured Party and on the basis of information provided by the Secured Party, on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original aggregate principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 7.4(a), (b) or (e), the Debtor may require the payment of a sum to reimburse it for, or to provide it

with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 7.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

(d) Upon the issuance of any Note pursuant to this Security Agreement, the Debtor will prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. The Debtor shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

7.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. Registered Owner. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and the Debtor shall not be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

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

7.9. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 7.9 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof,

or to amend or modify any limitations or restrictions on the Secured Party or its successors or assigns under said Section 6.

7.10. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given when delivered personally or otherwise actually received at the following addresses:

If to the Debtor:
IC Equipment Leasing Company
111 East Wacker Drive, Suite 2700
Chicago, Illinois 60601
Attention: Treasurer

If to EABT:
European American Bank & Trust Company
10 Hanover Square
New York, New York 10015
Attention: U.S. Banking Division

If to EABC:
European American Banking Corporation
(Nassau, Bahamas Branch)
c/o European American Bank & Trust Company
10 Hanover Square
New York, New York 10015
Attention: U.S. Banking Division

If to the holder of Notes:
At its address for notices set forth in the Register

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 parties.

7.11. Amendments. This Security Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments in writing executed by the Debtor and the Secured Party.

7.12. 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.

7.13. Business Day. Notwithstanding anything herein or in any other Operative Agreement to the contrary, if the date on which any payment is to be made pursuant to this Security Agreement is not a business day, the payment otherwise payable on such date shall be payable on the next succeeding business

day. For purposes of this Security Agreement, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois or New York are authorized or required to close.

7.14. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of New York; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

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

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

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and delivered as of the day and year first above written.

[CORPORATE SEAL]

IC EQUIPMENT LEASING COMPANY

ATTEST:

E H Cahill
Secretary

By Christine James
Its Treasurer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 4th day of November 1982, before me personally appeared Christine J. Sauser, to me personally known, who being by me duly sworn, says that she is the Treasurer of IC EQUIPMENT LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

Marianne C Olson
Notary Public

(SEAL)

My commission expires:

My Commission Expires July 20, 1986

DESCRIPTION OF EQUIPMENT

1	SD-40 Diesel Electric Locomotive Marked and Numbered ICG 6034
3	SD-20 Diesel Electric Locomotives Marked and Numbered ICG 2039 through ICG 2041, both inclusive
384	100-Ton Open Top Hopper Cars Marked and Numbered ICG 389116 through ICG 389499, both inclusive

SCHEDULE 1
(to Security Agreement)

PRINCIPAL AMORTIZATION SCHEDULE

(Payments Required Per $1,000,000 Principal Amount of Secured Notes Issued by Debtor)

Due Date	Total Principal Payment	Principal Balance
May 15, 1985	$ 4,881.74	$995,118.26
June 15, 1985	4,922.42	990,195.84
July 15, 1985	4,963.44	985,232.40
August 15, 1985	5,004.80	980,227.60
September 15, 1985	5,046.51	975,181.09
October 15, 1985	5,088.56	970,092.53
November 15, 1985	5,130.97	964,961.56
December 15, 1985	5,173.73	959,787.83
January 15, 1986	5,216.84	954,570.99
February 15, 1986	5,260.32	949,310.67
March 15, 1986	5,304.15	944,006.52
April 15, 1986	5,348.35	938,658.17
May 15, 1986	5,392.92	933,265.25
June 15, 1986	5,437.86	927,827.39
July 15, 1986	5,483.18	922,344.21
August 15, 1986	5,528.87	916,815.34
September 15, 1986	5,574.95	911,240.39
October 15, 1986	5,621.40	905,618.99
November 15, 1986	5,668.25	899,950.74
December 15, 1986	5,715.48	894,235.26
January 15, 1987	5,763.11	888,472.15
February 15, 1987	5,811.14	882,661.01
March 15, 1987	5,859.57	876,801.44
April 15, 1987	5,908.40	870,893.04
May 15, 1987	5,957.63	864,935.41
June 15, 1987	6,007.28	858,928.13
July 15, 1987	6,057.34	852,870.79
August 15, 1987	6,107.82	846,762.97
September 15, 1987	6,158.72	840,604.25
October 15, 1987	6,210.04	834,394.21
November 15, 1987	6,261.79	828,132.42
December 15, 1987	6,313.97	821,818.45
January 15, 1988	6,366.59	815,451.86
February 15, 1988	6,419.64	809,032.22
March 15, 1988	6,473.14	802,559.08
April 15, 1988	6,527.08	796,032.00
May 15, 1988	6,581.47	789,450.53
June 15, 1988	6,636.32	782,814.21
July 15, 1988	6,691.62	776,112.59
August 15, 1988	6,747.39	769,375.20
September 15, 1988	6,803.61	762,571.59
October 15, 1988	6,860.31	755,711.28
November 15, 1988	6,917.48	748,793.80
December 15, 1988	6,975.13	741,818.67
January 15, 1989	7,033.25	734,785.42

