

RECORDATION NO. Filed 1425
JAN 5 1984 9 45 AM
INTERSTATE COMMERCE COMMISSION

4-0051012

No.
Date JAN 5 1984
Fee \$ 50
ICC Washington, D. C.

December 30, 1983

RECORDATION NO. 14245 Filed 1425

JAN 5 1984 9 45 AM
INTERSTATE COMMERCE COMMISSION

The Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Western Fuels Association, Inc.
Security Agreement dated as of December 20, 1983
With National Cooperative Services Corporation as Secured Party

RECEIVED
JAN 5 9 37 AM '84
FEE OPERATIONS BR.
I.C.C.

Dear Madam:

Enclosed herewith for filing pursuant to 49 U.S.C. § 11303 is a Security Agreement dated as of December 20, 1983, relating to the issuance of the granting to the National Cooperative Services Corporation of a security interest in certain railcars currently being leased to Western Fuels Association, Inc. and bearing identifying numbers WFU-1 through WFU-35 (inclusive). The parties to the enclosed Agreement are:

The Connecticut Bank and Trust Company,
National Association, as Trustee
One Constitution Plaza
Hartford, Connecticut 06115

and

National Cooperative Services Corporation
1115 30th Street, N.W.
Washington, D.C. 20007

Please record one of the three enclosed copies and stamp the other two copies and the two copies of this letter enclosed herewith with the recordation data and return such copies to the undersigned in the enclosed self-addressed stamped envelope. A check in the amount of \$50 is enclosed in payment of the applicable recording fee.

Very truly yours,

NATIONAL COOPERATIVE SERVICES
CORPORATION

By Martin R Crause

Title

STATE OF NEW YORK)

: ss.:

COUNTY OF NEW YORK)

On the 30th day of December, 1983, personally appeared before me Martin R. Crowson who being by me duly sworn (or affirmed), did say that he is the Assistant Secretary of National Cooperative Services Corporation, a Washington, D.C. corporation, and that said instrument was signed in behalf of said corporation by authority of its by-laws and of a resolution of its Board of Directors and said Martin R. Crowson acknowledged to me that said corporation executed the same.

Connie L. Kluever

Notary Public

[SEAL]

CONNIE L. KLUEVER
Notary Public, State of New York
No. 60-2151690
Qualified in Westchester County
Certificate filed in New York County
Commission Expires March 30, 1985

My commission expires: _____.

14245/A
RECORDATION NO. Filed 1425

JAN 5 1984 -9 45 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of December 20, 1983

From

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL
ASSOCIATION, as Owner Trustee

DEBTOR

To

NATIONAL COOPERATIVE SERVICES CORPORATION

SECURED PARTY

(One Locomotive Manufactured by
General Electric Corporation)

FSL

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Attachments to Security Agreement:

Exhibit A - Form of Note

Exhibit B - Form of Certificate of Acceptance

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of December 20, 1983 (the "Security Agreement") is from THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, as Owner Trustee under that certain Trust Agreement dated December 20, 1983 with First Security Leasing Company as Owner (the "Debtor"), to NATIONAL COOPERATIVE SERVICES CORPORATION (the "Secured Party").

R E C I T A L S:

A. The Debtor, the Secured Party and First Security Leasing Company (the "Owner") have entered into a Participation Agreement dated as of December 20, 1983 (the "Participation Agreement") with Western Fuels Association, Inc., a Wyoming corporation (the "Lessee") providing for the commitment of the Secured Party to purchase on December 20, 1983 the secured promissory note (the "Note") of the Debtor not exceeding an aggregate principal amount of \$1,854,024.14. The Note is to be dated the date of issue, and to be substantially in the form attached hereto as Exhibit A.

B. The Note 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 Note, this Security Agreement or the Participation Agreement are hereinafter or sometimes referred to as "indebtedness hereby secured."

C. 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 Note have been done and performed.

D. All capitalized terms which are used herein but which are not otherwise defined shall have the meanings given to such terms in the Participation Agreement.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Note according to its 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 Note, this Security Agreement and in the Participation Agreement, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, 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, 1.2 and 1.3 hereof, subject always to those limitations set forth in Section 1.4 hereof and to the Excepted Rights in Collateral as defined in Section 1.6 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the Units of railroad equipment (the "Units") leased and delivered under the Equipment Lease dated December 20, 1983 as amended or supplemented from time to time (the "Equipment Lease"), between the Debtor, as lessor, and the Lessee, as lessee, which Units are more specifically described in the Certificate of Acceptance to be executed by the Lessee on the Closing Date, a copy of which is attached hereto as Exhibit B (collectively with the Equipment Lease the "Lease"); together with all accessories, equipment, parts and appurtenances appertaining or attached to the Units hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, together with all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Units, except such thereof as remain the property of the Lessee under the Lease, together with all rents, issues, income, profits, avails and revenues therefrom.

