COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044
(202) 662-6000
WRITER'S DIRECT DIAL NUMBER
662-5440

DANIEL M. GRIBBON
STANLEY L. TEMKO
DON V. HARRIS, JR.
WILLIAM STANLEY, JR.
WEAVER W. DUNNAN
EDWIN M. ZIMMERMAN
JEROME ACKERMAN
HENRY P. SAILER
JOHN H. SCHAFER
ALFRED H. MOSES
JOHN LeMOYNE ELLICOTT
DAVID E. McGIFFERT
H. EDWARD DUNKELBERGER, JR.
BRICE McADOO CLAGETT
RICHARD A. BRADY
ROBERT E. O'MALLEY
EUGENE I. LAMBERT
MARK A. WEISS
HARRIS WEINSTEIN
JOHN B. DENNISTON
PETER J. NICKLES
JONATHAN D. BLAKE
CHARLES E. BUFFON
ROBERT N. SAYLER
E. EDWARD BRUCE
DAVID N. BROWN
PAUL J. TAGLIABUE
ANDREW W. SINGER
DAVID H. HICKMAN
RUSSELL H. CARPENTER, JR.
NICHOLAS W. FELS
THEODORE L. GARRETT
DANA T. ACKERLY
JOHN M. VINE
JOHN THOMAS SMITH II
JOHN P. RUPP
CLAUSEN ELY, JR.
RICHARD F. KINGHAM
ROBERT M. SUSSMAN
MICHAEL R. LEVY
GEORGE B. REID, JR.
THOMAS S. WILLIAMSON, JR.
HARRY L. SHNIDERMAN
EDWIN S. COHEN
JAMES C. McKAY
JOHN W. DOUGLAS
HAMILTON CAROTHERS
J. RANDOLPH WILSON
ROBERTS B. OWEN
EDGAR F. CZARRA, JR.
WILLIAM H. ALLEN
DAVID B. ISBELL
JOHN B. JONES, JR.
PAUL R. DUKE
PHILIP R. STANSBURY
CHARLES A. MILLER
PETER BARTON HUTT
HERBERT DYM
JOHN VANDERSTAR
~~NEWMAN T. HALVORSON, JR.~~
HARVEY M. APPLEBAUM
MICHAEL S. HORNE
CHARLES F. C. RUFF
MICHAEL BOUDIN
BINGHAM B. LEVERICH
ALLAN TOPOL
VIRGINIA G. WATKIN
RICHARD D. COPAKEN
CHARLES LISTER
PETER D. TROOBOFF
WESLEY S. WILLIAMS, JR.
DORIS D. BLAZEK
WILLIAM D. IVERSON
S. WILLIAM LIVINGSTON, JR.
JAMES R. ARWOOD
COLEMAN S. HICKS
STUART C. STOCK
EUGENE D. GULLAND
O. THOMAS JOHNSON, JR.
EUGENE A. LUDWIG
PATRICIA A. BARALD
REEVES C. WESTBROOK
THEODORE VOORHEES, JR.
JEFFREY G. HUVELLE
H. THOMAS AUSTERN
FONTAINE C. BRADLEY
EDWARD BURLING, JR.
HOWARD C. WESTWOOD
CHARLES A. HORSKY
JOHN T. SAPIENZA
JAMES H. McGLOTHLIN
ERNEST W. JENNES
COUNSEL
JOHN SHERMAN COOPER
OF COUNSEL

TWX: 710 822-0005 (CB WSH)
TELEX: 89-593 (COVLING WSH)
TELECOPIER (202) 662-6290
CABLE: COVLING

14090
RECORDATION NO. ..... Filed 1425
JUL 1 - 1983 12:50 PM
INTERSTATE COMMERCE COMMISSION
14090
RECORDATION NO. ..... Filed 1425
JUL 1 - 1983 12:50 PM
INTERSTATE COMMERCE COMMISSION
No. 1
Date JUL 1 - 1983
Fee $ 100.00
ICC Washington, D. C.
FEE OPERATION

July 1, 1983

3-182 A019

Mrs. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Room 225
Washington, D.C. 20423

Dear Mrs. Mergenovich:

I have enclosed an original and one counterpart of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The documents are an equipment lease and a security agreement, both primary documents, each dated June 30, 1983.

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

1. The Equipment Lease:

Lessor: Steiner Financial Corporation, Steuart Street Tower, One Market Plaza, Suite 2400, San Francisco, California, 94105.

Lessee: Western Fuels Association, Inc., 700 Jefferson Building, 1225 19th Street, N.W., Washington, D.C. 20036.

2. The Security Agreement:

Debtor: Steiner Financial Corporation, Steuart Street Tower, One Market Plaza, Suite 2400, San Francisco, California, 94105.

