

3-025A040 850  
(2)

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

No. JAN 25 1983  
Date.....  
Fee \$ 50.00  
NEW NUMBER  
REGISTRATION NO. 3924  
JAN 25 1983 - 11 20 AM  
COMMISSION

Dear Ms. Mergenovich:

Washington, D. C.

Enclosed for recordation under the provisions of Section 111303(a) of Title 49 of the U.S. Code are the original and seven counterparts of a Security Agreement-Trust Deed dated as of December 15, 1982. This Security Agreement-Trust Deed is a primary document.

A general description of the railroad maintenance of way equipment 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-Trust Deed are as follows:

Debtor:	The Bank of New York, as Trustee 21 West Street New York, New York 10015
Secured Party:	Mercantile-Safe Deposit and Trust Company Two Hopkins Plaza P.O. Box 2258 Baltimore, Maryland 21203

RECEIVED  
JAN 25 11 11 AM '83  
FEDERAL RESERVE BANK  
OPERATION BR.

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-Trust Deed to Michael G. McGee, 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 as follows:

Security Agreement-Trust Deed between The Bank of New York, as Debtor, 21 West Street, New York, New York 10015 and Mercantile-Safe Deposit and Trust Company, as Secured Party, Two Hopkins Plaza, Baltimore, Maryland 21203 covering 247 items of maintenance of way equipment.

Very truly yours,

THE BANK OF NEW YORK,  
as Trustee

By *A. W. Tolson*  
ITS AGENCY VICE PRESIDENT  
DEBTOR AS AFORESAID

Enclosures

C. F. A. M. C.

C. F. A. M. C.

**SCHEDULE I**

**DESCRIPTION OF ITEMS OF EQUIPMENT**

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Holley Engineering Co., Inc. 1872 Cherry Street Montgomery, AL 36107	Holley Model 45 Plate Plucker w/conveyor	5	\$ 16,043	\$ 80,215	XS5-0013-0017
	Holley Model 49 Spike Plucker	2	19,750	39,500	XS9-0001-0002
Tamper 2401 Edmund Road West Columbia, SC 29169	Model ES Switch Tamper Mark 2	9	91,263	821,367	X56-0106-0114
	Model ESTR-130G Mark III Tamper	11	164,193	1,806,123	X54-0124-0134
	Model EA Mark 1 Tamper	4	84,267	337,068	X53-0042-0045
	Model GO-4 Trac-Gopher	3	132,411	397,233	XS0-0010-0012
Racine Railroad Products Inc. 1524 Frederick Street Racine, WI 53404	Racine "Anchor Fast" Anchor Applicator	10	21,385	213,850	X1-0124-0133
	Racine "Duel Anchor Fast" Anchor Applicator	2	35,270	70,540	X1-0134-0135
Fairmont Railway Motors Inc. Suite 550 386 N. Wabasha St. Paul, MN 55102	Fairmont Model W-104 Tip Plug Inserter	4	15,885	63,540	X62-0026-0029
	Model W114 C Tie Shear	14	83,750	1,172,500	X40-0067-0080
	Model W113 Duel Spike Puller	6	22,150	132,900	X47-0175-0180
	Model W119-B Tie Inserter	3	78,540	235,620	X61-0037-0039
Rexnord Inc. c/o Russell Railway Supply 4940 Viking Drive Minneapolis, MN 55435	Model W96-B Auto Spiker	1	70,590	70,590	X44-0109
	Nordberg "CZ" Adzer	4	29,510	118,040	X3-0112-0115
	Nordberg "BP" Mechanical Spike Puller	2	28,800	57,600	X47-0173-0174
Railway Track Work Co. 2381 Philmont Avenue Bethayres, PA 19006	Nordberg Rail Gang Spikes	14	73,030	1,022,420	X44-0087-0100
	Model DWDS-4 Anchor Cribber	2	17,745	35,490	X18-0068-0069
	Model 21S1-B Bridge Cranes	23	34,143	785,289	X17-0016-0038
Air Power Equipment Corp. 2631 University Avenue St. Paul, MN 55114	Model 2170-A Tie Handlers	8	30,687	245,496	X60-0129-0136
	Ing. Rand Model 175 Air Compressor	44	7,385	324,940	X2-3625-3668
Donald J. Hogan & Co. Portec Inc. RMC Div. 327 So. LaSalle Street Chicago, IL 60604	Ing. Rand Model 365 Air Compressor	4	16,534	66,136	X2-5530-5533
	Model "D" Hydraulic Tie Gong Spiker	14	70,590	988,260	X44-0103-0117
Pettibone Corporation 4700 W. Division Street Chicago, IL 60651					
Ziegler Inc. 901 W. 94th Street Minneapolis, MN 55420	Pettibone 441-B Loader Speed Swing	3	95,185	285,555	X24-0174-0176
Kershaw Manufacturing Co., Inc. c/o D. J. Hogan Co. 327 So. LaSalle Street Chicago, IL 60604	Caterpillar V300B Lift Truck	1	62,600	62,600	BN 8227
	Model 35-8 Double Broom	2	74,472	148,944	X5-0025-0026
	Model 16-1 Brush Type Cribber	4	11,930	47,720	X18-0064-0067
	Model 44-1 Rotary Scarifier	11	55,345	608,795	X42-0065-0075
	Model 26-2-1 Ballast Regulator	7	82,290	576,030	X6-0180-0186
	Model 12-2-2 Tie Crane	9	32,740	294,660	X60-0120-0128
Jackson Jordan Inc. 1699 E. Woodfield Rd. Schaumburg, IL 60195	Model 39-2 Tie Injector	6	75,910	455,460	X61-0040-0045
	Model 2900ES Switch Tamper	2	92,177	184,354	X56-0115-0116
T. C. Johnson Co. 521 E. Washington St. Chagrin Falls, OH 44022	Galion ML-40 Material Lift	2	95,000	190,000	X24-0177-0178
	Husky XL-170 Loader	1	36,500	36,500	BN 8228

**(Burlington Northern No. 82-2)**

**DESCRIPTION OF ITEMS OF EQUIPMENT**

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Plasser American Corp. 2001 Myers Road Chesapeake, VA 23324	Plasser Model PTY-16 Tamper	1	\$ 65,200	\$ 65,200	X53-0046
Marmon Transnotive Gov. John Sevier Hwy. Knoxville, TE 37901	Mermon Model YP RKA-2 Yard Cleaner	1	216,800	216,800	X78-0011
Borchert Ingersoll Inc. 3275 Dodd Road St. Paul, MN 55164	Terex Model 72-31B Loader	1	104,247	104,247	X24-0179
Edel Ford Tractor Co. 1630 Chestnut Expressway Springfield, MO 65801	Ford Model 4610 Tractor	7	19,774	138,418	X32-0359-0365
	TOTAL	<u>247</u>		<u>\$12,500,000</u>	

JAN 25 1983 - 11 20 AM

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INTERSTATE COMMERCE COMMISSION

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**SECURITY AGREEMENT-TRUST DEED**

**Dated as of December 15, 1982**

*From*

**THE BANK OF NEW YORK,  
not in its individual capacity, but solely as Trustee**

*Debtor*

*To*

**MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY**

*Secured Party*

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**(Burlington Northern No. 82-2)**

**(Maintenance of Way Equipment)**

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**Attachments to Security Agreement:**

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Exhibit A —FORM OF SECURED NOTE

## SECURITY AGREEMENT-TRUST DEED

**THIS SECURITY AGREEMENT-TRUST DEED** dated as of December 15, 1982 (the "Security Agreement") is from THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Debtor") under the Trust Agreement dated as of December 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor"), the Debtor's post office address being 21 West Street, New York, New York 10015, Attention: Corporate Trust Administration to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (the "Secured Party"), whose post office address is Two Hopkins Plaza, P.O. Box 2258, Baltimore, Maryland 21203.

### RECITALS:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of December 15, 1982 (the "Participation Agreement") with the Trustor, Burlington Northern Railroad Company, a Delaware corporation (the "Lessee") and First National Bank of Minneapolis (the "Note Purchaser") providing for the commitment of the Note Purchaser to purchase on certain dates therein provided not later than April 1, 1983, the Secured Notes (the "Notes") of the Debtor not exceeding an aggregate principal amount of \$9,005,000 which Notes may be issued in either registered form (the "Registered Notes") or shall be payable to or upon the order of the holder thereof (the "Order Notes"). The Notes are to be dated the date of issue, to bear interest from such date at the rate of 10.50% per annum from the date of issue to and including July 31, 1983 and to bear interest at a rate equal to the Prime Rate plus 2.00% per annum, compounded quarterly on each May 1 and November 1, thereafter prior to maturity, to be expressed to mature in one installment of interest only, payable on August 1, 1983, followed by fifteen consecutive semiannual installments, including both principal and interest, payable in accordance with the amortization schedule set forth in Schedule 1 hereto with the first such installment to be paid on February 1, 1984, and the balance of such installments at six month intervals thereafter; and to be otherwise substantially in the form attached hereto as Exhibit A-1 or A-2, as appropriate.

B. 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".

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 Notes have been done and performed.

### 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 Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors in trust 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 and 1.2 hereof, subject always to those limitations set forth in Section 1.3 hereof and to Excepted Rights in Collateral as defined in Section 1.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

**1.1. Equipment Collateral.** Collateral includes the railroad maintenance of way equipment described in Schedule 2 attached hereto and made a part hereof (collectively the "Equipment" and

individually an "Item" or "Item of Equipment") constituting the Equipment leased and delivered under that certain Equipment Lease dated as of December 15, 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) subject to the provisions of Section 1.6 hereof, the right to make all waivers and agreements and to enter into any amendments relating to the Lease or any provision thereof; and

(3) subject to the provisions of Section 1.6 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, 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.

**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 under the Lease, (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, and (c) liens and charges permitted by Section 9 of the Lease (collectively "Permitted Encumbrances").

**1.4. Duration of Security Interest.** The Secured Party, its successors in trust 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 herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

**1.5. 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 and 10.2 of the Lease or repayments or interest thereon under Section 19 of the Lease which by the terms of any of such sections of the Lease are payable to or for the benefit of the Debtor for its own account or the Trustor for its own account and all payments to the Trustor under Section 7 of the Participation Agreement;

(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, 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 the Lease are payable directly to or for the benefit of the Debtor for its own account or the Trustor for its own account.