1.2. Other Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, the Right of Entry, the Coal Delivery Agreement (the "Coal Delivery Agreement") with Deseret Generation & Transmission Cooperative ("Deseret") as more specifically described in Section 1.3, below, the bills of sale with respect to the Units, the purchase orders with respect to the Units and the Purchase Order Assignments relating to the Units subjected hereto by means of this Security Agreement, 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 Fixed Rental payments, Interim Rental payments, Supplemental Rental payments, insurance proceeds, condemnation awards, Casualty Value payments, Termination Value payments, 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 1.6 hereof;

(2) the right to approve all waivers and agreements and any amendments relating to the Lease or any provision thereof except with regard to the Excepted Rights in Collateral under Section 1.6 hereof; and

(3) 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 1.6 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 Fixed Rental payments, Interim Rental payments, Supplemental Rental payments, insurance proceeds, condemnation awards, Termination Value payments, Casualty Value payments, if any, 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.

All proceeds and products of items deemed to be Collateral shall also constitute Collateral.

1.3. The Coal Delivery Agreement. All right, title and interest of the Debtor in, to, and under the Coal Delivery Agreement (to the extent assigned to the Secured Party pursuant to the Assignment of Coal Delivery Agreement) which has been assigned to Secured Party, as Collateral includes:

(1) the immediate and continuing right to receive and collect payments made by Deseret under the Coal Delivery Agreement to reimburse Lessee for Fixed Costs and Fixed Obligations (as defined in the Coal Delivery Agreement) relating to the Lease with respect to the Units, except those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof;

(2) the right to approve all waivers, agreements and amendments relating to the Coal Delivery Agreement 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 1.6 hereof; and

(3) the right to take such action upon the occurrence of an Event of Default under the the Coal Delivery Agreement, or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the the Coal Delivery Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Coal Delivery Agreement or by law; it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.6 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 fixed cost 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;

provided, however, that conduct of the Secured Party shall at all times be subject to the limitations set forth in Section 2.7 hereof.

1.4. 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 Units under the Lease, so long as no Event of Default under the Lease has occurred and is continuing, (b) the lien of current taxes and 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, so long as such contest will not affect or endanger the security interest or other rights of the Secured Party hereunder, and (c) liens of mechanics, materialmen and laborers for work or service performed or materials furnished in the ordinary course of business which are not yet due and payable (collectively "Permitted Encumbrances").

1.5. 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 and shall observe, keep and perform all the terms and conditions, covenants and agreements contained herein, and in the Participation Agreement and the Note, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.6. 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 shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 6 and 10.2 of the Lease or repayments or interest thereon under Sections 19 and 20.2 (in respect to any sums advanced by the Lessor) of the Lease (including payments of Supplemental Rent made on account of the foregoing) which by the terms of any of such sections of the Lease are payable to the Debtor for its own account;

(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 referred to in clause 1.6(a) above, provided that Debtor's exercise of said rights shall be subject to the limitations of Section 2.7(h); 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 the Lease 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. Payment of Principal and Premium, if any, and Interest. The Debtor will duly and punctually pay the principal of and premium, if any, and interest on the Notes in accordance with, and subject to, the terms of the Notes and this Security Agreement.

2.2. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth herein and in the Participation Agreement, and in each and every supplement hereto and thereto or amendment hereof and 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.

2.3. Warranty of Title. THE DEBTOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE TO, OR THE VALUE OF, COMPLIANCE WITH SPECIFICATIONS, CONDITION, DESIGN, OPERATION, MERCHANTABILITY, FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR FITNESS FOR USE OF, THE UNITS (OR ANY PORTION THEREOF) OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS (OR ANY PORTION THEREOF), except that the Debtor in its individual capacity hereby represents and warrants that on the Closing date the Debtor shall have received whatever title to the Units was conveyed to it on or before such date. The Debtor further warrants that it 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 which result from claims against the Debtor not related to the ownership of the Units or any transactions pursuant to the Operative Agreements (as defined in the Participation Agreement). 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 (or authorized any party to sign on its behalf), 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.

2.4. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances requested by the Owner or the Secured Party and reasonably necessary or proper to more fully evidence, establish or perfect 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 (including the assignment of the Coal Delivery Agreement) and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease and the Coal Delivery Agreement (other than Excepted Rights in Collateral) directly to the Secured Party or as the Secured Party may direct in writing.

2.5. 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.

2.6. Recordation and Filing. The Debtor will cause the Lessee to make such recordations and filings as may from time to time be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party require the Lessee to furnish to the Secured Party on or before the Closing Date an opinion of counsel for the Lessee as required by the Participation Agreement. Debtor represents and warrants to Secured Party that its chief executive office and office where its records concerning the Collateral are maintained is in the State of Connecticut.