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

A description of the equipment covered by the documents follows:

Eighty-four 4000 cubic foot flat bottom gondola cars, 100-ton nominal capacity, for rotary dumping, AAR mechanical designation "GT", bearing identifying marks and numbers WFAX 83510 to WFAX 83593 (inclusive).

A fee of $100.00 ($50.00 for each primary document) is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Paul R. Duke, Esq., Covington & Burling, 1201 Pennsylvania Avenue, N.W., Post Office Box 7566, Washington, D.C. 20044.

A short summary of the documents to appear in the index follows:

1. The Equipment Lease:

Equipment Lease between Steiner Financial Corporation, Steuart Street Tower, One Market Plaza, Suite 2400, San Francisco, California 94105, and Western Fuels Association, Inc., 700 Jefferson Building, 1225 19th Street, N.W., Washington, D.C. 20036, dated June 30, 1983, and covering eighty-four 4000 cubic foot flat bottom gondola cars, 100-ton nominal capacity, for rotary dumping, AAR mechanical designation "GT", bearing identifying marks and numbers WFAX 83510 to WFAX 83593 (inclusive).

2. The Security Agreement:

Security Agreement between Steiner Financial Corporation, Steuart Street Tower, One Market Plaza, Suite 2400, San Francisco, California 94105, and National Cooperative Services Corporation, 1115 30th Street, N.W., Washington, D.C., 20007, dated June 30, 1983, and covering eighty-four 4000 cubic foot flat bottom gondola cars, 100-ton nominal capacity, for rotary dumping, AAR mechanical designation "GT", bearing identifying marks and numbers WFAX 83510 to WFAX 83593 (inclusive).

Very truly yours,

Paul R. Duke

Attorney to
Western Fuels Association, Inc.

14090-A
RECORDATION NO. ..... Filed 1425

JUL 1 - 1983 12 50 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of June 30, 1983

From

STEINER FINANCIAL CORPORATION

DEBTOR

To

NATIONAL COOPERATIVE SERVICES CORPORATION

SECURED PARTY

(One Hundred and Fifteen, 4,000 Cubic Foot
Flat Bottom Gondola Cars,
100-ton Nominal Capacity for Rotary Dumping
Manufactured by Ortner Freight Car Company)

TABLE OF CONTENTS

Section	Heading	Page
Parties		1
1.	Grant of Security	1
1.1.	Equipment Collateral	1
1.2.	Rental Collateral	2
1.3.	The Coal Purchase Contract	3
1.4.	Limitations to Security Interest	3
1.5.	Duration of Security Interest	3
1.6.	Excepted Rights in Collateral	4
2.	Covenants and Warranties of the Debtor	4
2.1.	Debtor's Duties	4
2.2.	Warranty of Title	4
2.3.	Further Assurances	5
2.4.	After-Acquired Property	5
2.5.	Recordation and Filing	5
2.6.	Actions Regarding the Lease and the Coal Purchase Contract	5
2.7.	Power of Attorney	6
2.8.	Defaults	7
2.9.	Maintenance of Existence	7
3.	Possession, Use and Release of Property	7
3.1.	Possession of Collateral	7
3.2.	Release after Casualty Occurrence or Exercise of Early Termination Option	7
3.3.	Release of Units upon Payment	7
3.4.	Protection of Purchaser	8
4.	Application of Assigned Rentals and Certain Other Moneys Received by the Secured Party	8
4.1.	Application of Rents and Other Payments	8
4.2.	Default	10
5.	Defaults and Other Provisions	10
5.1.	Events of Default	10
5.2.	Secured Party's Rights	11
5.3.	Certain Rights of the Debtor on the Occurrence of an Event of Default under the Lease	12
5.4.	Acceleration Clause	13
5.5.	Waiver by Debtor	13
5.6.	Effect of Sale	14
5.7.	Application of Sale Proceeds	14
5.8.	Discontinuance of Remedies	14
5.9.	Cumulative Remedies	15

Section	Heading	Page
6.	Limitations of Liability	15
7.	Replacement Notes	16
7.1.	Limitation on Replacement Notes	16
7.2.	Creation of Replacement Notes	16
7.3.	Issue of Replacement Notes	17
7.4.	Right to Collateral	18
7.5.	Amendment of Definitions	18
8.	Miscellaneous	18
8.1.	Execution	18
8.2.	Payment of the Note	18
8.3.	Transfer of Note; Lost or Mutilated Note	18
8.4.	The New Note	19
8.5.	Cancellation of Note	19
8.6.	Successors and Assigns	20
8.7.	Partial Invalidity	20
8.8.	Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent	20
8.9.	Communications	21
8.10.	Release	21
8.11.	Governing Law	21
8.12	Counterparts	21
8.13.	Headings	21

Attachments to Security Agreement:

Exhibit A - Form of Note

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of June 30, 1983 (the "Security Agreement") is from STEINER FINANCIAL CORPORATION, a Utah corporation (the "Debtor"), to NATIONAL COOPERATIVE SERVICES CORPORATION, a District of Columbia corporation (the "Secured Party").