SCHEDULE 2
(to Security Agreement)

Due Date	Total Principal Payment	Principal Balance
February 15, 1989	7,091.86	727,693.56
March 15, 1989	7,150.96	720,542.60
April 15, 1989	7,210.55	713,332.05
May 15, 1989	7,270.64	706,061.41
June 15, 1989	7,331.23	698,730.18
July 15, 1989	7,392.32	691,337.86
August 15, 1989	7,453.92	683,883.94
September 15, 1989	7,516.04	676,367.90
October 15, 1989	7,578.67	668,789.23
November 15, 1989	7,641.83	661,147.40
December 15, 1989	7,705.51	653,441.89
January 15, 1990	7,769.72	645,672.17
February 15, 1990	7,834.47	637,837.70
March 15, 1990	7,899.76	629,937.94
April 15, 1990	7,965.59	621,972.35
May 15, 1990	8,031.97	613,940.38
June 15, 1990	8,098.90	605,841.48
July 15, 1990	8,166.39	597,675.09
August 15, 1990	8,234.45	589,440.64
September 15, 1990	8,303.07	581,137.57
October 15, 1990	8,372.26	572,765.31
November 15, 1990	8,442.03	564,323.28
December 15, 1990	8,512.38	555,810.90
January 15, 1991	8,583.32	547,227.58
February 15, 1991	8,654.84	538,572.74
March 15, 1991	8,726.97	529,845.77
April 15, 1991	8,799.69	521,046.08
May 15, 1991	8,873.02	512,173.06
June 15, 1991	8,946.97	503,226.09
July 15, 1991	9,021.52	494,204.57
August 15, 1991	9,096.70	485,107.87
September 15, 1991	9,172.51	475,935.36
October 15, 1991	9,248.95	466,686.41
November 15, 1991	9,326.02	457,360.39
December 15, 1991	9,403.74	447,956.65
January 15, 1992	9,482.10	438,474.55
February 15, 1992	9,561.12	428,913.43
March 15, 1992	9,640.80	419,272.63
April 15, 1992	9,721.14	409,551.49
May 15, 1992	9,802.14	399,749.35
June 15, 1992	9,883.83	389,865.52
July 15, 1992	9,966.19	379,899.33
August 15, 1992	10,049.25	369,850.08
September 15, 1992	10,132.99	359,717.09
October 15, 1992	10,217.43	349,499.66
November 15, 1992	10,302.58	339,197.08
December 15, 1992	10,388.43	328,808.65
January 15, 1993	10,475.00	318,333.65
February 15, 1993	10,562.29	307,771.36
March 15, 1993	10,650.31	297,121.05

Due Date	Total Principal Payment	Principal Balance
April 15, 1993	10,739.07	286,381.98
May 15, 1993	10,828.56	275,553.42
June 15, 1993	10,918.80	264,634.62
July 15, 1993	11,009.79	253,624.83
August 15, 1993	11,101.53	242,523.30
September 15, 1993	11,194.05	231,329.25
October 15, 1993	11,287.33	220,041.92
November 15, 1993	11,381.39	208,660.53
December 15, 1993	11,476.24	197,184.29
January 15, 1994	11,571.87	185,612.42
February 15, 1994	11,668.30	173,944.12
March 15, 1994	11,765.54	162,178.58
April 15, 1994	11,863.59	150,314.99
May 15, 1994	11,962.45	138,352.54
June 15, 1994	12,062.14	126,290.40
July 15, 1994	12,162.65	114,127.75
August 15, 1994	12,264.01	101,863.74
September 15, 1994	12,366.21	89,497.53
October 15, 1994	12,469.26	77,028.27
November 15, 1994	12,573.17	64,455.10
December 15, 1994	12,677.95	51,777.15
January 15, 1995	12,783.60	38,993.55
February 15, 1995	12,890.13	26,103.42
March 15, 1995	12,997.55	13,105.87
April 15, 1995	13,105.87	0.00