2.7. Negative Covenants. Except as otherwise permitted herein or in the Assignment, the Debtor will not:

(a) Terminate, modify or accept a surrender of, or offer or agree to any termination, modification of or surrender of, the Lease or the Coal Delivery Agreement;

(b) 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;

(c) except in respect of Excepted Rights in Collateral, receive or collect any payment of Interim Rental, Fixed Rental or Supplemental Rental under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate or create a lien upon or grant a security interest in any rent payment then due or to accrue in the future under the Lease in respect of the Units;

(d) except in respect of Excepted Rights in Collateral, sell, mortgage, transfer, assign or hypothecate or create a lien upon or grant a security interest in the Units or any part thereof or in any amount to be received by it from the use or disposition of the Units;

(e) except in respect of Excepted Rights in Collateral, receive or collect any proceeds under the Coal Delivery Agreement or assign, transfer, hypothecate any proceeds received under the Coal Delivery Agreement in respect of the obligations of the Lessee under the Operative Agreements;

(f) terminate or modify, or offer or agree to any termination or modification of, the Coal Delivery Agreement or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness on the right, title and interest of the Lessee under the Coal Delivery Agreement or the proceeds of any loans made thereunder;

(g) declare a default or exercise of remedies of the Secured Party under, or terminate, modify or release, or offer or agree to any termination, modification or release of, the Coal Delivery Agreement or by affirmative act, consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the collateral under the Coal Delivery Agreement;

(h) declare an Event of Default under the Lease or exercise any of the remedies of the Lessor provided for in the Lease, except that: (i) Debtor may exercise the remedies provided in Section 14.2(a) of the Lease without

calling an Event of Default thereunder, insofar as said remedies relate to Excepted Rights in Collateral; and (ii) Debtor may bring suits to enforce the Lease and (except for the right to terminate the Lease), pursue the full remedies provided to the "Lessor" thereunder with respect to any default of the Lessee which is not caused by Lessee's failure to pay Rental or Supplemental Rental under the Lease;

(i) acquire any interests in real or personal property, make or obtain any loan, or enter into any other undertaking or transaction other than the transactions contemplated by the Operative Agreements; or

(j) transfer legal title to the Units without first paying in full the outstanding principal balance of, and interest and premium, if any, on the Notes, except as may be required in connection with a transfer of the Debtor's interest pursuant to the terms of the Operative Agreements.

The provisions of this Section 2.7 shall not be construed as limiting the rights of the Debtor set forth in Section 1.6(b) hereof.

2.8. Power of Attorney. 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, 1.2 and 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby and if an Event of Default hereunder shall have occurred and be continuing, to settle, adjust and compromise any claim under the Lease or the Coal Delivery Agreement as fully as Debtor itself could so do.

2.9. Defaults. 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 or the Coal Delivery Agreement if the Debtor has actual knowledge of such event or condition. Debtor further agrees that, except as permitted in Section 2.7(h), it will not exercise any remedies under the Lease or the Coal Delivery Agreement without the consent of the Secured Party. For purposes hereof, the Debtor shall have actual knowledge only if an officer or employee of the Corporate Trust Department of the Debtor has actual knowledge or has received notice of such event or condition.

2.10. Maintenance of Existence. The Debtor will preserve and keep in full force and effect its existence, and will maintain all rights and franchises and all licenses and permits necessary for the performance of its obligations hereunder. The Debtor will provide the Secured Party at least 30 days' prior written notice of any change in its chief place of business, its chief executive office or the office where it keeps its records concerning the Lease.

2.11. Inspection. Subject to the rights of the Lessee under the Lease, Debtor agrees to provide the Secured Party and any holder of a note with the

same rights to from time to time inspect the Units as are provided to the Debtor in the Lease.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

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

3.2. Release after Casualty Occurrence or Exercise of Early Termination Option. In the event of a Casualty Occurrence involving one of the Units, as long as no Event of Default referred to in Section 14 of the Lease has occurred to the knowledge of the Secured Party, the Secured Party shall execute a release of its security interest with respect to such Unit upon receipt from the Lessee of notice pursuant to Section 11.4 of the Lease and upon payment of all sums payable for such Unit in compliance with Section 11 of the Lease and all other sums then due and owing pursuant to this Security Agreement. In the event of the exercise by Lessee of its Early Termination Option pursuant to Section 18.5 of the Lease, so long as no Event of Default under the Lease shall have occurred, the Secured Party will execute a release of its security interest in the Units upon receipt of the sums required to be paid pursuant to Section 18.5 of the Lease and all other indebtedness secured hereby.

3.3. Release of Units upon Payment. So long as no Event of Default or no event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing hereunder to the knowledge of the Secured Party, the Secured Party shall, upon receipt of all principal and interest due under the Note and all other indebtedness secured by this Agreement, release the Units subject hereto. Following payment of all indebtedness hereby secured the Secured Party will upon the request of Debtor, give written notice to the Lessee that the Secured Party's security interest hereunder has been terminated.

3.4. Protection of Purchaser. No purchaser in good faith of the Units 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, or to 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 rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Units as security for the Note, excluding

however the Excepted Rights in Collateral. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) All amounts (which do not constitute Excepted Rights in Collateral) from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of the installments of Rental and interest on past due 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 Note and any other sums then owing pursuant to this Security Agreement 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) Any amount received by the Secured Party which constitutes settlement by the Lessee of the "Casualty Value" for a Unit pursuant to Section 11 of the Lease shall be applied by the Secured Party as follows:

(i) First, to the payment of an amount equal to the Applicable Percentage (as hereinafter defined) multiplied by the accrued and unpaid interest on the Note determined as of the date such Casualty Value is paid;

(ii) Second, to the payment of an amount equal to the Applicable Percentage multiplied by the unpaid principal amount of the Note;

(iii) Third, to the payment of any other sums then due and owing under this Security Agreement or the Note; and

(iv) Fourth, the balance, if any, of any such amount held by the Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding subparagraphs (i), (ii) and (iii).