RECITALS:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of June 30, 1983 (the "Participation Agreement") with Western Fuels Association, Inc., a Wyoming corporation (the "Lessee") providing for the commitment of the Secured Party to purchase on June 30, 1983 (the "First Closing Date") and on five business days notice from the Lessee, but no later than August 31, 1983 (the "Second Closing Date") the secured promissory notes (the "Notes") of the Debtor not exceeding an aggregate principal amount of $2,500,000. Each Note is to be dated the date of issue, and to be substantially in the form attached hereto as Exhibit A.

B. The Notes and any Replacement Notes issued pursuant to Section 7 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 (and such Replacement 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 of the Debtor's covenants and conditions in the Notes, this Security Agreement and in the Participation Agreement, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, 1.2 and 1.3 hereof, subject always to those limitations set forth in Section 1.4 hereof and to the Excepted Rights in Collateral as defined in Section 1.6 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the Units of railroad equipment (the "Units") leased and delivered under the Equipment Lease dated

June 30, 1983 as amended or supplemented from time to time (the "Equipment Lease"), between the Debtor, as lessor, and the Lessee, as lessee, which Units are more specifically described in the Certificates of Acceptance to be executed by the Lessee on the First Closing Date and the Second Closing Date (collectively with the Equipment Lease the "Lease"); together with all accessories, equipment, parts and appurtenances appertaining or attached to the Units hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, together with all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Units, except such thereof as remain the property of the Lessee under the Lease together with all rents, issues, income, profits, avails and revenues therefrom.

1.2. Rental Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, the bills of sale and the Purchase Order Assignment relating to the Units subjected hereto by means of this Security Agreement, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation:

(1) the immediate and continuing right to receive and collect all Fixed Rental payments, insurance proceeds, condemnation awards, Casualty Value Payments, Termination Value Payments and other payments, tenders and security now or hereafter payable or receivable by the Lessor under the Lease pursuant thereto, except those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof;

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

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

(4) Debtor's interest in that certain Amended and Restated Master Coal Purchase Contract ("Coal Purchase Contract") with Sunflower Electric Cooperative, Inc. dated November 13, 1979, and all amendments thereto, as more particularly described in Section 1.3 below.

(5) all proceeds and products of items deemed to be Collateral;

it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.6 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all rental, termination value payments and 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. The Coal Purchase Contract. Debtor's interests in the Coal Purchase Contract which have been assigned to Secured Party as Collateral include:

(1) the immediate and continuing right to receive and collect payments made for fixed costs under the Coal Purchase Agreement, except those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof;

(2) the right to approve all waivers, agreements and amendments relating to the Coal Purchase Agreement or any provision thereof except with regard to the right of the Debtor to receive those sums reserved as Excepted Rights in Collateral under Section 1.6 hereof; and

(3) the right to take such action upon the occurrence of an Event of Default under the Coal Purchase Contract, or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Coal Purchase Contract, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Coal Purchase Contract or by law; and to do any and other things whatsoever which the Debtor is or may be entitled to do under Section 20 of the Lease; it being the intent and purpose hereof that subject always to Excepted Rights in Collateral (as defined in Section 1.6 hereof), the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive all fixed cost payments and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged;

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

1.4. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee in and to the Units under the Lease, so long as no Event of Default under the Lease has occurred and is continuing, (b) the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith, so long as such contest will not affect or endanger the security interest or other rights of the Secured Party hereunder, and (c) liens of mechanics, materialmen and laborers for work or service performed or materials furnished which are not yet due and payable (collectively "Permitted Encumbrances").

1.5. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements contained herein, and in the Participation Agreement and the Notes, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.6. Excepted Rights in Collateral. Subject to the proviso hereto, there are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein shall constitute an assignment of said Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Sections 6 and 10.2 of the Lease or repayments or interest thereon under Section 20.2 of the Lease which by the terms of any of such sections of the Lease are payable to the Debtor for its own account (If any such indemnities are paid by an increase in the Rental under the Lease, the amount of each monthly payment of Rental which is attributable to said increase shall also be considered as "Excepted Rights in Collateral);

(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 the Debtor for its own account.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Operative Agreements (as defined in the Participation Agreement) and no implied obligations or covenants shall be read into this Security Agreement or any other Operative Agreements against the Debtor.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor, excepting only this Security Agreement and Permitted Encumbrances. The Debtor also agrees that it will, in its individual capacity and at its

own cost and expense, without regard to the provisions of Section 6 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral which result from claims against the Debtor not related to the ownership of the Units or any transactions pursuant to the Operative Agreements (as defined in the Participation Agreement). Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances reasonably 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 (including the assignment of the Coal Purchase Contract) and direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease and the Coal Purchase Contract (other than Excepted Rights in Collateral) directly to the Secured Party or as the Secured Party may direct in writing.