**1.6. Rights of Debtor and Trustor.** Notwithstanding anything herein or in any Operative Agreement (as such term is defined in the Participation Agreement) to the contrary, (a) unless and until the Secured Party shall have declared the Notes to be accelerated or the Lease to be in default, all rights, powers, authorizations, approvals, consents and notices under or with respect to the Lease or the Purchase Order Assignment shall be exercised or given jointly by the Debtor and the Secured Party, except that the Debtor shall have the right, without the concurrence of the Secured Party, to adjust the rentals and Casualty Value percentages pursuant to Section 2.3 of the Lease and to exercise the rights of the Lessor under Sections 13 and 18 of the Lease, *provided* that any funds received pursuant to such Sections of the Lease shall be applied as herein required; (b) at all times, the Debtor may (without the concurrence of the Secured Party) (i) receive all notices, certificates, opinions of counsel and other documents and information to be furnished to the Lessor under the Operative Agreements, (ii) exercise its rights with respect to Excepted Rights in Collateral, *provided* that the Debtor's remedies with respect to such exercise shall be limited as set forth in Section 1.5(b) hereof and (iii) exercise the rights of the Lessor under Section 20.3 of the Lease; and (c) at all times the Lessor and the Trustor shall retain the rights given to the Lessor with respect to insurance contained in Section 11 of the Lease.

Unless and until the Secured Party shall have declared the Notes to be accelerated or the Lease to be in default, any supplement, amendment, consent, waiver or other modification of the Lease shall be effective only if consented to by the Trustor. Whether or not the Secured Party shall have declared the Notes to be accelerated or the Lease to be in default, the Debtor and the Secured Party shall not, without the consent of the Trustor, (1) amend, modify or supplement, or give or accept any waiver or consent with respect to, any Operative Agreement so as to increase the liabilities or obligations of, or diminish the immunities of, the Trustor or the Debtor thereunder, (2) enter into any amendment, modification, supplement, waiver or consent with respect to this Security Agreement or any Note or (3) reduce the amount or extend the time of payment of any amount included in Excepted Rights in Collateral or change any of the circumstances under which such amounts are payable.

## **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 to be governed and restricted by each and all of its 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 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 as a result of any act of or claim against the Debtor not related to or connected with the ownership, leasing, use or operation of the Equipment or any transaction contemplated by the Operative Agreements. The Debtor also agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provision of Section 7 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 as a result of any act of or claim against the Debtor not related to or connected with the ownership, leasing, use or operation of the Equipment or any transaction contemplated by the Operative Agreements; provided that the Debtor may actively contest any claims, liens or charges so long as it acts diligently and in good faith and obtains a bond satisfactory to the Secured Party. 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.** At the request of the Secured Party, 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 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.

**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 in arranging, and will use reasonable efforts 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 required by law 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 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 then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) 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.** Subject to the provisions of Section 1.7 hereof, 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 to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, 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.

**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 an officer in the Corporate Trust Trustee Administration department of the Debtor with responsibility for administration of the affairs of the trust estate 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.

### **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 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 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 mortgaged property 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 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*, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (ii) shall be applied on the Notes;

(ii) *Second*, an amount equal to the Loan Value of such 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 Purchase Price (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 aggregate Purchase Price of all Items of Equipment then subject to the Lease (including the Purchase Price 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 payments of installments of principal made or to be made on the date of 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 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 Lessee 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 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 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 11.2 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 clauses *First* and *Second* of 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;

(d) The amounts, if any, from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of sums due pursuant to Section 7 of the Participation Agreement shall immediately upon receipt by the Secured Party be released to or upon the order of the Debtor.

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

**4.4 Distribution of Deposited Funds on Cut-Off Date.** If, on the earlier of (1) the final Closing Date under the Participation Agreement, or (2) July 31, 1983 (the "Cut-Off Date"), there is a balance of funds on deposit in the Escrow Fund with the Secured Party, the Secured Party shall apply those funds as directed by Section 2.2(g) of the Participation Agreement.

**4.5. Certain Amounts.** Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, amounts which are included in Excepted Rights in Collateral and which are received by the Secured Party shall be promptly paid to the Debtor or the Trustor as the case may be.

**4.6. Payments to Owner Participant.** All amounts payable to the Debtor hereunder, shall be promptly paid upon receipt thereof by the Secured Party in the type of funds received by the Secured Party at such address as the Debtor may direct in writing, provided that so long as Litton Equity Investments, Inc. is the Trustor, the Secured Party shall promptly pay all amounts payable to the Debtor hereunder directly to the Trustor in the same type of funds received by the Secured Party to the following address:

State National Bank of Connecticut  
1 Atlantic Street  
Stamford, Connecticut for deposit  
to Litton Equity Investments,  
Inc. Operating Account,  
Account No. 1-37976-1

**4.7. Notice of Nonpayment.** If the Secured Party shall not receive any payment under the Lease when due, the Secured Party shall promptly notify the Debtor, the Trustor and the Lessee, by telephone, confirmed in writing, at the respective addresses set forth in the Participation Agreement, *provided, however*, that the failure of the Secured Party so to notify such parties shall not affect the obligations of the Debtor hereunder or under the Notes or of the Lessee under the Operative Agreements or give rise to any liability of the Secured Party to such parties or any other party for any such failure.

## **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 any such default shall continue unremedied for five days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease *provided, however*, that no Event of Default shall be deemed to have occurred hereunder if such Event of Default under the Lease shall have arisen as a result of the failure of the Lessee to make a payment included within Excepted Rights in Collateral unless and until the Owner Participant shall notify the Lessee or the Secured Party in writing that it deems such failure to be an Event of Default 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 in connection with this Security Agreement, the Lease or the Participation Agreement, or the transactions contemplated therein, shall prove to be false or misleading in any material respect when made and the Debtor does not or cannot cause such representation or warranty of the Debtor to become correct within 30 days after notice of such default from the Secured Party, *provided*, that, notwithstanding any such correction the Debtor shall remain liable to the Secured Party as a result of such representation or warranty having been incorrect;

(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 within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor, the Trustor and the Lessee demanding the discharge or removal thereof or if the Debtor, the Trustor or the Lessee shall be actively contesting such claim, lien or charge diligently and in good faith, it shall not be bonded to the satisfaction of the Secured Party;

(f) The Debtor becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for the Debtor or for the major part of its property;

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

(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 within 30 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 Section 7 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 New York (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, and upon the written direction of the holders of not less than 10% of the unpaid principal balance of the Notes, will, by notice in writing to the Debtor and the Trustor 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, 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, 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, the Trustor 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 or, unless prohibited under applicable law, at private sale, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease, 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 mortgaged property or any part thereof, or subject to the provisions of Section 7 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, 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.** Except as hereinafter provided, if an Event of Default under the Lease of which the Secured Party has knowledge shall have occurred and be continuing the Secured Party shall give the Debtor and the Trustor not less than 15 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 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 under the Lease which may be cured by the payment of money, the Debtor or the Trustor may, prior to the Enforcement Date (i) if such Event of Default arose on account of Lessee's failure to pay Fixed Rental or Casualty Value, 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/or (ii) in the case of any other Event of Default, take such action as shall cause such Event of Default to be cured, and such payment or action by the Debtor shall be deemed to cure any such Event of Default under the Lease; provided, however, that the Debtor may not exercise such right in respect of more than two consecutive Fixed Rental payment defaults or in any event in respect of more than a total of four defaults in the payment of Fixed Rental throughout the term of the Lease, except for the final two Fixed Rental payment dates, on which dates the Debtor may exercise its right regardless of the number of previous occasions on which the Debtor has exercised such right.

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 Notes, 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 Notes 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 (A) 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 on such overdue Fixed Rental prior to receipt by the Debtor of any amount pursuant to such subrogation, and (B) 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 Notes.* 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 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 actual 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 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, 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).

**5.7. Application of Sale Proceeds.** The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) *First*, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) *Second*, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the 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 or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

**5.9. Cumulative Remedies.** No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the 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, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting 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 or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

## **SECTION 6. THE SECURED PARTY.**

**6.1. Certain Duties and Responsibilities of Secured Party.** (a) Except during the continuance of an Event of Default:

(1) the Secured Party undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement, and no implied covenants or obligations shall be read into this Security Agreement against the Secured Party; and

(2) in the absence of bad faith on its part, the Secured Party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Secured Party and conforming to the requirements of this Security Agreement or the Lease; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Secured Party, the Secured Party shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) In case an Event of Default has occurred and is continuing, the Secured Party shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Security Agreement shall be construed to relieve the Secured Party from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Secured Party shall not be liable for any error of judgment made in good faith by an officer of the Secured Party unless it shall be proved that the Secured Party was negligent in ascertaining the pertinent facts; and

(3) the Secured Party shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of

two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Secured Party, or exercising any trust or power conferred upon the Secured Party under this Security Agreement.

(d) No provision of this Security Agreement shall require the Secured Party to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Secured Party shall be subject to the provisions of this Section.

**6.2. Certain Limitations on Secured Party's Rights to Compensation and Indemnification.** The Secured Party agrees that it shall have no right against the holders of any Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liability which it may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Lessee under Section 2.5 of the Participation Agreement for such payment and indemnification and that it shall have no lien on nor security interest in the Collateral as security for such compensation, expenses, reasonable counsel fees, if any, disbursements and indemnification except to the extent provided for in Section 5.7(a) hereof.

**6.3. Certain Rights of Secured Party.** (a) The Secured Party shall not be responsible for any recitals herein or in the Participation Agreement or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Secured Party be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Participation Agreement, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Secured Party has actual knowledge, the Secured Party shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one of the holders of the Notes. The Secured Party shall promptly notify the Trustee, all holders of the Notes and the Trustor of any default of which the Secured Party has actual knowledge and will, not more than six months nor less than three months prior to each date required for any rerecordings or refilings to be made in respect of this Security Agreement in accordance with the opinion of special counsel to the Note Purchasers rendered pursuant to the Participation Agreement, notify the Note Purchasers, the Lessee, the Debtor and the Trustor that such refilings or rerecordings are, in the opinion of such counsel, required to be completed and the date so stated in such counsel's opinion by which such refilings or rerecordings are so required. Upon receipt by the Secured Party of such written notice from a holder of a Note, the Secured Party shall promptly notify all other holders of the Notes of such notice and the default referred to therein by prepaid registered mail addressed to them at their addresses set forth in the Register.