For purposes of this Section 4, "Applicable Percentage" shall mean the quotient obtained by dividing: (i) the Lessor's Cost of the Unit(s) suffering a casualty occurrence, by (ii) the Lessor's Cost of all Units financed with such Note which were subject to the terms of the Lease at the time of such casualty occurrence.

(c) The amounts, if any, received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee in respect of the Units, 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) The proceeds of such insurance shall be released to the Lessee, if the Unit is to be repaired, to reimburse 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 the Units 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 Lessee 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 accordance with the provisions of Section 11.4 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 payment of an amount equal to the Applicable Percentage multiplied by the accrued and unpaid interest on the Note determined as of the date the insurance proceeds are received by the Secured Party;

(B) Second, to the payment of an amount equal to the Applicable Percentage multiplied by the unpaid principal amount of the Note;

(C) Third, to the payment of any other sums then due and owing under this Security Agreement or the Note; and

(D) Fourth, the balance, if any, of any such amount held by the Secured Party after making the applications provided for by the preceding subparagraphs (A), (B) and (C) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding subparagraphs (A), (B) and (C).

(d) Any amount received by the Secured Party which constitutes settlement by the Lessee of the "Termination Value" under Section 18.5 of the Lease shall be applied by the Secured Party as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on the Notes determined as of the date such Termination Value is paid;

(ii) Second, to the prepayment without premium or penalty of the unpaid principal amount of the Notes;

(iii) Third, to the payment of any other amount secured hereby; and

(iv) Fourth, the balance, if any, of any such amount held by the Secured Party after making the applications provided for by the preceding subparagraphs (i), (ii) and (iii) 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), (ii) and (iii).

(e) The amounts from time to time received under the Coal Delivery Agreement to satisfy the obligations of the Lessee under the Lease or Participation Agreement shall be applied as payments made directly by the Lessee to satisfy such obligations.

4.2. 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 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" 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, the 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 any such default shall continue unremedied for five (5) business days;

(b) An Event of Default (as defined in the Lease) shall have occurred 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 thirty (30) days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied;

(d) Any material representation, warranty or covenant on the part of the Debtor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished 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 Units 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 within thirty (30) days after written notice from the Secured Party to the Debtor and the Lessee demanding the discharge or removal thereof;

(f) The Debtor becomes insolvent or bankrupt or fails generally to pay its debts as such debts become due, or causes or suffers an order for relief to be entered against it under applicable federal or state bankruptcy law, or makes a general assignment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for the Debtor, or for the major part of the Debtor's property;

(g) A custodian, trustee or receiver is appointed for the Debtor or for the major part of the Debtor's property and is not discharged within 60 days after such appointment;

(h) 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 with 60 days after such institution;

(i) A court shall order the dissolution or liquidation of the Debtor, or such dissolution or liquidation shall in any manner be commenced; or

(j) Debtor shall transfer any interest in the Lease or the Units to the Lessee, except as specifically permitted in the Lease.

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 Section 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party under the Uniform Commercial Code of California (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) 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 principal balance of the Note to be immediately due and payable; and thereupon all such unpaid principal 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 so long as an Event of Default thereunder shall not have occurred, 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 so long as an Event of Default thereunder shall not have occurred, 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, 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) designated in the notice above referred

to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale may be adjourned from time to time by announcement at the time and place appointed for such sale, or for any such adjourned sale, without further published notice, and the Secured Party may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease so long as an Event of Default thereunder shall not have occurred, the Secured Party may proceed to protect and enforce this Security Agreement and the Note 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 mortgaged property 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 so long as an Event of Default thereunder shall not have occurred, 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.

(a) Right to Cure.

(i) If an Event of Default under the Lease shall have occurred, thereby creating an Event of Default under Section 5.1(a) or 5.1(b) hereof, the Secured Party shall not pursue any of its remedies hereunder, except as permitted pursuant to the provisions of this Section 5.3(a); provided, that the Debtor shall have exercised its right to cure such Event of Default as hereinafter in Section 5.3(a) provided;