2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause the Lessee to record this Security Agreement (and all supplements) and the Lease (and all supplements) with the Interstate Commerce Commission pursuant to Section 11303 of the Interstate Commerce Act and in such other places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder within five (5) days of the First Closing Date and on or before the Second Closing Date, and will at no expense to the Secured Party require the Lessee to furnish to the Secured Party within five (5) days of the First Closing Date and on the Second Closing Date an opinion of counsel for the Lessee as required by the Lease. Debtor represents and warrants to Secured Party that its principal place of business is in the State of California, it was incorporated in the State of Utah and that under current laws this Security Agreement need only be filed with the Interstate Commerce Commission to protect the Secured Party's interests in the Collateral.

2.6. Actions Regarding the Lease and the Coal Purchase Contract. The Debtor will not:

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

(b) by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof;

(c) except in respect of Excepted Rights in Collateral, receive or collect any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate or grant a security interest in (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 Units;

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

(e) except in respect of Excepted Rights in Collateral, receive or collect any proceeds under the Coal Purchase Contract or assign, transfer, hypothecate (other than to the Secured Party hereunder) any proceeds received under the Coal Purchase Contract in respect of the obligations of the Lessee under the Operative Agreements;

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

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

The provisions of this Section 2.6 shall not be construed as limiting the rights of the Debtor set forth in Section 1.6(b) hereof.

2.7. Power of Attorney. The Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Sections 1.1, 1.2 and 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby and if an Event of Default hereunder shall have occurred and be continuing, to settle, adjust and compromise any claim under the Lease or the Coal Purchase Contract as fully as Debtor itself could so do;

provided, however, that if the Event of Default hereunder shall be the result of the failure of the Lessee to perform its obligations under the Lease or the result of a default by Sunflower under the Coal Purchase Contract, as long as the National Cooperative Services Corporation is the Secured Party, the Secured Party shall not be entitled to compromise, amend, or otherwise modify the terms of the Lease or the Coal Purchase Agreement, or fail to exercise reasonable efforts to enforce such terms without the written consent of the Debtor.

2.8. Defaults. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or the Coal Purchase Contract if the Debtor has actual knowledge of such event or condition. Debtor further agrees that it will not exercise any remedies under the Lease or the Coal Purchase Contract without the consent of the Secured Party. As long as the National Cooperative Services Corporation is the Secured Party, however, the Secured Party agrees that it will render its decision regarding whether to approve or disapprove of the exercise of any such remedies or the exercise of any remedies as assignee under the Coal Purchase Contract without regard to any relationships between Lessee and Secured Party other than the transactions contemplated by the Participation Agreement.

2.9. Maintenance of Existence. The Debtor will preserve and keep in full force and effect its existence as a Utah corporation, and will maintain all 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 Units and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always, that the possession, enjoyment, control and use of the Units shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Units by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

3.2. Release after Casualty Occurrence or Exercise of Early Termination Option. In the event of a Casualty Occurrence involving one of the Units, as long as no 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 of its security interest with respect to such Unit upon receipt of all sums payable for such Unit in compliance with Section 11 of the Lease. In the event of the exercise by the Lessee of its early termination option as long as no default referred to in Section 14 of the Lease has occurred and is continuing Secured Party will execute a release of its security interest in the Units upon receipt of the sums required to be paid pursuant to Section 18.5 of the Lease and all other indebtedness secured hereby.

3.3. Release of Units upon Payment. So long as no Event of Default or no event which with the giving of notice or the lapse of time, or both, would become an Event of Default shall have occurred and be continuing hereunder to the

knowledge of the Secured Party, the Secured Party shall, upon receipt of all principal and interest due under the Notes and all other indebtedness secured by this Agreement, release the Units subject hereto. Following payment of all indebtedness hereby secured the Secured Party will upon the request of Debtor, give written notice to the Lessee that the Secured Party's security interest hereunder has been terminated.

3.4. Protection of Purchaser. No purchaser in good faith of the Units purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority, or to inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents and Other Payments. As more fully set forth in Section 1.2 hereof the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Units as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The first monthly installment of Fixed Rental under the Lease shall be paid to the order of Debtor.

(b) Except as provided in subsection 4.1(a), all 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 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;

(c) Any amount received by the Secured Party which constitutes settlement by the Lessee of the "Casualty Value" for a Unit pursuant to Section 11 of the Lease shall be applied by the Secured Party as follows:

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

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

(iii) Third, the balance, if any, of any such amount 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(c), "Applicable Percentage" shall mean the quotient obtained by dividing: (i) the Lessor's Cost of the Unit(s) suffering a casualty occurrence which have been financed by the particular Note, by (ii) the Lessor's Cost of all Units financed with such Note which were subject to the terms of the Lease at the time of such casualty occurrence.