(b) The Secured Party makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Participation Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to, any Equipment or Item of Equipment or any substitute therefor. The Secured Party shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Secured Party may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor or the Lessee shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Secured Party, and signed in the name of the Debtor or the Lessee, as the case may be, by its Chairman of the Board, President, any Vice President or Assistant Vice President, Treasurer, Controller or Secretary, and any resolution of the Board of Directors of the Debtor or the Lessee shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Secured Party.

(e) Whenever in the administration of the trust herein provided for the Secured Party shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President or Assistant Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Secured Party, and such certificate shall fully warrant to the Secured Party or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Secured Party may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Secured Party may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Secured Party, and the written advice of any thereof shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Secured Party shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Secured Party may involve loss, liability or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Secured Party.

(h) The Secured Party shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Secured Party shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Secured Party may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Secured Party shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(k) The provisions of paragraphs (e) to (j), inclusive, of this Section 6.3, shall be subject to the provisions of Section 6.1 hereof.

**6.4. Showings Deemed Necessary by Secured Party.** Notwithstanding anything elsewhere in this Security Agreement contained, the Secured Party shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Secured Party deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

**6.5. Status of Moneys Received.** All moneys received by the Secured Party shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Secured Party under such general conditions as may be prescribed by law in the Secured Party's general banking department, and the Secured Party shall be under no liability for interest on any moneys received by it hereunder. The Secured Party and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation, the Trustor or any affiliated corporation or the Lessee or any affiliated corporation, or the Secured Party may act as depositary or otherwise in respect to other securities of the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, all with the same rights which it would have if not the Secured Party. The Secured Party agrees that, whenever it shall be required to disburse moneys to the Note Purchaser under the provisions hereof, it shall do so by wire transfer of immediately available funds to a designated bank or trust company located in the continental United States whenever such method of payment is provided for in Schedule 1 to the Participation Agreement or is requested in writing by such Note Purchaser.

**6.6. Resignation of Secured Party.** The Secured Party may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor, the Trustor and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor secured party shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

**6.7. Removal of Secured Party.** The Secured Party may be removed and/or a successor secured party may be appointed at any time by an instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Secured Party, the Debtor and the Trustor and, in the case of the appointment of a successor secured party, to such successor secured party.

**6.8. Successor Secured Party.** Each secured party appointed in succession of the Secured Party named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in any of the States of Illinois, Maryland or Minnesota, in good standing and having a capital and surplus aggregating at least \$100,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

**6.9. Appointment of Successor Secured Party.** If the Secured Party shall have given notice of resignation to the Debtor pursuant to Section 6.6 hereof, if notice of removal shall have been given to the Secured Party and the Debtor pursuant to Section 6.7 hereof, which notice does not appoint a successor secured party, a successor secured party may be appointed by the Debtor, or, if such successor secured party shall not have been so appointed or shall not have accepted such appointment within fifteen calendar days after the giving of such notice of resignation or the giving of any such notice of removal, as the case may be, a successor secured party may be appointed by the Debtor, the

holder of any outstanding Note or, upon application of the retiring secured party by any court of competent jurisdiction.

**6.10. Merger or Consolidation of Secured Party.** Any company into which the Secured Party, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Secured Party or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the United States of America or of a state thereof, having a capital and surplus of at least \$100,000,000), shall be the successor to the Secured Party under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement.

**6.11. Conveyance Upon Request of Successor Secured Party.** Should any deed, conveyance or instrument in writing from the Debtor be required by any successor secured party for more fully and certainly vesting in and confirming to such new secured party such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

**6.12. Acceptance of Appointment by Successor Secured Party.** Any new secured party appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment, and thereupon such new secured party, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as secured party herein; but nevertheless, upon the written request of the Debtor or of the successor secured party, the secured party ceasing to act shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the secured party so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such secured party to the successor secured party so appointed in its or his place.

## **SECTION 7. LIMITATIONS OF LIABILITY.**

It is expressly understood and agreed by and between the Debtor, the Trustor, the Secured Party and their respective successors and assigns that, except as expressly provided in Section 2.2 hereof and Section 2.7 of the Participation Agreement, this Security Agreement is executed by The Bank of New York, 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, that each and all of the representations, warranties, 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, warranties, undertakings, and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Security Agreement is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, 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 Bank of New York or the Trustor, to perform any covenant

either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as The Bank of New York or the Trustor, individually or personally are concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; *provided, however*, that except as herein provided nothing contained in this Section 7 shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 hereof, and, *provided, further*, that nothing contained in this Section 7 shall be construed to limit the liability of the Debtor in its individual capacity for any breach of any representations or warranties set forth in the Participation Agreement or the Security Agreement or to limit the liability of the Debtor for gross negligence or willful misconduct. Any obligation of the Debtor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Security Agreement shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

## **SECTION 8. MISCELLANEOUS.**

**8.1. Registration and Execution.** As provided in Recital A hereof, the Notes issuable hereunder may be either Registered Notes, registered as to principal and interest, or Order Notes, transferable by endorsement and delivery, and, in either case, such Notes shall be signed on behalf of the Debtor by any officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

**8.2. 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, in the case of the original Note Purchaser, as provided in Section 8.10 or as such Note Purchaser shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 8.3, or, in the case of Order Notes, at the last address of such holder of which the Debtor or Secured Party has knowledge. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Notes agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 8.4 and 8.5.

(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 5 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

**8.3. The Register.** The Debtor will keep at its 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, with copies to be provided by the Debtor to the Secured Party.

The holder of any Note issued hereunder which is so registered may, upon presentation thereof at the office of the Debtor for such purpose, have such Note issued or reissued, as the case may be, in unregistered form and expressed to be payable to such holder "or order" which form shall be the same as that set forth in Exhibit A-2 hereto.

At any time and from time to time the registered holder of any Note which has been duly registered as hereinabove provided may cause the same to be discharged from registration and

reissued in unregistered form as authorized above, upon surrender thereof at the office of the Debtor duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note in compliance with Section 8.4 hereof.

The holder of any Order Note may cause the same to be replaced and reissued in registered form as set forth in Exhibit A-1 upon surrender thereof at the office of the Debtor duly endorsed or accompanied by a written instrument of transfer duly executed by such holder.

#### **8.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.**

(a) Subject to the provisions of Section 3.4(e) of the Participation Agreement, the holder of any Registered Note may transfer such Note upon the surrender thereof at the corporate trust 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 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the designated transferee.

(b) The holder of any Registered or Order Note or Notes may surrender such Note or Notes at the 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 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, and shall advise the Secured Party thereof.

(c) The holder of any Order Note or Notes agrees that in the event it shall sell or transfer any such Notes (a) it will, prior to the delivery of any Note (unless it has already done so), make a notation thereon of all principal, if any, prepaid on such Note and will also note thereon the date to which interest has been paid on such Note, and (b) it will promptly notify the Debtor and the Secured Party of the name and address of the transferee of any Note so transferred. With respect to Notes to which this Section applies, the Debtor and the Secured Party shall be entitled to presume conclusively that the original or such subsequent institutional holder as shall have requested the provisions hereof to apply to its Notes remains the holder of such Notes until (i) the Debtor and the Secured Party shall have received notice of the transfer of such Notes, and of the name and address of the transferee, or (ii) such Notes shall have been presented to the Debtor as evidence of the transfer.

(d) 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.

(e) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 8.4, and the holder of any Note issued as provided in this Section 8.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(f) 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 evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note

and of the ownership thereof. In case any Note which has matured or is about to mature 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 (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 evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the original Note Purchaser, 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 Note Purchaser 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 Note Purchaser 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. The Debtor shall advise the Secured Party when any new Note is issued pursuant to this Section 8.4(e) as to the details relating to such issuance.

#### **8.5. The New Notes.**

(a) Each new Note (herein, in this Section 8.5, called a "New Note") issued pursuant to Section 8.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 8.5, called an "Old Note") shall be dated the date of such Old Note, and each such New Note shall, at the option of such holder, be a Registered Note or an Order Note. The Debtor shall mark 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 8.4(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 8.4(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 may submit to the Secured Party a request that the Secured Party prepare and deliver to the Debtor 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 furnish a copy of each such Note to the Secured Party. In the event of the issuance of any Order Note pursuant to this Section, the Debtor will provide the Secured Party with the last address of the holder of such Note of which the Debtor has knowledge. The Secured Party shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable amortization schedule to the holder of any Registered Note at its address set forth in the Register and, in the case of Order Notes, at the last address of the holder thereof of which the Secured Party has knowledge.



**8.11. Amendments.** Subject to Section 1.6 hereof, 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 parties hereto.

**8.12. 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.

**8.13. 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.

**8.14. Business Days.** If any date on which the Debtor is required under this Security Agreement or the Notes to make a payment is not a business day, such payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" means calendar days, except Saturdays, Sundays and holidays on which banks in the State of New York, Minnesota or Maryland are authorized or required to close.

**8.15. 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.

**8.16. 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 on its behalf by one of its Assistant Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries, and Mercantile-Safe Deposit and Trust Company, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its Assistant Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Corporate Trust Officers, all as of the day and year first above written.

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1982 for the benefit of Litton Equity Investments, Inc.