(ii) In the event that an Event of Default hereunder shall have been declared as described in clause (i) above, the Secured Party shall give notice to the Owner of such failure, specifying in such notice all then existing Events of Default hereunder of which the Secured Party shall have knowledge; such notice to be delivered to the Owner by means of an independent commercial courier service and to be confirmed, if possible, after reasonable effort, by telephone. If the Debtor elects to exercise its right to cure as herein provided, it shall, within ten Business Days after the giving of the notice to the Owner referred to in the preceding sentence, deliver to the Secured Party a written notice stating that it has elected to exercise such right to cure together with (x) payment in immediately available funds, of (aa) any sums then due and owing under this Security Agreement, except any principal on the Note which shall have become due by acceleration and (bb) any Supplemental Rent then due under the Lease to the parties entitled thereto, (y) a written agreement of the Debtor that it will promptly commence to cure, and

that it will, during the period (the "Cure Period") constituting the longer of: (cc) the number of days remaining until the next regular, scheduled Rent Payment Date under the Lease; or (dd) 30 days (subject to extension to 90 days if the default is reasonably curable and Debtor demonstrates to Secured Party's reasonable satisfaction that Debtor is diligently attempting to accomplish such a cure), diligently attempt in good faith to complete the curing of, to the reasonable satisfaction of the Secured Party, all other such Events of Default specified in the notice referred to above or of which it has actual knowledge then existing under the Lease which are capable of being cured by a party other than the Lessee thereunder; and (z) a written agreement of the Debtor in which the Debtor (yy) specifically identifies, and acknowledges the existence of, such Events of Default hereunder that it has elected to cure and (zz) agrees at the expiration (subject to any then remaining rights of the Debtor to cure any additional Events of Default hereunder which are related to Lease Events of Default, as limited by the provisions of clause (iii) below) or earlier termination of the Cure Period as to which the Debtor has elected to exercise its cure rights hereunder, the Debtor (aaa) hereby consents to the commencement of foreclosure proceedings or the exercise of any other remedies provided to the Secured Party pursuant to the provisions of this Security Agreement in respect of any Events of Default hereunder (other than Events of Default hereunder that have been cured by the Debtor in accordance with the provisions of this Section 5.3(a)) existing at the time of such expiration or earlier termination, and (bbb) will not in any way interfere with, oppose, contest, compromise or attempt to avoid such proceedings and/or remedies subject, however, to the obligations of the Secured Party to dispose of such assets in a commercially reasonable manner and account to the Debtor for any surplus as provided in Section 9-504(2) and in Section 9-504(3) of the Utah Uniform Commercial Code as in effect on the date of this Security Agreement;

(iii) Notwithstanding anything contained in this Section to the contrary, the Debtor's right to cure any Event of Default hereunder which relates to an Event of Default under the Lease described in Section 14.1(a) of the Lease shall not encompass more than two such Events of Default hereunder and related Events of Default under the Lease occurring consecutively nor more than four such Events of Default hereunder and related Events of Default under the Lease occurring in the aggregate during the term hereof;

(iv) Notwithstanding anything contained in this Section to the contrary, if, and only if, any Event of Default under the Lease or any related Event of Default hereunder shall not have been cured by the Debtor pursuant to the provisions of Section 5.3(a)(ii) above during any Cure Period as to which the Debtor has elected to exercise cure rights hereunder, then if any event which with the giving of notice or passage of time, or both, would become an Event of Default under the Lease shall occur and be continuing or if any other related event which with giving of notice or passage of time, or both, would become an Event of Default hereunder shall occur and be continuing, and the same shall remain uncured after the expiration of the applicable grace period, if any, provided for in Section 14 of the

Lease, then the same shall constitute a separate and independent Event of Default under the Lease and related Event of Default hereunder and all of the rights and remedies of the Secured Party hereunder shall be applicable thereto including the right to promptly exercise any of the remedies in this Security Agreement provided. Upon the occurrence of any such event which with giving of notice or passage of time, or both, would become an Event of Default under the Lease or related event which with the giving of notice or passage of time, or both, would become an Event of Default hereunder, the Secured Party may give notice to the Owner of the existence of the same, specifying in such notice the nature of such default, and the giving of such notice shall commence the tolling of the grace period, if any, provided for in Section 14 of the Lease (as if such notice had been given to the Debtor thereunder). Upon the expiration of any applicable grace period, such event shall constitute an Event of Default under the Lease or related Event of Default hereunder, and the right to cure under this Section 5.3(a) shall not thereafter be applicable thereto. Any notice given pursuant to this clause (iv) shall be sent by means of an independent commercial courier service and be confirmed, if possible, after reasonable effort, by telephone; and

(v) Except as hereinafter in this Section 5.3(a) provided, 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 Note and any other sums due hereunder, the Debtor shall be subrogated to the rights of the Secured Party in respect of the 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 Note and any other sums due hereunder have been paid at the time of receipt by the Secured Party of such Fixed Rental, 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 Note shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on any Note 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 on such overdue Fixed Rental 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.

(b) Option to Prepay Note. If an Event of Default under the Lease shall have occurred and the Secured Party shall have exercised its right to terminate the Lease, whether or not the Debtor shall have the right to cure an Event of Default under the Lease pursuant to Section 5.3(a) above, the Debtor may at its option prepay the Note, without premium or penalty, by

payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment and any other sums due hereunder. Debtor shall also apply the entire amount of any monetary damages received by it as a result of litigation brought by Debtor pursuant to Section 2.7(h)(ii) hereof (to the extent such sums exceed the costs incurred by Debtor in connection with enforcing its rights under the Lease) toward prepayment (without premium or penalty) of the Note.