IC EQUIPMENT LEASING COMPANY SECURED NOTE
(LIBOR NOTE)

No. R-

$, 198_

FOR VALUE RECEIVED, the undersigned, IC EQUIPMENT LEASING COMPANY (the "Company"), promises to pay to

EUROPEAN AMERICAN BANKING CORPORATION
(NASSAU, BAHAMAS BRANCH)

or registered assigns,
the principal sum of

on _____, and to pay on such date (and if such date shall be three or six months after the date of issue, also on the 15th day of each month following the date of issue) interest accrued and unpaid from the latter of the date hereof or the date through which interest hereon was previously paid, to the date of payment (computed on the actual number of days elapsed divided by 360) on the unpaid principal hereof at the per annum rate of _____% (determined in accordance with the method for establishing the LIBOR Rate on LIBOR Notes set forth in the Participation Agreement hereinafter referred to). The Company shall also pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate per annum 1% in excess of the rate set forth in the preceding sentence.

If in response to the Company's election to issue this Note either in connection with a Closing Date or in connection with a later exchange of Notes, European American Banking Corporation ("EABC") has determined, in its sole and absolute discretion exercised in good faith, that by reason of circumstances affecting the London Interbank market generally, adequate and fair means do not exist for ascertaining the LIBOR Rate and EABC has given notice of such determination to the Lessor, and the Company has elected to issue this Note, then the Company shall as soon as practicable enter into negotiations with the payee in good faith to arrive at an alternative mutually satisfactory basis for determining the interest rate applicable to this Note. In the meantime, the per annum interest rate applicable to this Note shall be 1/2 of 1% per annum in excess of an interest rate certified in writing by the payee to the Company as a reasonable interest rate reflecting the average cost to the payee of acquiring such Note. If agreement in writing is not reached by the 15th day of the month following such certification, the Company shall prepay this Note in full on said following 15th day together with accrued interest to the date of such prepayment at a rate equal to 1/2 of

1% per annum in excess of said rate so certified by the payee as its cost of accepting this Note.

Under certain circumstances resulting from changes in law more fully set forth in Sections 2.7 and 2.9 of the Participation Agreement referred to below, the rate of interest charged on this Note may be increased or this Note may be required to be prepaid, all as more fully set forth in said Sections 2.7 and 2.9.

Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If the date on which any payment on this Note is to be made is not a business day, the payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Note, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois or New York are authorized or required to close.

This Note is one of the Secured Notes of the Company not exceeding $13,022,425 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of October 1, 1982 (the "Participation Agreement") among the Company, Illinois Central Gulf Railroad Company (the "Lessee"), Waterloo Railroad Company and the payee hereof and European American Bank & Trust Company (collectively the "Secured Party"), and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of October 1, 1982 (the "Security Agreement") from the Company to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral (as defined in the Security Agreement), and the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Company in respect thereof.

This Note may be prepaid by the Company upon not less than ten business days prior written notice given in the manner provided in Section 7.10 of the Security Agreement in an amount equal to the entire unpaid principal plus accrued interest to the date of prepayment, but without premium.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company, duly endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of New York.

Anything in this Note to the contrary notwithstanding, no holder hereof, nor any successors or assigns thereof shall have any claim, remedy or right to proceed against the Company in its individual corporate capacity or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by this Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, from any source other than the collateral under the Security Agreement (the "Collateral"); and the holder of this Note by its acceptance hereof waives and releases any personal liability of the Company in its individual corporate capacity, and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company for and on account of such indebtedness or such liability; and the holder of this Note agrees to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party and its successors and assigns to accelerate the maturity of this Note upon a default thereunder, to bring suit and obtain a judgment against the Company on this Note or to exercise all rights and remedies provided under the Security Agreement or otherwise realize upon the Collateral; provided, further, that nothing in this paragraph shall be construed to limit in scope or substance those representations and warranties of the Company in its individual capacity set forth in the Participation Agreement or the Security Agreement.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