By *RW Gleason*  
*Assistant Vice President*

[CORPORATE SEAL]

ATTEST:

*[Signature]*  
*Assistant Secretary*

MERCANTILE-SAFE DEPOSIT AND  
TRUST COMPANY, as Security Trustee

By \_\_\_\_\_  
*Assistant Vice President*

[CORPORATE SEAL]

ATTEST:

\_\_\_\_\_  
*Assistant Corporate Trust Officer*

STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss

On this 21 day of JANUARY 1983, before me personally appeared A. W. Aslanian to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of THE BANK OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

*Marie E. Smith*  
\_\_\_\_\_  
Notary Public

MARIE E. SMITH  
Notary Public, State of New York  
No. 24-4655312  
Qualified in Kings County  
Certificate filed in New York County  
Commission Expires March 30, 1983

(SEAL)

My commission expires:

STATE OF MARYLAND }  
CITY OF BALTIMORE } ss

On this        day of        , 1983, before me personally appeared R. E. Schreiber, to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

(SEAL)

My commission expires:

**PRINCIPAL AMORTIZATION SCHEDULE**

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

<u>Installment Date</u>	<u>Total Principal Payment</u>	<u>Principal Balance</u>
February 1, 1984	\$ 56,811.99	\$943,188.01
August 1, 1984	60,149.69	883,038.32
February 1, 1985	63,683.49	819,354.83
August 1, 1985	67,424.89	751,929.94
February 1, 1986	71,386.10	680,543.84
August 1, 1986	75,580.04	604,963.80
February 1, 1987	80,020.36	524,943.44
August 1, 1987	84,721.56	440,221.88
February 1, 1988	89,698.95	350,522.93
August 1, 1988	94,968.77	255,554.16
February 1, 1989	100,548.18	155,005.98
August 1, 1989	32,204.10	122,801.88
February 1, 1990	34,096.09	88,705.79
August 1, 1990	43,087.34	45,618.45
February 1, 1991	45,618.45	—0—
	<u>\$1,000,000.00</u>	

**SCHEDULE 1  
(to Security Agreement)**

## DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Holley Engineering Co., Inc. 1872 Cherry Street Montgomery, AL 36107	Holley Model 45 Plate Plucker w/conveyor	5	\$ 16,043	\$ 80,215	X85-0013-0017
	Holley Model 49 Spike Plucker	2	19,750	39,500	X89-0001-0002
Tamper 2401 Edmund Road West Columbia, SC 29169	Model ES Switch Tamper Mark 2	9	91,263	821,367	X56-0106-0114
	Model ESTR-130G Mark III Tamper	11	164,193	1,806,123	X54-0124-0134
	Model EA Mark 1 Tamper	4	84,267	337,068	X53-0042-0045
	Model GO-4 Trac-Gopher	3	132,411	397,233	X80-0010-0012
Racine Railroad Products Inc. 1524 Frederick Street Racine, WI 53404	Racine "Anchor Fast" Anchor Applicator	10	21,385	213,850	X1-0124-0133
	Racine "Duel Anchor Fast" Anchor Applicator	2	35,270	70,540	X1-0134-0135
Fairmont Railway Motors Inc. Suite 550 386 N. Wabasha St. Paul, MN 55102	Fairmont Model W-104 Tip Plug Inserter	4	15,885	63,540	X62-0026-0029
	Model W114 C Tie Shear	14	83,750	1,172,500	X40-0067-0080
	Model W113 Duel Spike Puller	6	22,150	132,900	X47-0175-0180
	Model W119-B Tie Inserter	3	78,540	235,620	X61-0037-0039
	Model W96-B Auto Spiker	1	70,590	70,590	X44-0109
Rexnord Inc. c/o Russell Railway Supply 4940 Viking Drive Minneapolis, MN 55435	Nordberg "CZ" Adzer	4	29,510	118,040	X3-0112-0115
	Nordberg "BP" Mechanical Spike Puller	2	28,800	57,600	X47-0173-0174
	Nordberg Rail Gang Spikes	14	73,030	1,022,420	X44-0087-0100
Railway Track Work Co. 2381 Philmont Avenue Bethayres, PA 19006	Model DWDS-4 Anchor Cribber	2	17,745	35,490	X18-0068-0069
	Model 2181-B Bridge Cranes	23	34,143	785,289	X17-0016-0038
	Model 2170-A Tie Handlers	8	30,687	245,496	X60-0129-0136
Air Power Equipment Corp. 2631 University Avenue St. Paul, MN 55114	Ing. Rand Model 175 Air Compressor	44	7,385	324,940	X2-3625-3668
	Ing. Rand Model 365 Air Compressor	4	16,534	66,136	X2-5530-5533
Donald J. Hogan & Co. Portec Inc. RMC Div. 327 So. La Salle Street Chicago, IL 60604	Model "D" Hydraulic Tie Gong Spiker	14	70,590	988,260	X44-0103-0117
Pettibone Corporation 4700 W. Division Street Chicago, IL 60651	Pettibone 441-B Loader Speed Swing	3	95,185	285,555	X24-0174-0176
Ziegler Inc. 901 W. 94th Street Minneapolis, MN 55420	Caterpillar V300B Lift Truck	1	62,600	62,600	BN 8277
Kershaw Manufacturing Co., Inc. c/o D. J. Hogan Co. 327 So. La Salle Street Chicago, IL 60604	Model 35-8 Double Broom	2	74,472	148,944	X5-0025-0026
	Model 16-1 Brush Type Cribber	4	11,930	47,720	X18-0064-0067
	Model 44-1 Rotary Scarifier	11	55,345	608,795	X42-0065-0075
	Model 26-2-1 Ballast Regulator	7	82,290	576,030	X6-0180-0186
	Model 12-2-2 Tie Crane	9	32,740	294,660	X60-0120-0128
	Model 39-2 Tie Injector	6	75,910	455,460	X61-0040-0045
Jackson Jordan Inc. 1699 E. Woodfield Rd. Schaumburg, IL 60195	Model 2900ES Switch Tamper	2	92,177	184,354	X56-0115-0116
T. C. Johnson Co. 521 E. Washington St. Chagrin Falls, OH 44022	Galion ML-40 Material Lift	2	95,000	190,000	X24-0177-0178
	Husky XL-170 Loader	1	36,500	36,500	BN 8228

**(Burlington Northern No. 82-2)**

### SCHEDULE 2 (to Security Agreement)

**DESCRIPTION OF ITEMS OF EQUIPMENT**

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Plasser American Corp. 2001 Myers Road Chesapeake, VA 23324	Plasser Model PTY-16 Tamper	1	\$ 65,200	\$ 65,200	X53-0046
Marmon Transmotive Gov. John Sevier Hwy. Knoxville, TE 37901	Mermon Model YP RKA-2 Yard Cleaner	1	216,800	216,800	X78-0011
Borchert Ingersoll Inc. 3275 Dodd Road St. Paul, MN 55164	Terex Model 72-31B Loader	1	104,247	104,247	X24-0179
Edel Ford Tractor Co. 1630 Chestnut Expressway Springfield, MO 65801	Ford Model 4610 Tractor	7	19,774	138,418	X32-0359-0365
	TOTAL	<u>247</u>		<u>\$12,500,000</u>	

**THE BANK OF NEW YORK,  
not in its individual capacity, but solely as Trustee**

**SECURED NOTE**

No. R-

§

FOR VALUE RECEIVED, the undersigned, THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Debtor") under the Trust Agreement dated as of December 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor"), promises to pay to

or registered assigns, the principal sum of

DOLLARS (\$            )

together with interest from the date hereof until maturity (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof at the per annum rates from time to time in effect as hereinafter provided, in installments as follows:

(i) One (1) installment of all accrued and unpaid interest only payable on August 1, 1983; followed by

(ii) Fourteen (14) 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 February 1, 1984 and on each February 1 and August 1 thereafter to and including August 1, 1990; followed by

(iii) A final installment on February 1, 1991 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate equal to the Prime Rate plus 3.00% after maturity, whether by acceleration or otherwise, until paid. 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.

For the period from and after the date of this Note to but not including August 1, 1983, interest accrued and payable pursuant to clause (i) above shall be at the rate of 10.5%. For the period beginning August 1, 1983 until maturity, interest accrued and payable pursuant to clauses (ii) and (iii) above shall be computed at the Prime Rate plus 2.00%, compounded quarterly on each May 1 and November 1. As used herein, the term "Prime Rate" shall mean at any time the rate of interest then most recently announced by First National Bank of Minneapolis as its prime rate of interest, and each change in the interest rate payable on this Note shall take effect on the effective date of the change in the Prime Rate.

This Note is one of the Secured Notes of the Debtor not exceeding \$9,005,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of December 15, 1982 among the Debtor, the Trustor, BURLINGTON NORTHERN RAILROAD COMPANY (the "Lessee"), FIRST NATIONAL BANK OF MINNEAPOLIS and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement—Trust Deed dated as of December 15, 1982 (the "Security Agreement") from the Debtor 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, the nature and extent of the

**EXHIBIT A  
(To Security Agreement)**

security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

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 pursuant to the terms of Section 3.4(e) of the Participation Agreement only by surrender thereof at the office of the Debtor, 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.

It is expressly understood and agreed by and between the Debtor, the Trustor, the Secured Party and their respective successors and assigns that, except as expressly provided in Section 2.2 of the Security Agreement or Section 2 of the Participation Agreement, this Note is executed by The Bank of New York, 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, that each and all of the representations, warranties, 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, warranties, undertakings and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Security Agreement is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, 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 Bank of New York or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as The Bank of New York or the Trustor, individually or personally is concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral (as defined in the Security Agreement) for the performance of any obligation under any of the instruments referred to herein; *provided, however*, that except as herein provided nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement, and, *provided, further*, that nothing contained in this paragraph shall be construed to limit the liability of the Debtor in its individual capacity for any breach of any representations or warranties made in such capacity set forth in the Participation Agreement or the Security Agreement or to limit the liability of the Debtor for gross negligence or willful misconduct. Any obligation of the Debtor hereunder may be performed by the Trustor, 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 Trustee thereunder.

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

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1982 for the benefit of Litton Equity Investments, Inc.

By \_\_\_\_\_  
*Assistant Vice President*

**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.

**THE BANK OF NEW YORK**  
**not in its individual capacity, but solely as Trustee**

**SECURED NOTE**

No. O-

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FOR VALUE RECEIVED, the undersigned, THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Debtor") under the Trust Agreement dated as of December 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor"), promises to pay to

or order, the principal sum of

DOLLARS (\$ )

together with interest from the date hereof until maturity at the rate of per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof at the per annum rate from time to time in effect as hereinafter provided, in installments as follows:

(i) One (1) installment of all accrued and unpaid interest only payable on August 1, 1983; followed by

(ii) Fourteen (14) 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 February 1, 1984 and on each February 1 and August 1 thereafter to and including August 1, 1990; followed by

(iii) A final installment on February 1, 1991 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate equal to the Prime Rate plus 3.00% after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the order of the 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.