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 Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable.

5.5. Purchase of Collateral by Secured Party. The Secured Party may be a purchaser of the Collateral or any part thereof or any interest therein at any sale thereof, whether pursuant to foreclosure or power of sale or otherwise. The Secured Party may apply against the purchase price therefor the amount then due under any of the Notes secured hereby, and any holder of a Note may apply against the purchase price therefor the amount then due under any Note held by such holder. The Secured Party or any holder of a Note or any nominee thereof shall, upon any such purchase, acquire good title to the property so purchased, free of the lien of this Security Agreement and, to the extent permitted by applicable law, free of all rights of redemption in the Debtor.

5.6. 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 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, 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, except as to rights expressly provided herein, 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.

5.7. 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, 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).

5.8. Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof resulting from the Secured Party's enforcement of its remedies hereunder and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all 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 Note 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 Note, then according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application 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 Note, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid;

(c) Third, to the payment of any other sum then due and owing to the Secured Party under this Security Agreement or the Note; and

(d) Fourth, 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.

5.9. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor 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.

5.10. 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 Debtor 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 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 guaranties.

SECTION 6. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Participation Agreement, the Note, the Lease, any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, all obligations to make payments on the Notes and all other obligations hereunder shall be "non-recourse" to the Debtor and neither the Secured Party nor its successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor hereof for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty hereunder of any nature whatsoever from any source other than the property mortgaged or assigned by the Debtor as security for the Note; and the Secured Party by acceptance thereof waives and releases any personal liability of the Debtor for and on account of such indebtedness or such liability and the Secured Party agrees to look solely to the property mortgaged or assigned by the Debtor as security for the Note 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 Note upon a default thereunder, to bring suit and obtain a judgment against the Debtor on the Notes (provided that the Debtor shall not have any personal liability on any such judgment and the satisfaction thereof shall be limited to the property mortgaged or assigned by the Debtor as security for the Note, including any interest therein of the Debtor) or, subject to the terms and conditions of the Lease, to foreclose the lien of this Security Agreement or otherwise realize upon the property mortgaged or assigned by the Debtor as security for the Note, including the right to proceed against the Lessee under the Lease; and provided, further, that nothing herein contained shall limit the liability of the Debtor for its own gross negligence or willful misconduct or for breaches of covenants or violations of representations or warranties undertaken by Debtor in its individual capacity.

SECTION 7. MISCELLANEOUS.

7.1. Execution. The Note shall be executed on behalf of the Debtor by the President or a Vice-President of the Debtor.

7.2. Payment of the Note.

(a) The principal of, and premium, if any, and interest on the Note shall be payable by wire transfer of immediately available funds to such bank as the Secured Party shall direct in writing, or if otherwise directed by the Secured Party, by check, duly mailed, by first class, postage prepaid, or delivered to the Secured Party at its address appearing in the Register. The Secured Party reserves the right to sell, transfer or otherwise dispose of the Note. However, until Debtor and the Lessee receive written notification from Secured Party of such sale, transfer or disposition, the Debtor and Lessee shall be entitled to make payments as provided herein and any sums so paid shall be valid and effectual to satisfy and discharge the liability upon the Note regardless of whether such payments are received by the Secured Party's assignee.

(b) All amounts constituting payment of the installments of Fixed Rental, Interim Rental or Supplemental Rental under the Lease, and payments of Casualty Value, Termination Value or insurance proceeds received by the Secured Party and applied on the Note pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon the Note to the extent of the amounts so received, retained and applied.

7.3. Registration. The Debtor shall cause to be kept at its principal corporate trust office a register (herein sometimes referred to as the "Note Register") in which the Debtor shall provide for the registration of Notes and of transfers of Notes.

Upon surrender for transfer of any Note at the principal corporate trust office of the Debtor in the City of Hartford, State of Connecticut, the Debtor shall execute and deliver, in the name of the designated transferee or transferees, one or more new Notes of the same series and maturity of any authorized denominations of a like aggregate principal amount, all as requested by the transferor.

At the option of the holder of the Notes, Notes may be exchanged for other Notes of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the principal corporate trust office of the Debtor in Hartford, Connecticut. Whenever any Notes are so surrendered for exchange, the Debtor shall execute and deliver the Notes which the holder of a Note making the exchange is entitled to receive.

All Notes issued upon any transfer or exchange of Notes shall be the valid obligations of the Debtor, evidencing the same debt, and entitled to the same benefits under this Security Agreement, as the Notes surrendered upon such transfer or exchange.

Every Note presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Debtor duly executed by the holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a holder of a Note for any registration, transfer or exchange of Notes, but the Debtor may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration, transfer or exchange of Notes.

The Debtor shall not be required (i) to issue, transfer or exchange any Note during a period beginning at the opening of business 15 days before the day of the mailing of a notice of prepayment of such Notes and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Note so selected for prepayment in whole or in part, except, in the case of any Note to be redeemed in part, the portion thereof not to be redeemed.