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

(i) The proceeds of such insurance shall be released to the Debtor, if the Unit is to be repaired, to reimburse the Lessee for expenditures made for such repair upon receipt by the Secured Party of a certificate of an authorized officer of the Lessee to the effect that any damage to the Units in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Lessee shall have notified the Secured Party in writing that the Lease is to be terminated in 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 payment of an amount equal to the accrued and unpaid interest on the Note determined as of the date the insurance proceeds are received by the Secured Party;

(B) Second, to the payment of an amount equal to the unpaid principal amount of the Note; and

(C) Third, the balance, if any, of any such amount 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).

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

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

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

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

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

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

4.2. Default. If an Event of Default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, 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 (5) business days;

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

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

(d) Any material representation 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 have been false or misleading in any material respect when made;

(e) Any claim, lien or charge (other than Permitted Encumbrances and liens, charges and encumbrances which the Lessee is obligated to discharge under Section 9 of the Lease) shall be asserted against or levied or imposed upon the Units which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be

discharged or removed within thirty (30) days after written notice from the Secured Party to the Debtor and the Lessee demanding the discharge or removal thereof;

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

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

(h) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Debtor and, if instituted against the Debtor are consented to or are not dismissed with 60 days after such institution; or

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

5.2. Secured Party's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 6 hereof, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of California (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

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

(b) Subject always to the rights of the Lessee under the Lease, provided such party is not then in default, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Lessee under the Lease, provided such party is not then in default, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and the Lessee once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the highest bidder, either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale may be adjourned from time to time by announcement at the time and place appointed for such sale, or for any such adjourned sale, without further published notice, and the Secured Party may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease, provided such party is not then in default, the Secured Party may proceed to protect and enforce this Security Agreement and the Note by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 6 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of the Lessee under the Lease, provided such party is not then in default, the Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Lease. 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 not less than five (5) days' prior written notice of the date (the "Enforcement Date") on or after 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 an occurrence of an Event of Default under the Lease arising under Section 14.1(a) thereof, and in the absence of any other Event of Default, the Debtor may, prior to the Enforcement Date, 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 so long as all such payments shall remain paid in full when due no Event of Default hereunder shall be deemed to have arisen under Section 5.1(b) hereof;

provided that during the term of the Lease the Debtor shall be entitled to so cure an aggregate of no more than eighteen (18) monthly payment defaults by the Lessee of which no more than eight (8) shall be within the first five years of the Lease, and no more than six (6) of such cures may be with respect to consecutive monthly defaults.

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 Note have been paid at the time of receipt by the Secured Party of such Fixed Rental, the Debtor shall be entitled to receive such Fixed Rental and such interest upon receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on any Note shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal of and interest on any Note shall have been paid in full, be subordinate to the rights of the Secured Party in respect of such payment of Fixed Rental and such interest on such overdue Fixed Rental prior to receipt by the Debtor of any amount pursuant to such subrogation, and (ii) the Debtor shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

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

5.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in cash.

5.5. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now

or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof prior to any sale thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, except as to rights expressly provided herein, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.6. 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, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the Secured Party of the amount then owing or unpaid on the Notes for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application 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 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 whosoever 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 and the Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.9. Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any default on the part of the Debtor shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party of any such default whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement, the Participation Agreement, the Notes, the Lease, any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, all obligations to make payments on the Notes and all other obligations hereunder shall be "non-recourse" to the Debtor and neither the Secured Party nor its successors or assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Debtor hereof for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty hereunder of any nature whatsoever from any source other than the property mortgaged or assigned by the Debtor as security for the Notes; and the Secured Party by acceptance thereof waives and releases any personal liability of the Debtor for and on account of such indebtedness or such liability and the Secured Party agrees to look solely to the property mortgaged or assigned by the Debtor as security for the Notes for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Secured Party to accelerate the maturity of the Notes upon a default thereunder, to bring suit and obtain a judgment against the Debtor on the Notes (provided that the Debtor shall not have any personal liability on any such judgment and the satisfaction thereof shall be limited to the property mortgaged or assigned by the Debtor as security for the Notes, including any interest therein of the Debtor) or, subject to the terms and conditions of the Lease, to foreclose the lien of this Security Agreement or otherwise realize upon the property mortgaged or assigned by the Debtor as security for the Notes, including the right to proceed against the Lessee under the Lease; and provided, further, that nothing herein contained shall limit the liability of the Debtor for its own gross negligence or willful misconduct or for damages of Secured Party occurring as a result of misrepresentation by Debtor or Debtor's failure to abide by the covenants set forth in Section 2.2.