For the period from and after the date of this Note to but not including August 1, 1983, interest accrued and payable pursuant to clause (i) above shall be at the rate of 10.5%. For the period beginning August 1, 1983 until maturity, interest accrued and payable pursuant to clauses (ii) and (iii) above shall be computed at the Prime Rate plus 2.00%, compounded quarterly on each May 1 and November 1. As used herein, the term "Prime Rate" shall mean at any time the rate of interest then most recently announced by First National Bank of Minneapolis as its prime rate of interest, and each change in the interest rate payable on this Note shall take effect on the effective date of the change in the Prime Rate.

This Note is one of the Secured Notes of the Debtor not exceeding \$9,005,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of December 15, 1982 among the Debtor, the Trustor, BURLINGTON NORTHERN RAILROAD COMPANY (the "Lessee"), FIRST NATIONAL BANK OF MINNEAPOLIS and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement-Trust Deed dated as of December 15, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed

**EXHIBIT B**  
**(To Security Agreement)**

pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

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 unregistered and is transferable by endorsement and delivery.

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

It is expressly understood and agreed by and between the Debtor, the Trustor, the Secured Party and their respective successors and assigns that, except as expressly provided in Section 2.2 of the Security Agreement or Section 2 of the Participation Agreement, this Note is executed by The Bank of New York, 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, that each and all of the representations, warranties, 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, warranties, undertakings and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Security Agreement is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, 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 Bank of New York or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as The Bank of New York or the Trustor, individually or personally is concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral (as defined in the Security Agreement) for the performance of any obligation under any of the instruments referred to herein; *provided, however*, that except as herein provided nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement, and, *provided, further*, that nothing contained in this paragraph shall be construed to limit the liability of the Debtor in its individual capacity for any breach of any representations or warranties made in such capacity set forth in the Participation Agreement or the Security Agreement or to limit the liability of the Debtor for gross negligence or willful misconduct. Any obligation of the Debtor hereunder may be performed by the Trustor, 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 Trustee thereunder.

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

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1982 for the benefit of Litton Equity Investments, Inc.

By \_\_\_\_\_  
*Assistant Vice President*

**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.

JAN 25 1983 - 11 20 AM

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INTERSTATE COMMERCE COMMISSION

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## **SECURITY AGREEMENT-TRUST DEED**

**Dated as of December 15, 1982**

*From*

**THE BANK OF NEW YORK,  
not in its individual capacity, but solely as Trustee**

*Debtor*

*To*

**MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY**

*Secured Party*

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**(Burlington Northern No. 82-2)**

**(Maintenance of Way Equipment)**

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Exhibit A —FORM OF SECURED NOTE

## SECURITY AGREEMENT-TRUST DEED

**THIS SECURITY AGREEMENT-TRUST DEED** dated as of December 15, 1982 (the "Security Agreement") is from THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Debtor") under the Trust Agreement dated as of December 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor"), the Debtor's post office address being 21 West Street, New York, New York 10015, Attention: Corporate Trust Trustee Administration to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (the "Secured Party"), whose post office address is Two Hopkins Plaza, P.O. Box 2258, Baltimore, Maryland 21203.

### RECITALS:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of December 15, 1982 (the "Participation Agreement") with the Trustor, Burlington Northern Railroad Company, a Delaware corporation (the "Lessee") and First National Bank of Minneapolis (the "Note Purchaser") providing for the commitment of the Note Purchaser to purchase on certain dates therein provided not later than April 1, 1983, the Secured Notes (the "Notes") of the Debtor not exceeding an aggregate principal amount of \$9,005,000 which Notes may be issued in either registered form (the "Registered Notes") or shall be payable to or upon the order of the holder thereof (the "Order Notes"). The Notes are to be dated the date of issue, to bear interest from such date at the rate of 10.50% per annum from the date of issue to and including July 31, 1983 and to bear interest at a rate equal to the Prime Rate plus 2.00% per annum, compounded quarterly on each May 1 and November 1, thereafter prior to maturity, to be expressed to mature in one installment of interest only, payable on August 1, 1983, followed by fifteen consecutive semiannual installments, including both principal and interest, payable in accordance with the amortization schedule set forth in Schedule 1 hereto with the first such installment to be paid on February 1, 1984, and the balance of such installments at six month intervals thereafter; and to be otherwise substantially in the form attached hereto as Exhibit A-1 or A-2, as appropriate.

B. 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".

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 Notes have been done and performed.

### 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 Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors in trust 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 and 1.2 hereof, subject always to those limitations set forth in Section 1.3 hereof and to Excepted Rights in Collateral as defined in Section 1.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

**1.1. Equipment Collateral.** Collateral includes the railroad maintenance of way equipment described in Schedule 2 attached hereto and made a part hereof (collectively the "Equipment" and

individually an "Item" or "Item of Equipment") constituting the Equipment leased and delivered under that certain Equipment Lease dated as of December 15, 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) subject to the provisions of Section 1.6 hereof, the right to make all waivers and agreements and to enter into any amendments relating to the Lease or any provision thereof; and

(3) subject to the provisions of Section 1.6 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, 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.

**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 under the Lease, (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, and (c) liens and charges permitted by Section 9 of the Lease (collectively "Permitted Encumbrances").

**1.4. Duration of Security Interest.** The Secured Party, its successors in trust 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 herein and in the Participation Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

**1.5. 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 and 10.2 of the Lease or repayments or interest thereon under Section 19 of the Lease which by the terms of any of such sections of the Lease are payable to or for the benefit of the Debtor for its own account or the Trustor for its own account and all payments to the Trustor under Section 7 of the Participation Agreement;

(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, 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 the Lease are payable directly to or for the benefit of the Debtor for its own account or the Trustor for its own account.

**1.6. Rights of Debtor and Trustor.** Notwithstanding anything herein or in any Operative Agreement (as such term is defined in the Participation Agreement) to the contrary, (a) unless and until the Secured Party shall have declared the Notes to be accelerated or the Lease to be in default, all rights, powers, authorizations, approvals, consents and notices under or with respect to the Lease or the Purchase Order Assignment shall be exercised or given jointly by the Debtor and the Secured Party, except that the Debtor shall have the right, without the concurrence of the Secured Party, to adjust the rentals and Casualty Value percentages pursuant to Section 2.3 of the Lease and to exercise the rights of the Lessor under Sections 13 and 18 of the Lease, *provided* that any funds received pursuant to such Sections of the Lease shall be applied as herein required; (b) at all times, the Debtor may (without the concurrence of the Secured Party) (i) receive all notices, certificates, opinions of counsel and other documents and information to be furnished to the Lessor under the Operative Agreements, (ii) exercise its rights with respect to Excepted Rights in Collateral, *provided* that the Debtor's remedies with respect to such exercise shall be limited as set forth in Section 1.5(b) hereof and (iii) exercise the rights of the Lessor under Section 20.3 of the Lease; and (c) at all times the Lessor and the Trustor shall retain the rights given to the Lessor with respect to insurance contained in Section 11 of the Lease.

Unless and until the Secured Party shall have declared the Notes to be accelerated or the Lease to be in default, any supplement, amendment, consent, waiver or other modification of the Lease shall be effective only if consented to by the Trustor. Whether or not the Secured Party shall have declared the Notes to be accelerated or the Lease to be in default, the Debtor and the Secured Party shall not, without the consent of the Trustor, (1) amend, modify or supplement, or give or accept any waiver or consent with respect to, any Operative Agreement so as to increase the liabilities or obligations of, or diminish the immunities of, the Trustor or the Debtor thereunder, (2) enter into any amendment, modification, supplement, waiver or consent with respect to this Security Agreement or any Note or (3) reduce the amount or extend the time of payment of any amount included in Excepted Rights in Collateral or change any of the circumstances under which such amounts are payable.

## **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 to be governed and restricted by each and all of its 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 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 as a result of any act of or claim against the Debtor not related to or connected with the ownership, leasing, use or operation of the Equipment or any transaction contemplated by the Operative Agreements. The Debtor also agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provision of Section 7 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 as a result of any act of or claim against the Debtor not related to or connected with the ownership, leasing, use or operation of the Equipment or any transaction contemplated by the Operative Agreements; provided that the Debtor may actively contest any claims, liens or charges so long as it acts diligently and in good faith and obtains a bond satisfactory to the Secured Party. 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.** At the request of the Secured Party, 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 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.

**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 in arranging, and will use reasonable efforts 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 required by law 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 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 then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) 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.** Subject to the provisions of Section 1.7 hereof, 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 to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, 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.

**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 an officer in the Corporate Trust Trustee Administration department of the Debtor with responsibility for administration of the affairs of the trust estate 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.

### **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 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 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 mortgaged property 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 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*, an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to the following subparagraph (ii) shall be applied on the Notes;

(ii) *Second*, an amount equal to the Loan Value of such 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 Purchase Price (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 aggregate Purchase Price of all Items of Equipment then subject to the Lease (including the Purchase Price 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 payments of installments of principal made or to be made on the date of 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 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 Lessee 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 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 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 11.2 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 clauses *First* and *Second* of 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;

(d) The amounts, if any, from time to time received by the Secured Party which constitute payment by the Lessee under the Lease of sums due pursuant to Section 7 of the Participation Agreement shall immediately upon receipt by the Secured Party be released to or upon the order of the Debtor.

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

**4.4 Distribution of Deposited Funds on Cut-Off Date.** If, on the earlier of (1) the final Closing Date under the Participation Agreement, or (2) July 31, 1983 (the "Cut-Off Date"), there is a balance of funds on deposit in the Escrow Fund with the Secured Party, the Secured Party shall apply those funds as directed by Section 2.2(g) of the Participation Agreement.

**4.5. Certain Amounts.** Notwithstanding anything to the contrary contained herein or in any other Operative Agreement, amounts which are included in Excepted Rights in Collateral and which are received by the Secured Party shall be promptly paid to the Debtor or the Trustor as the case may be.