IC EQUIPMENT LEASING COMPANY

By _____
Its _____

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

IC EQUIPMENT LEASING COMPANY SECURED NOTE
(PRIME NOTE)

No. R-

$, 198_

FOR VALUE RECEIVED, the undersigned, IC EQUIPMENT LEASING COMPANY, promises to pay to

EUROPEAN AMERICAN BANK & TRUST COMPANY

or registered assigns,
the principal sum of

and to pay interest accrued and unpaid from the date hereof until maturity (computed on the actual number of days elapsed divided by 360) on the unpaid principal hereof at the per annum rates from time to time in effect as hereinafter provided, in installments as follows:

(i) Installments of accrued and unpaid interest only are payable on January 15, 1983 and on the fifteenth day of each month thereafter to and including April 15, 1985; followed by

(ii) One hundred twenty (120) installments of principal and interest, the amount of the principal portion of each respective installment being equal to the amount therefor specified on Schedule A attached hereto and made a part hereof, payable on May 15, 1985 and on the fifteenth day of each month thereafter to and including April 15, 1995; and

(iii) Interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate per annum determined from time to time as hereinafter provided.

For the period from and after the date of this Note to but not including April 15, 1986, interest accrued and payable pursuant to clause (i) above shall be computed at the Prime Rate and interest accrued and payable pursuant to clause (iii) above shall be computed at 1% in excess of the Prime Rate. For the period from and after April 15, 1986 to but not including April 15, 1989, interest accrued and payable pursuant to clause (ii) above shall be computed at 105% of the Prime Rate and interest accrued and payable pursuant to clause (iii) above shall be computed at 1% in excess of 105% of the Prime Rate. For the period

from and after April 15, 1989 to but not including April 15, 1992 interest accrued and payable pursuant to clause (ii) above shall be computed at 115% of the Prime Rate and interest accrued and payable pursuant to clause (iii) above shall be computed at 1% in excess of 115% of the Prime Rate. For the period from and after April 15, 1992 until the entire principal and interest on this Note shall have been paid in full, interest accrued and payable pursuant to clause (ii) above shall be computed at 125% of the Prime Rate and interest accrued and payable pursuant to clause (iii) above shall be computed at 1% in excess of 125% of the Prime Rate. As used herein, the term "Prime Rate" shall mean that rate of interest which from time to time is announced by European American Bank & Trust Company, as its prime rate.

Both the principal hereof and interest hereon are payable to the registered holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts. If the date on which any payment on this Note is to be made is not a business day, the payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Note, the term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of Illinois are authorized or required to close.

This Note is one of the Secured Notes of the Company not exceeding $13,022,045 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of October 1, 1982 among the Company, Illinois Central Gulf Railroad Company (the "Lessee"), Waterloo Railroad Company and the payee hereof and European American Banking Corporation (collectively the "Secured Party"), and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of October 1, 1982 (the "Security Agreement") from the Company to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral (as defined in the Security Agreement), and the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Company in respect thereof.

This Note may be prepaid by the Company upon not less than ten business days prior written notice given in the manner provided in Section 7.10 of the Security Agreement in an amount equal to the entire unpaid principal plus accrued interest to the date of prepayment, but without premium.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company, duly

endorsed or accompanied by a written instrument of transfer, duly executed by the registered holder of this Note or his attorney duly authorized in writing.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the State of New York.

Anything in this Note to the contrary notwithstanding, no holder hereof, nor any successors or assigns thereof shall have any claim, remedy or right to proceed against the Company in its individual corporate capacity or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by this Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, from any source other than the collateral under the Security Agreement (the "Collateral"); and the holder of this Note by its acceptance hereof waives and releases any personal liability of the Company in its individual corporate capacity, and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company for and on account of such indebtedness or such liability; and the holder of this Note agrees to look solely to the Collateral for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party and its successors and assigns to accelerate the maturity of this Note upon a default thereunder, to bring suit and obtain a judgment against the Company on this Note or to exercise all rights and remedies provided under the Security Agreement or otherwise realize upon the Collateral; provided, further, that nothing in this paragraph shall be construed to limit in scope or substance those representations and warranties of the Company in its individual capacity set forth in the Participation Agreement or the Security Agreement.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

IC EQUIPMENT LEASING COMPANY

By _____

Its _____

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.