7.4. Transfer of Note; Lost or Mutilated Note.

(a) The Secured Party may transfer the 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 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note to the Secured Party for delivery to such transferee.

(b) The Note or any replacement Note, if presented or surrendered for 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 Secured Party or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer of the Note for a period of ten days preceding any installment payment date with respect thereto.

(c) No notarial act shall be necessary for the transfer of the Note or any replacement note pursuant to this Section 7.4, and the transferee of a 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.

(d) In case a Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the Secured Party, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for a Note so destroyed, lost or stolen. The Secured Party shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risks, and shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of a Note.

7.5. The New Note.

(a) A new Note (herein, in this Section 7.5, called a "New Note") issued pursuant to Section 7.4(a) or (d) or pursuant to Section 7.9 in exchange for or in substitution or in lieu of the 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 on the New Note (i) the dates to which principal and interest have been paid on the Old Note, (ii) all payments and prepayments of principal and interest 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 be the same as the installment payment payable on the Old Note on such date. Interest shall be deemed to have been paid on such Old Note, and all payments and prepayments of principal and interest 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) or (d) or Section 7.9, 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 connected therewith which are paid or payable by the Debtor.

(c) A New Note issued pursuant to Section 7.4(a) or (d) in exchange for or in substitution or in lieu of the Old Note or pursuant to Section 7.9 shall be a valid obligation of the Debtor evidencing the same debt as the Old Note and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Note.

7.6. Cancellation of Note. The Note, if 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 Note shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.7. 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.

7.8. 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 7.8 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 of the Secured Party or its successors or assigns under said Section 6.

7.9. Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent.

(a) In the event the Secured Party exercises its right to assign the Note and the Note is assigned, in part to one or more parties, each such new noteholder shall be given replacement Notes pursuant to Section 7.5. Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (x) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (y) the Debtor and the Secured Party may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modify in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of the holder to receive payments or prepayments of the principal of and payment of the interest on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any

part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Secured Party, without the consent of the holders of all of the Notes at the time outstanding.

(b) Promptly after the execution by the Debtor and the Secured Party of any supplemental agreement pursuant to the provisions of paragraph (a) of this Section 7.9, the Secured Party shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first class, postage prepaid, to each holder of the Notes. Any failure of the Secured Party to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

7.10. 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 five (5) business days following deposit in the United States mail, registered mail, postage prepaid, addressed as follows:

If to the Debtor:	The Connecticut Bank and Trust Company, National Associa- tion, as Trustee One Constitution Plaza Hartford, Connecticut 06115 Attention: Corporate Trust Department
If to the Owner:	First Security Leasing Company 381 East Broadway Salt Lake City, Utah 84111 Attention: Contracts Administration
If to the Secured Party:	National Cooperative Services Corporation 1115 30th Street, N.W. Washington, D.C. 20007 Attention: Vice President
If to the Assignee:	Teacher Retirement System of Texas 1001 Trinity Street Austin, Texas 78701 Attention: Robert Davis, Assistant Invest- ment Officer

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

7.11. Release. Except as provided in Section 3 hereof, 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.

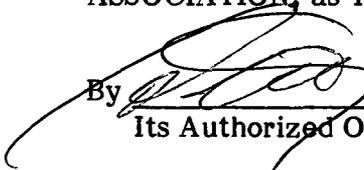
7.12. Governing Law. This Security Agreement and the Note shall be construed in accordance with and governed by the laws of the State of Utah; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

7.13. 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.

7.14. Headings. The Table of Contents and 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, as of the day and year first above written.

THE CONNECTICUT BANK AND
TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By  _____
Its Authorized Officer

NATIONAL COOPERATIVE SERVICES
CORPORATION

By  _____
Its _____

13.099% NONRECOURSE SECURED NOTE

DUE JANUARY 2, 2004

\$ _____, 1983

FOR VALUE RECEIVED, the undersigned, The Connecticut Bank and Trust Company, National Association, not in its individual capacity, but in its capacity as Trustee under a Trust Agreement dated December 20, 1983 with First Security Leasing Company, promises to pay, in installments as hereinafter provided, to National Cooperative Services Corporation ("Payee"), or its order, in lawful money of the United States of America, at its principal office at Washington, D.C., or at such other place as Payee may direct, the principal amount of \$ _____, together with interest thereon from the date hereof at the rate of 13.099% per annum. Interest hereon shall be computed on the basis of a 360-day year of twelve 30-month days.

Interest on this Note shall be paid, in arrears, commencing on December 29, 1983 for the period from the date of issuance of this Note through and including January 1, 1984 and continuing thereafter on July 1 and January 2 of each year to and including January 2, 2004 in amounts set forth on Schedule A attached hereto. The principal of this Note shall be payable in forty consecutive semiannual installments, commencing on July 1, 1984 and continuing thereafter on January 2 and July 1 of each year to and including January 2, 2004 in amounts set forth on Schedule A attached hereto. The final payment of combined principal and interest on January 2, 2004 shall in all events be in such amount as shall fully pay the unpaid balance of the principal amount of this Note, together with accrued interest thereon. Each payment of this Note shall be applied first to accrued interest hereon at the applicable rate and then to the reduction of the unpaid balance of the principal amount hereof.