**4.6. Payments to Owner Participant.** All amounts payable to the Debtor hereunder, shall be promptly paid upon receipt thereof by the Secured Party in the type of funds received by the Secured Party at such address as the Debtor may direct in writing, provided that so long as Litton Equity Investments, Inc. is the Trustor, the Secured Party shall promptly pay all amounts payable to the Debtor hereunder directly to the Trustor in the same type of funds received by the Secured Party to the following address:

State National Bank of Connecticut  
1 Atlantic Street  
Stamford, Connecticut for deposit  
to Litton Equity Investments,  
Inc. Operating Account,  
Account No. 1-37976-1

**4.7. Notice of Nonpayment.** If the Secured Party shall not receive any payment under the Lease when due, the Secured Party shall promptly notify the Debtor, the Trustor and the Lessee, by telephone, confirmed in writing, at the respective addresses set forth in the Participation Agreement, *provided, however,* that the failure of the Secured Party so to notify such parties shall not affect the obligations of the Debtor hereunder or under the Notes or of the Lessee under the Operative Agreements or give rise to any liability of the Secured Party to such parties or any other party for any such failure.

## **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 any such default shall continue unremedied for five days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease *provided, however,* that no Event of Default shall be deemed to have occurred hereunder if such Event of Default under the Lease shall have arisen as a result of the failure of the Lessee to make a payment included within Excepted Rights in Collateral unless and until the Owner Participant shall notify the Lessee or the Secured Party in writing that it deems such failure to be an Event of Default 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 in connection with this Security Agreement, the Lease or the Participation Agreement, or the transactions contemplated therein, shall prove to be false or misleading in any material respect when made and the Debtor does not or cannot cause such representation or warranty of the Debtor to become correct within 30 days after notice of such default from the Secured Party, *provided, that,* notwithstanding any such correction the Debtor shall remain liable to the Secured Party as a result of such representation or warranty having been incorrect;

(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 within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor, the Trustor and the Lessee demanding the discharge or removal thereof or if the Debtor, the Trustor or the Lessee shall be actively contesting such claim, lien or charge diligently and in good faith, it shall not be bonded to the satisfaction of the Secured Party;

(f) The Debtor becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for the Debtor or for the major part of its property;

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

(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 within 30 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 Section 7 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 New York (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, and upon the written direction of the holders of not less than 10% of the unpaid principal balance of the Notes, will, by notice in writing to the Debtor and the Trustor 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, 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, 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, the Trustor 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 or, unless prohibited under applicable law, at private sale, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease, 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 mortgaged property or any part thereof, or subject to the provisions of Section 7 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, 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.** Except as hereinafter provided, if an Event of Default under the Lease of which the Secured Party has knowledge shall have occurred and be continuing the Secured Party shall give the Debtor and the Trustor not less than 15 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 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 under the Lease which may be cured by the payment of money, the Debtor or the Trustor may, prior to the Enforcement Date (i) if such Event of Default arose on account of Lessee's failure to pay Fixed Rental or Casualty Value, 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/or (ii) in the case of any other Event of Default, take such action as shall cause such Event of Default to be cured, and such payment or action by the Debtor shall be deemed to cure any such Event of Default under the Lease; provided, however, that the Debtor may not exercise such right in respect of more than two consecutive Fixed Rental payment defaults or in any event in respect of more than a total of four defaults in the payment of Fixed Rental throughout the term of the Lease, except for the final two Fixed Rental payment dates, on which dates the Debtor may exercise its right regardless of the number of previous occasions on which the Debtor has exercised such right.

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 Notes, 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 Notes 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 (A) 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 on such overdue Fixed Rental prior to receipt by the Debtor of any amount pursuant to such subrogation, and (B) 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 Notes.* 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 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 actual 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 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, 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).

**5.7. Application of Sale Proceeds.** The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) *First*, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) *Second*, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the 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 or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

**5.9. Cumulative Remedies.** No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the 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, or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting 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 or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

## **SECTION 6. THE SECURED PARTY.**

**6.1. Certain Duties and Responsibilities of Secured Party.** (a) Except during the continuance of an Event of Default:

(1) the Secured Party undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement, and no implied covenants or obligations shall be read into this Security Agreement against the Secured Party; and

(2) in the absence of bad faith on its part, the Secured Party may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Secured Party and conforming to the requirements of this Security Agreement or the Lease; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Secured Party, the Secured Party shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) In case an Event of Default has occurred and is continuing, the Secured Party shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Security Agreement shall be construed to relieve the Secured Party from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Secured Party shall not be liable for any error of judgment made in good faith by an officer of the Secured Party unless it shall be proved that the Secured Party was negligent in ascertaining the pertinent facts; and

(3) the Secured Party shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of

two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Secured Party, or exercising any trust or power conferred upon the Secured Party under this Security Agreement.

(d) No provision of this Security Agreement shall require the Secured Party to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Secured Party shall be subject to the provisions of this Section.

**6.2. Certain Limitations on Secured Party's Rights to Compensation and Indemnification.** The Secured Party agrees that it shall have no right against the holders of any Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liability which it may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Lessee under Section 2.5 of the Participation Agreement for such payment and indemnification and that it shall have no lien on nor security interest in the Collateral as security for such compensation, expenses, reasonable counsel fees, if any, disbursements and indemnification except to the extent provided for in Section 5.7(a) hereof.

**6.3. Certain Rights of Secured Party.** (a) The Secured Party shall not be responsible for any recitals herein or in the Participation Agreement or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Secured Party be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Participation Agreement, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Secured Party has actual knowledge, the Secured Party shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one of the holders of the Notes. The Secured Party shall promptly notify the Trustee, all holders of the Notes and the Trustor of any default of which the Secured Party has actual knowledge and will, not more than six months nor less than three months prior to each date required for any rerecordings or refilings to be made in respect of this Security Agreement in accordance with the opinion of special counsel to the Note Purchasers rendered pursuant to the Participation Agreement, notify the Note Purchasers, the Lessee, the Debtor and the Trustor that such refilings or rerecordings are, in the opinion of such counsel, required to be completed and the date so stated in such counsel's opinion by which such refilings or rerecordings are so required. Upon receipt by the Secured Party of such written notice from a holder of a Note, the Secured Party shall promptly notify all other holders of the Notes of such notice and the default referred to therein by prepaid registered mail addressed to them at their addresses set forth in the Register.

(b) The Secured Party makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Participation Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to, any Equipment or Item of Equipment or any substitute therefor. The Secured Party shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Secured Party may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor or the Lessee shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Secured Party, and signed in the name of the Debtor or the Lessee, as the case may be, by its Chairman of the Board, President, any Vice President or Assistant Vice President, Treasurer, Controller or Secretary, and any resolution of the Board of Directors of the Debtor or the Lessee shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Secured Party.

(e) Whenever in the administration of the trust herein provided for the Secured Party shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President or Assistant Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Secured Party, and such certificate shall fully warrant to the Secured Party or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Secured Party may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Secured Party may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Secured Party, and the written advice of any thereof shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Secured Party shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Secured Party may involve loss, liability or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Secured Party.

(h) The Secured Party shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Secured Party shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Secured Party may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Secured Party shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(k) The provisions of paragraphs (c) to (j), inclusive, of this Section 6.3, shall be subject to the provisions of Section 6.1 hereof.

**6.4. Showings Deemed Necessary by Secured Party.** Notwithstanding anything elsewhere in this Security Agreement contained, the Secured Party shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement, or any other action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information by the Secured Party deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

**6.5. Status of Moneys Received.** All moneys received by the Secured Party shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Secured Party under such general conditions as may be prescribed by law in the Secured Party's general banking department, and the Secured Party shall be under no liability for interest on any moneys received by it hereunder. The Secured Party and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation, the Trustor or any affiliated corporation or the Lessee or any affiliated corporation, or the Secured Party may act as depositary or otherwise in respect to other securities of the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, all with the same rights which it would have if not the Secured Party. The Secured Party agrees that, whenever it shall be required to disburse moneys to the Note Purchaser under the provisions hereof, it shall do so by wire transfer of immediately available funds to a designated bank or trust company located in the continental United States whenever such method of payment is provided for in Schedule 1 to the Participation Agreement or is requested in writing by such Note Purchaser.

**6.6. Resignation of Secured Party.** The Secured Party may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor, the Trustor and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor secured party shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

**6.7. Removal of Secured Party.** The Secured Party may be removed and/or a successor secured party may be appointed at any time by an instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Secured Party, the Debtor and the Trustor and, in the case of the appointment of a successor secured party, to such successor secured party.

**6.8. Successor Secured Party.** Each secured party appointed in succession of the Secured Party named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in any of the States of Illinois, Maryland or Minnesota, in good standing and having a capital and surplus aggregating at least \$100,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

**6.9. Appointment of Successor Secured Party.** If the Secured Party shall have given notice of resignation to the Debtor pursuant to Section 6.6 hereof, if notice of removal shall have been given to the Secured Party and the Debtor pursuant to Section 6.7 hereof, which notice does not appoint a successor secured party, a successor secured party may be appointed by the Debtor, or, if such successor secured party shall not have been so appointed or shall not have accepted such appointment within fifteen calendar days after the giving of such notice of resignation or the giving of any such notice of removal, as the case may be, a successor secured party may be appointed by the Debtor, the

holder of any outstanding Note or, upon application of the retiring secured party by any court of competent jurisdiction.

**6.10. Merger or Consolidation of Secured Party.** Any company into which the Secured Party, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Secured Party or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the United States of America or of a state thereof, having a capital and surplus of at least \$100,000,000), shall be the successor to the Secured Party under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement.

**6.11. Conveyance Upon Request of Successor Secured Party.** Should any deed, conveyance or instrument in writing from the Debtor be required by any successor secured party for more fully and certainly vesting in and confirming to such new secured party such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

**6.12. Acceptance of Appointment by Successor Secured Party.** Any new secured party appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment, and thereupon such new secured party, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as secured party herein; but nevertheless, upon the written request of the Debtor or of the successor secured party, the secured party ceasing to act shall execute and deliver an instrument transferring to such successor secured party, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the secured party so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such secured party to the successor secured party so appointed in its or his place.