SECTION 7. REPLACEMENT NOTES

7.1. Limitation on Replacement Notes. The Debtor may issue series of Replacement Notes (the "Replacement Notes") for the purpose of refinancing outstanding Notes, provided that no such Replacement Notes shall be issued unless (i) the proceeds of such issue are in fact applied to prepay all accrued interest, premium (if any) and principal of the Notes then outstanding, (ii) after giving effect to such issue, the aggregate original principal amount of all Replacement Notes issued under this Section 7.01 does not exceed $2,500,000, (iii) the Replacement Notes shall bear an interest rate per annum not in excess of 16% and may provide for debt amortization on an optimized basis, (iv) such Replacement Notes shall be for a term at least equal to the balance of the Basic Term of the Lease, and (v) may provide for a penalty or premium upon prepayment, provided that such penalty or premium is reflected in the Casualty Value or Termination Value Schedules of the Lease.

7.02. Creation of Replacement Notes. The Debtor may at one time and only one time, subject to the terms and conditions contained in this Security Agreement, execute and deliver an amendment hereto providing for the creation of a new series of Replacement Notes to replace the Notes. Such amendment hereto shall create such new series, designate such new series and set forth with respect to the Replacement Notes of such new series:

(a) the maximum aggregate principal amount of such Replacement Notes which may be originally issued;

(b) the date or dates of maturity of, and each principal paymen with respect to, such Replacement Notes;

(c) the place or places where principal, premium, if any, and interest are to be paid and where such Replacement Notes are to be registerable, transferable or exchangeable;

(d) the rate of interest and the date from which, and the date or dates on which, interest is payable;

(e) the terms, if any, as to prepayment or redemption of such Replacement Notes at the option of the Lessor, and as to the premium, if any, payable on any prepayment or redemption of such Replacement Notes; and

(f) any other particulars necessary to describe and define such Replacement Notes within the terms and conditions of this Security Agreement;

provided that all Replacement Notes shall be identical to the Notes in respect to the calendar months and the days of each such month specified for the payment of interest thereon (and each date fixed for the payment or prepayment of principal or other redemption thereof shall coincide with an interest payment date).

No Replacement Notes issued under this Security Agreement, and no amendment of this Security Agreement with respect thereto shall have the effect, directly, or through any documents or instruments entered into pursuant thereto,

of increasing the liabilities of Lessee under the Lease or any other Operative Agreement to which it is a party, other than increases in the liability of Lessee contemplated by Section 7.3(b), or shall create for the benefit of the holders of any such Replacement Notes any new Events of Default under this Security Agreement or the Lease.

7.3. Issue of Replacement Notes. At any time or from time to time after the execution and delivery by the Debtor of an amendment hereto creating a new series of Replacement Notes in accordance with Sections 7.1 and 7.2, and if no Event of Default shall have occurred and be continuing or will occur as a result of the issuance of such Replacement Notes or the transactions relating thereto, the Debtor may execute and deliver to the purchaser thereof Replacement Notes in an aggregate principal amount not exceeding that at the time permitted by such amendment hereto, after (i) compliance by the Debtor with this Section 7.3, (ii) receipt by the Lessor of an amount in cash equal to the aggregate principal amount of such Replacement Notes, together with surrender of the outstanding Notes and (iii) receipt of the following instruments in form and substance satisfactory to the new purchaser:

(a) Lease Amendment. An amendment to the Lease, duly authorized, executed and delivered by Lessee and the Lessor, providing for an increase in the Basic Rent under the Lease by an amount at least sufficient to comply with Section 2.2 of the Lease, and providing for appropriate Casualty and Termination Values under the Lease, together with (i) a Certificate of the Debtor setting forth computations sufficient to demonstrate compliance with the requirements of this Section 7.3(a) as to such amendment to the Lease (the accuracy of the arithmetical calculations contained therein to be certified to by Blyth Eastman Paine Webber Incorporated or the independent certified public accountants of Lessee), and (ii) such instruments of conveyance, assignment and transfer, if any, necessary or desirable to ratify and confirm the subjection to the lien of this Security Agreement, or to subject to such lien or the assignment clause contained herein all the right, title and interest of the Debtor in and to such amendment, subject to no liens other than the lien of this Security Agreement;

(b) Governmental Authorizations. Originals or certified copies of all governmental approvals necessary or advisable for the issue of the Replacement Notes covered by such application, the execution, delivery and performance by the Debtor of the supplemental indenture relating thereto and the execution, delivery and performance by the Debtor and the Lessee of the amendment to the Lease referred to above, all of which governmental approvals shall have been duly obtained and shall be in full force and effect.

(c) Opinions of Counsel. Such opinions of counsel, satisfactory to new purchaser as to such matters with respect to the validity of the Security Agreement, the making of necessary recordations, filings or other actions, the sufficiency or non-requirement of governmental actions, the due authorization, execution and delivery of any such amendment to the Lease or amendment to this Security Agreement, compliance with laws, and compliance with the requirements of this Section 7.3, as shall be requested by, and satisfactory in form and substance to new purchaser.