If any installment shall remain unpaid for a period in excess of five (5) days from the due date thereof, the same shall thereafter be payable with interest thereon (to the extent permitted by law) at the rate of 15.099% per annum (or at the maximum rate permitted by law, whichever is the lower) from such due date to the date of payment thereof.

This Note has been issued under and pursuant to, and is secured by, among other things, a Security Agreement dated as of December 20, 1983 (the "Security Agreement") for the benefit of National Cooperative Services Corporation (the "Beneficiary"), consisting of a first lien upon the pledged property described therein (the "Collateral"). Reference is made to such document for a description of the nature and extent of the security afforded thereby, the rights of the holder hereof in respect of such security and the terms and conditions upon which this Note is secured. The holder of this Note is entitled to the benefits of the Security Agreement and may enforce the agreements of the Debtor contained therein and exercise the remedies provided therein or otherwise in respect thereof, all in accordance with the terms thereof.

EXHIBIT A
(to Security Agreement)

The principal amount of this Note is subject to prepayment under certain circumstances, without premium, all as provided in the Security Agreement.

If an Event of Default, as defined in the Security Agreement, shall occur, all or a portion of the unpaid balance of the principal of this Note may be declared due and payable in the manner and with the effect provided in the Security Agreement.

The Debtor hereby waives presentment for payment, demand, protest, notice of protest or other notice of dishonor and any right to cure as may be permitted by law. To the extent permitted by law, the Debtor hereby waives and releases all errors, defects and imperfections of the Security Agreement, as well as all benefit that might accrue to the Debtor by virtue of any present or future laws exempting the Collateral, or any of its other property, real or personal, or any part of the proceeds arising from any sale or any such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment.

The remedies provided herein and in the Security Agreement shall be cumulative and concurrent and may be pursued successively or concurrently against the Debtor and/or the collateral securing this Note. No failure in exercising any right or remedy hereunder shall operate as a waiver or release thereof, nor shall any single partial exercise of any such right or remedy preclude any other future exercise thereof or the exercise of any other right or remedy hereunder.

No modification or waiver of any provision of this Note shall be effective unless the same shall be in writing signed by the party against which enforcement of such modification or waiver is sought.

In case payment shall not be made at maturity, whether by acceleration or otherwise, the Debtor agrees that (i) the interest rate on the unpaid principal balance hereof, from the maturity hereof to date of Payment thereof, shall be 2% over the stated per annum rate of interest on this Note (or the maximum amount permitted by law, whichever is lower) and (ii) all costs of collection and, to the extent permitted bylaw, reasonable attorney's fees, may be collected as a part hereof.

If any of the provisions of the Security Agreement or this Note shall require, or be deemed or adjudicated to require, the payment or to permit the collection, of interest in excess of the maximum amount permitted by law, the Debtor shall not be obligated to pay, nor Payee permitted to collect, interest in excess of the amount permitted by law, and the provisions of this sentence shall supersede any conflicting provisions contained herein or in the Security Agreement.

If any term or provision of this Note shall be held to be invalid, illegal or unenforceable, the validity of the other terms and provisions hereof shall in no way be affected thereby.

It is expressly understood and agreed by and between the Debtor, the Owner (as defined in the Security Agreement) and the holder of this Note and their respective successors and assigns that this Note is executed by The Connecticut Bank and Trust Company, National Association, not individually or personally but solely as trustee under the Trust Agreement in the exercise of the power and

authority conferred and vested in it as such trustee, and each and all of the representations, undertakings and agreements herein made on the part of the Debtor are each and every one of them made and intended not as personal representations, undertakings, and agreements by the Debtor or the Owner, or for the purpose or with the intention of binding the Debtor or the Owner personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, and this Note is executed and delivered by the Debtor solely in the exercise of the powers expressly conferred upon the Debtor as trustee under the Trust Agreement, that except in the case of gross negligence or willful misconduct of the Debtor (which negligence or misconduct shall not be imputed to the Owner), nothing herein contained shall be construed as creating any liability on the Debtor or the Owner, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of, The Connecticut Bank and Trust Company, National Association, or the Owner, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the holder of this Note and by each and every person now or hereafter claiming by, through or under the holder of this Note, and that so far as The Connecticut Bank and Trust Company, National Association or the Owner, individually or personally are concerned, the holder of this Note and any person claiming by, through or under such holder shall look solely to the Collateral as defined in the Security Agreement for the performance of any obligation under this Note. The term "trustee" as used in this Note shall include any trustee succeeding the Debtor as trustee under the Trust Agreement or the Owner if the trust created thereby is revoked. Any obligation of the Debtor hereunder may be performed by the Owner, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Note shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Debtor hereunder.

The Note shall be governed by and construed in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed by its duly authorized officers.

The Connecticut Bank and Trust
Company, as Trustee

By _____
Its: Authorized Officer

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THE 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.