## **SECTION 7. LIMITATIONS OF LIABILITY.**

It is expressly understood and agreed by and between the Debtor, the Trustor, the Secured Party and their respective successors and assigns that, except as expressly provided in Section 2.2 hereof and Section 2.7 of the Participation Agreement, this Security Agreement is executed by The Bank of New York, 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, that each and all of the representations, warranties, 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, warranties, undertakings, and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Security Agreement is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, 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 Bank of New York or the Trustor, to perform any covenant

either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as The Bank of New York or the Trustor, individually or personally are concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral for the performance of any obligation under any of the instruments referred to herein; *provided, however*, that except as herein provided nothing contained in this Section 7 shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 hereof, and, *provided, further*, that nothing contained in this Section 7 shall be construed to limit the liability of the Debtor in its individual capacity for any breach of any representations or warranties set forth in the Participation Agreement or the Security Agreement or to limit the liability of the Debtor for gross negligence or willful misconduct. Any obligation of the Debtor hereunder may be performed by the Trustor, and any such performance shall not be construed as revocation of the trust created by the Trust Agreement. Nothing contained in this Security Agreement shall restrict the operation of the provisions of the Trust Agreement with respect to its revocation or the resignation or removal of the Trustee thereunder.

## **SECTION 8. MISCELLANEOUS.**

**8.1. Registration and Execution.** As provided in Recital A hereof, the Notes issuable hereunder may be either Registered Notes, registered as to principal and interest, or Order Notes, transferable by endorsement and delivery, and, in either case, such Notes shall be signed on behalf of the Debtor by any officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

**8.2. 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, in the case of the original Note Purchaser, as provided in Section 8.10 or as such Note Purchaser shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of such holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 8.3, or, in the case of Order Notes, at the last address of such holder of which the Debtor or Secured Party has knowledge. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. Each holder (or the person for whom such holder is a nominee) by its acceptance of any Notes agrees that, before selling, transferring or otherwise disposing of such Note, it will present such Note to the Debtor for transfer and notation as provided in Sections 8.4 and 8.5.

(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 5 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

**8.3. The Register.** The Debtor will keep at its 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, with copies to be provided by the Debtor to the Secured Party.

The holder of any Note issued hereunder which is so registered may, upon presentation thereof at the office of the Debtor for such purpose, have such Note issued or reissued, as the case may be, in unregistered form and expressed to be payable to such holder "or order" which form shall be the same as that set forth in Exhibit A-2 hereto.

At any time and from time to time the registered holder of any Note which has been duly registered as hereinabove provided may cause the same to be discharged from registration and

reissued in unregistered form as authorized above, upon surrender thereof at the office of the Debtor duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note in compliance with Section 8.4 hereof.

The holder of any Order Note may cause the same to be replaced and reissued in registered form as set forth in Exhibit A-1 upon surrender thereof at the office of the Debtor duly endorsed or accompanied by a written instrument of transfer duly executed by such holder.

#### **8.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.**

(a) Subject to the provisions of Section 3.4(e) of the Participation Agreement, the holder of any Registered Note may transfer such Note upon the surrender thereof at the corporate trust 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 in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the designated transferee.

(b) The holder of any Registered or Order Note or Notes may surrender such Note or Notes at the 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 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, and shall advise the Secured Party thereof.

(c) The holder of any Order Note or Notes agrees that in the event it shall sell or transfer any such Notes (a) it will, prior to the delivery of any Note (unless it has already done so), make a notation thereon of all principal, if any, prepaid on such Note and will also note thereon the date to which interest has been paid on such Note, and (b) it will promptly notify the Debtor and the Secured Party of the name and address of the transferee of any Note so transferred. With respect to Notes to which this Section applies, the Debtor and the Secured Party shall be entitled to presume conclusively that the original or such subsequent institutional holder as shall have requested the provisions hereof to apply to its Notes remains the holder of such Notes until (i) the Debtor and the Secured Party shall have received notice of the transfer of such Notes, and of the name and address of the transferee, or (ii) such Notes shall have been presented to the Debtor as evidence of the transfer.

(d) 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.

(e) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 8.4, and the holder of any Note issued as provided in this Section 8.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(f) 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 evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note

and of the ownership thereof. In case any Note which has matured or is about to mature 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 (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 evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the original Note Purchaser, 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 Note Purchaser 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 Note Purchaser 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. The Debtor shall advise the Secured Party when any new Note is issued pursuant to this Section 8.4(e) as to the details relating to such issuance.

#### **8.5. The New Notes.**

(a) Each new Note (herein, in this Section 8.5, called a "New Note") issued pursuant to Section 8.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 8.5, called an "Old Note") shall be dated the date of such Old Note, and each such New Note shall, at the option of such holder, be a Registered Note or an Order Note. The Debtor shall mark 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 8.4(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 8.4(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 may submit to the Secured Party a request that the Secured Party prepare and deliver to the Debtor 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 furnish a copy of each such Note to the Secured Party. In the event of the issuance of any Order Note pursuant to this Section, the Debtor will provide the Secured Party with the last address of the holder of such Note of which the Debtor has knowledge. The Secured Party shall deliver, or send by first-class mail, postage prepaid, one copy of the applicable amortization schedule to the holder of any Registered Note at its address set forth in the Register and, in the case of Order Notes, at the last address of the holder thereof of which the Secured Party has knowledge.

**8.6. 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.

**8.7. Registered Owner.** The person in whose name any Registered 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 Registered 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 Registered Note as the owner thereof without production of such Registered Note.

**8.8. 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.

**8.9. 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.

**8.10. 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 when deposited in the United States mail, registered, postage prepaid, addressed as follows:

If to the Debtor:	The Bank of New York 21 West Street New York, New York 10015 Attention: Corporate Trust Trustee Administration  with a copy to: Litton Equity Investments, Inc. 600 Summer Street P.O. Box 601 Stamford, Connecticut 06904 Attention: Vice President, Special Financings
If to the Trustor:	Litton Equity Investments, Inc. 600 Summer Street P.O. Box 601 Stamford, Connecticut 06904 Attention: Vice President, Special Financings
If to the Secured Party:	Two Hopkins Plaza P.O. Box 2258 Baltimore, Maryland 21203 Attention: Corporate Trust Department
If to any 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.

**8.11. Amendments.** Subject to Section 1.6 hereof, 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 parties hereto.

**8.12. 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.

**8.13. 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.

**8.14. Business Days.** If any date on which the Debtor is required under this Security Agreement or the Notes to make a payment is not a business day, such payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" means calendar days, except Saturdays, Sundays and holidays on which banks in the State of New York, Minnesota or Maryland are authorized or required to close.

**8.15. 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.

**8.16. 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 on its behalf by one of its Assistant Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries, and Mercantile-Safe Deposit and Trust Company, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its Assistant Vice Presidents and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Corporate Trust Officers, all as of the day and year first above written.

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1982 for the benefit of Litton Equity Investments, Inc.

By \_\_\_\_\_  
*Assistant Vice President*

[CORPORATE SEAL]

ATTEST:

\_\_\_\_\_  
*Assistant Secretary*

MERCANTILE-SAFE DEPOSIT AND  
TRUST COMPANY, as Security Trustee

By \_\_\_\_\_  
*Assistant Vice President*

[CORPORATE SEAL]

ATTEST:

\_\_\_\_\_  
*Assistant Corporate Trust Officer*



STATE OF NEW YORK }  
COUNTY OF NEW YORK } SS

On this        day of        , 1983, before me personally appeared        , to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of THE BANK OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
*Notary Public*

(SEAL)

My commission expires:

STATE OF MARYLAND }  
CITY OF BALTIMORE } SS

On this *24<sup>th</sup>* day of *January*, 1983, before me personally appeared R. E. Schreiber, to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

*Patricia A. Conn*  
\_\_\_\_\_  
*Notary Public*

(SEAL)

My commission expires: *7-1-86*

**PRINCIPAL AMORTIZATION SCHEDULE**

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

<u>Installment Date</u>	<u>Total Principal Payment</u>	<u>Principal Balance</u>
February 1, 1984	\$ 56,811.99	\$943,188.01
August 1, 1984	60,149.69	883,038.32
February 1, 1985	63,683.49	819,354.83
August 1, 1985	67,424.89	751,929.94
February 1, 1986	71,386.10	680,543.84
August 1, 1986	75,580.04	604,963.80
February 1, 1987	80,020.36	524,943.44
August 1, 1987	84,721.56	440,221.88
February 1, 1988	89,698.95	350,522.93
August 1, 1988	94,968.77	255,554.16
February 1, 1989	100,548.18	155,005.98
August 1, 1989	32,204.10	122,801.88
February 1, 1990	34,096.09	88,705.79
August 1, 1990	43,087.34	45,618.45
February 1, 1991	45,618.45	—0—
	<u>\$1,000,000.00</u>	