(d) Additional Documentation. Such additional documents as shall be reasonably requested by new purchaser in order to evidence (i) that such were issued for the purposes provided in Section 7.1, (ii) the accuracy of any matters of fact asserted or referred to in any Officers' Certificate required to be delivered under this Section 7.3(a), or (iii) the satisfaction of the conditions set forth in Sections 7.3(a) and (b).

7.4. Right to Collateral. Upon issuance of any Replacement Notes pursuant to this Section 7, the holder of such Replacement Notes shall succeed to all rights of the Secured Party in the Collateral and for all purposes of this Agreement, the Replacement Notes shall be secured by such Collateral to the same extent as the Notes have been so secured.

7.5. Amendment of Definitions. To the extent appropriate, terms defined in this Security Agreement shall be amended or supplemented to the reasonable satisfaction of the Debtor and new purchaser, so as to include all changes necessitated by the issuance of Replacement Notes pursuant to this Section 7.

SECTION 8. MISCELLANEOUS.

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

8.2. Payment of the Note.

(a) The principal of, and premium, if any, and interest on the Note shall be payable by wire transfer of immediately available funds, and if no such designation is in effect, by check, duly mailed, by first class, postage prepaid, or delivered to the Secured Party at its address appearing in Section 8.9. The Secured Party reserves the right to sell, transfer or otherwise dispose of the Notes. However, until Debtor and the Lessee receive written notification from Secured Party of such sale, transfer or disposition, the Debtor and Lessee shall be entitled to make payments as provided herein and any sums so paid shall be valid and effectual to satisfy and discharge the liability upon the Notes regardless of whether such payments are received by the Secured Party's assignee.

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

8.3. Transfer of Note; Lost or Mutilated Note.

(a) The Secured Party may transfer a Note upon the surrender thereof at the principal corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note to the Secured Party for delivery to such transferee.

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

(c) No notarial act shall be necessary for the transfer of a Note pursuant to this Section 8.3, and the transferee of a Note issued as provided in this Section 8.3 shall be entitled to any and all rights and privileges granted under this Security Agreement to the Secured Party.

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

8.4. The New Note.

(a) A new Note (herein, in this Section 8.4, called a "New Note") issued pursuant to Section 8.3(a) or (d) in exchange for or in substitution or in lieu of the outstanding Note (herein, in this Section 8.4, called an "Old Note") shall be dated the date of such Old Note. The Debtor shall mark on the New Note (i) the dates to which principal and interest have been paid on the Old Note, (ii) all payments and prepayments of principal and interest previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall be the same as the installment payment payable on the Old Note on such date. Interest shall be deemed to have been paid on such Old Note, and all payments and prepayments of principal and interest marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 8.3(a) or (d), 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) A New Note issued pursuant to Section 8.3(a) or (d) in exchange for or in substitution or in lieu of the Old Note shall be a valid obligation of the Debtor evidencing the same debt as the Old Note and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Note.

8.5. Cancellation of Note. The Note, if surrendered for the purpose of payment, redemption, transfer or exchange, shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Note

shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

8.6. Successors and Assigns. Whatever 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.

8.7. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid, provided that nothing contained in this Section 8.7 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 6 hereof, or to amend or modify any limitations or restrictions of the Secured Party or its successors or assigns under said Section 6.

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

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

(b) Promptly after the execution by the Debtor and the Secured Party of any supplemental agreement pursuant to the provisions of paragraph (a) of this Section 8.8, the Secured Party shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first class, postage prepaid, to each holder of the Notes. Any failure of the Secured Party to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

8.9. 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:

Steiner Financial Corporation
One Market Plaza
San Francisco, California 94105
Attention: President

If to the Secured Party:

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

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

8.10. Release. Except as provided in Section 3 hereof, the Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

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

8.12. 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.

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

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

STEINER FINANCIAL CORPORATION

By _____

Its Vice President

NATIONAL COOPERATIVE SERVICES CORPORATION

By _____

Its Asst Corporate Counsel

NATIONAL COOPERATIVE SERVICES CORPORATION
CORPORATE SEAL
DISTRICT OF COLUMBIA

[FORM OF NOTE]