**SCHEDULE 1  
(to Security Agreement)**

**DESCRIPTION OF ITEMS OF EQUIPMENT**

<u>Manufacturer</u>	<u>Description of Equipment</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Purchase Price</u>	<u>Burlington Northern Identifying Number</u>
Holley Engineering Co., Inc. 1872 Cherry Street Montgomery, AL 36107	Holley Model 45 Plate Plucker w/conveyor	5	\$ 16,043	\$ 80,215	X85-0013-0017
	Holley Model 49 Spike Plucker	2	19,750	39,500	X89-0001-0002
Tamper 2401 Edmund Road West Columbia, SC 29169	Model ES Switch Tamper Mark 2	9	91,263	821,367	X56-0106-0114
	Model ESTR-130G Mark III Tamper	11	164,193	1,806,123	X54-0124-0134
	Model EA Mark 1 Tamper	4	84,267	337,068	X53-0042-0045
	Model GO-4 Trac-Gopher	3	132,411	397,233	X80-0010-0012
Racine Railroad Products Inc. 1524 Frederick Street Racine, WI 53404	Racine "Anchor Fast" Anchor Applicator	10	21,385	213,850	X1-0124-0133
	Racine "Duel Anchor Fast" Anchor Applicator	2	35,270	70,540	X1-0134-0135
Fairmont Railway Motors Inc. Suite 550 386 N. Wabasha St. Paul, MN 55102	Fairmont Model W-104 Tip Plug Inserter	4	15,885	63,540	X62-0026-0029
	Model W114 C Tie Shear	14	83,750	1,172,500	X40-0067-0080
	Model W113 Duel Spike Puller	6	22,150	132,900	X47-0175-0180
	Model W119-B Tie Inserter	3	78,540	235,620	X61-0037-0039
Rexnord Inc. c/o Russell Railway Supply 4940 Viking Drive Minneapolis, MN 55435	Model W96-B Auto Spiker	1	70,590	70,590	X44-0109
	Nordberg "CZ" Adzer	4	29,510	118,040	X3-0112-0115
	Nordberg "BP" Mechanical Spike Puller	2	28,800	57,600	X47-0173-0174
Railway Track Work Co. 2381 Philmont Avenue Bethayres, PA 19006	Nordberg Rail Gang Spikes	14	73,030	1,022,420	X44-0087-0100
	Model DWDS-4 Anchor Cribber	2	17,745	35,490	X18-0068-0069
	Model 2181-B Bridge Cranes	23	34,143	785,289	X17-0016-0038
Air Power Equipment Corp. 2631 University Avenue St. Paul, MN 55114	Model 2170-A Tie Handlers	8	30,687	245,496	X60-0129-0136
	Ing. Rand Model 175 Air Compressor	44	7,385	324,940	X2-3625-3668
Donald J. Hogan & Co. Portec Inc. RMC Div. 327 So. La Salle Street Chicago, IL 60604	Ing. Rand Model 365 Air Compressor	4	16,534	66,136	X2-5530-5533
	Model "D" Hydraulic Tie Gong Spiker	14	70,590	988,260	X44-0103-0117
Pettibone Corporation 4700 W. Division Street Chicago, IL 60651	Pettibone 441-B Loader Speed Swing	3	95,185	285,555	X24-0174-0176
Ziegler Inc. 901 W. 94th Street Minneapolis, MN 55420	Caterpillar V300B Lift Truck	1	62,600	62,600	BN 8277
Kershaw Manufacturing Co., Inc. c/o D. J. Hogan Co. 327 So. La Salle Street Chicago, IL 60604	Model 35-8 Double Broom	2	74,472	148,944	X5-0025-0026
	Model 16-1 Brush Type Cribber	4	11,930	47,720	X18-0064-0067
	Model 44-1 Rotary Scarifier	11	55,345	608,795	X42-0065-0075
	Model 26-2-1 Ballast Regulator	7	82,290	576,030	X6-0180-0186
	Model 12-2-2 Tie Crane	9	32,740	294,660	X60-0120-0128
Jackson Jordan Inc. 1699 E. Woodfield Rd. Schaumburg, IL 60195	Model 39-2 Tie Injector	6	75,910	455,460	X61-0040-0045
	Model 2900ES Switch Tamper	2	92,177	184,354	X56-0115-0116
T. C. Johnson Co. 521 E. Washington St. Chagrin Falls, OH 44022	Galion ML-40 Material Lift	2	95,000	190,000	X24-0177-0178
	Husky XL-170 Loader	1	36,500	36,500	BN 8228

(Burlington Northern No. 82-2)

**SCHEDULE 2  
(to Security Agreement)**

**THE BANK OF NEW YORK,  
not in its individual capacity, but solely as Trustee**

**SECURED NOTE**

No. R-

§

FOR VALUE RECEIVED, the undersigned, THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Debtor") under the Trust Agreement dated as of December 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor"), promises to pay to

or registered assigns, the principal sum of

DOLLARS (\$ )

together with interest from the date hereof until maturity (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof at the per annum rates from time to time in effect as hereinafter provided, in installments as follows:

- (i) One (1) installment of all accrued and unpaid interest only payable on August 1, 1983; followed by
- (ii) Fourteen (14) 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 February 1, 1984 and on each February 1 and August 1 thereafter to and including August 1, 1990; followed by
- (iii) A final installment on February 1, 1991 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate equal to the Prime Rate plus 3.00% after maturity, whether by acceleration or otherwise, until paid. 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.

For the period from and after the date of this Note to but not including August 1, 1983, interest accrued and payable pursuant to clause (i) above shall be at the rate of 10.5%. For the period beginning August 1, 1983 until maturity, interest accrued and payable pursuant to clauses (ii) and (iii) above shall be computed at the Prime Rate plus 2.00%, compounded quarterly on each May 1 and November 1. As used herein, the term "Prime Rate" shall mean at any time the rate of interest then most recently announced by First National Bank of Minneapolis as its prime rate of interest, and each change in the interest rate payable on this Note shall take effect on the effective date of the change in the Prime Rate.

This Note is one of the Secured Notes of the Debtor not exceeding \$9,005,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of December 15, 1982 among the Debtor, the Trustor, BURLINGTON NORTHERN RAILROAD COMPANY (the "Lessee"), FIRST NATIONAL BANK OF MINNEAPOLIS and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement—Trust Deed dated as of December 15, 1982 (the "Security Agreement") from the Debtor 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, the nature and extent of the

**EXHIBIT A  
(To Security Agreement)**

security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

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 pursuant to the terms of Section 3.4(e) of the Participation Agreement only by surrender thereof at the office of the Debtor, 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.

It is expressly understood and agreed by and between the Debtor, the Trustor, the Secured Party and their respective successors and assigns that, except as expressly provided in Section 2.2 of the Security Agreement or Section 2 of the Participation Agreement, this Note is executed by The Bank of New York, 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, that each and all of the representations, warranties, 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, warranties, undertakings and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Security Agreement is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, 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 Bank of New York or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as The Bank of New York or the Trustor, individually or personally is concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral (as defined in the Security Agreement) for the performance of any obligation under any of the instruments referred to herein; *provided, however*, that except as herein provided nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement, and, *provided, further*, that nothing contained in this paragraph shall be construed to limit the liability of the Debtor in its individual capacity for any breach of any representations or warranties made in such capacity set forth in the Participation Agreement or the Security Agreement or to limit the liability of the Debtor for gross negligence or willful misconduct. Any obligation of the Debtor hereunder may be performed by the Trustor, 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 Trustee thereunder.

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

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1982 for the benefit of Litton Equity Investments, Inc.

By \_\_\_\_\_  
*Assistant Vice President*

**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.

**THE BANK OF NEW YORK**  
**not in its individual capacity, but solely as Trustee**

**SECURED NOTE**

No. O-

\$

FOR VALUE RECEIVED, the undersigned, THE BANK OF NEW YORK, a New York corporation, not in its individual capacity but solely as Trustee (the "Debtor") under the Trust Agreement dated as of December 15, 1982 (the "Trust Agreement") between it and LITTON EQUITY INVESTMENTS, INC., a Nevada corporation (the "Trustor"), promises to pay to

or order, the principal sum of

DOLLARS (\$ )

together with interest from the date hereof until maturity at the rate of per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof at the per annum rate from time to time in effect as hereinafter provided, in installments as follows:

(i) One (1) installment of all accrued and unpaid interest only payable on August 1, 1983; followed by

(ii) Fourteen (14) 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 February 1, 1984 and on each February 1 and August 1 thereafter to and including August 1, 1990; followed by

(iii) A final installment on February 1, 1991 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at a rate equal to the Prime Rate plus 3.00% after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the order of the 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.

For the period from and after the date of this Note to but not including August 1, 1983, interest accrued and payable pursuant to clause (i) above shall be at the rate of 10.5%. For the period beginning August 1, 1983 until maturity, interest accrued and payable pursuant to clauses (ii) and (iii) above shall be computed at the Prime Rate plus 2.00%, compounded quarterly on each May 1 and November 1. As used herein, the term "Prime Rate" shall mean at any time the rate of interest then most recently announced by First National Bank of Minneapolis as its prime rate of interest, and each change in the interest rate payable on this Note shall take effect on the effective date of the change in the Prime Rate.

This Note is one of the Secured Notes of the Debtor not exceeding \$9,005,000 in aggregate principal amount (the "Notes") issued under and pursuant to the Participation Agreement dated as of December 15, 1982 among the Debtor, the Trustor, BURLINGTON NORTHERN RAILROAD COMPANY (the "Lessee"), FIRST NATIONAL BANK OF MINNEAPOLIS and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY (the "Secured Party") and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement-Trust Deed dated as of December 15, 1982 (the "Security Agreement") from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed

**EXHIBIT B**  
**(To Security Agreement)**

pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Debtor agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement.

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 unregistered and is transferable by endorsement and delivery.

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

It is expressly understood and agreed by and between the Debtor, the Trustor, the Secured Party and their respective successors and assigns that, except as expressly provided in Section 2.2 of the Security Agreement or Section 2 of the Participation Agreement, this Note is executed by The Bank of New York, 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, that each and all of the representations, warranties, 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, warranties, undertakings and agreements by The Bank of New York or the Trustor, or for the purpose or with the intention of binding The Bank of New York or the Trustor personally, but are made and intended for the purpose of binding only the Trust Estate as defined in the Trust Agreement, that this Security Agreement is executed and delivered by The Bank of New York solely in the exercise of the powers expressly conferred upon The Bank of New York as trustee under the Trust Agreement, that actions to be taken by the Debtor pursuant to its obligations hereunder may, in certain instances be taken by the Debtor only upon specific authority of the Trustor, that nothing herein contained shall be construed as creating any liability on The Bank of New York or the Trustor, 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 Bank of New York or the Trustor, to perform any covenant either express or implied contained herein, all such liability, if any, being expressly waived by the Secured Party and by any person claiming by, through or under the Secured Party, and that so far as The Bank of New York or the Trustor, individually or personally is concerned, the Secured Party and any person claiming by, through or under the Secured Party shall look solely to the Collateral (as defined in the Security Agreement) for the performance of any obligation under any of the instruments referred to herein; *provided, however*, that except as herein provided nothing contained in this paragraph shall be construed to limit or otherwise modify the rights and remedies of the Secured Party and the holders of the Notes contained in Section 5 of the Security Agreement, and, *provided, further*, that nothing contained in this paragraph shall be construed to limit the liability of the Debtor in its individual capacity for any breach of any representations or warranties made in such capacity set forth in the Participation Agreement or the Security Agreement or to limit the liability of the Debtor for gross negligence or willful misconduct. Any obligation of the Debtor hereunder may be performed by the Trustor, 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 Trustee thereunder.

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

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee under a Trust Agreement dated as of December 15, 1982 for the benefit of Litton Equity Investments, Inc.

By \_\_\_\_\_  
*Assistant Vice President*

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