STEINER FINANCIAL CORPORATION

NON-RECOURSE PROMISSORY NOTE

$_____ _____, 1983

STEINER FINANCIAL CORPORATION (the "Borrower"), for value received, hereby promises to pay to NATIONAL COOPERATIVE SERVICES CORPORATION (the "Lender"), or its assigns, but only from the funds designated below, the principal amount of $_____ and to pay interest on the unpaid principal balance from and including the date of advance hereunder to but excluding the maturity date of this Note at a variable rate of interest from time to time equal to the Loan Rate (as defined below), or such lesser total rate of interest as may be fixed from time to time by the Lender for intermediate-term loans (multiplied by a fraction the numerator of which is 100 and the denominator is 95), computed on the basis of a 365-day year and actual days elapsed. The Loan Rate for the period of time commencing with the issuance of this Note and ending January 1, 1984 (the "Basic Term Commencement Date") shall be a rate equal to an amount determined by multiplying (a) the sum of the Bank Prime Rate (as adjusted from time to time) plus the lesser of: (i) one and fifty-five hundredths percent (1.55%) per annum or (ii) such premium over the Bank Prime Rate as Lender generally charges for intermediate term loans, by (b) a fraction the numerator of which is 100 and the denominator is 95. The Loan Rate for the period commencing the Basic Term Commencement Date and ending on the date seven (7) years thereafter (the "Seventh Anniversary") shall be equal to the Lender's Adjusted Rate as in effect on the Basic Term Commencement Date. The Loan Rate for the period commencing on the Seventh Anniversary and ending on the date fourteen (14) years after the Basic Term Commencement Date (the "Fourteenth Anniversary") shall be equal to the Lender's Adjusted Rate as in effect on the Seventh Anniversary. The Loan Rate for the period commencing on the Fourteenth Anniversary and ending on the date twenty-one years after the Basic Term Commencement Date (the "Twenty-First Anniversary") shall be equal to the Lender's Adjusted Rate as in effect on the Fourteenth Anniversary. The Loan Rate for the period commencing on the Twenty-First Anniversary and ending upon repayment in full of this note shall be equal to the Lender's Adjusted Rate as in effect on the Twenty-First Anniversary.

The Bank Prime Rate is defined as the representative prime interest rate, as in good faith determined by the Borrower, published in the "Money Rates" column of The Wall Street Journal in its publication of the column on the 15th day of each month (or the next preceding date of publication if not published on the 15th).

The Lender's Adjusted Rate is an amount equal to Lender's best rate for similarly classified loans at the time of determination, multiplied by a fraction the numerator of which is 100 and the denominator is 95.

Payments hereunder shall be due and payable on the first day of each calendar month, commencing on the Basic Term Commencement Date; provided that if the first day of any such calendar month is not a business day, payments of interest hereunder shall be due on the next succeeding business day. The term "business day" means calendar days, excluding Saturdays, Sundays and holidays on which banks in the State of California and the District of Columbia are authorized or required to close. The entire unpaid principal amount of this Note shall be payable on January 1, 2009.

EXHIBIT A
(to Security Agreement)

Payments hereunder shall be of interest only for the period commencing with the issuance of this Note and ending on the Basic Term Commencement Date. Commencing with the first day of the month next succeeding the Basic Term Commencement Date and continuing until this Note is repaid in full, 299 payments hereunder shall be in an amount sufficient to fully amortize the unpaid principal amount of this Note in equal payments of principal and interest (at the then-current Loan Rate) over the remaining term of the Note. Payments of principal and interest hereunder shall be made in such coin or currency of the United States of America as at the time of such payment shall be legal tender for the payment of public or private debts.

All overdue payments hereunder shall bear interest at a rate equal to two percentage points above the then current rate hereunder (or the lawful rate, whichever is less) (the "Overdue Rate").

Anything in this Note, the Participation Agreement, the Security Agreement, the Lease (as defined in the Security Agreement), any certificate, opinion or document of any nature whatsoever to the contrary notwithstanding, all of Borrower's obligations hereunder shall be upon recourse to it in its personal capacity and neither the Lender nor its respective successors and assigns shall have any claim, remedy or right to proceed (at law or in equity) against the Borrower for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by this Note or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever, made pursuant to the Security Agreement, from any source other than the collateral described in the Security Agreement; and the Lender by its acceptance hereof waives and releases any personal liability of the Borrower; the Secured Party agrees to look solely to the collateral described in the Security Agreement, including the sums due and to become due under the Lease, for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the Lender to accelerate the maturity of this Note upon a default under the Security Agreement or to bring suit and obtain a judgment against the Borrower on the Note (provided that the Borrower shall not have any personal liability on any such judgment and the satisfaction thereof shall be limited to the collateral described in the Security Agreement, and the sums due and to become due under the Lease, including any interest therein of the Borrower) or, subject to the terms and conditions of the Lease, to foreclose the lien of the Security Agreement or otherwise realize upon the collateral described in the Security Agreement including the right to proceed against the Lessee under the Lease; and provided, further, that nothing herein contained shall limit the liability of the Borrower for its own gross negligence and willful misconduct.

So long as National Cooperative Services Corporation shall be the holder of this Note, principal and interest shall be payable in immediately available funds by transferring such amount by wire to such bank as the Lender shall specify to the Borrower in writing, for the account of National Cooperative Services Corporation maintained at such bank, without presentment or surrender of this Note. Final payment of this Note shall be made only against surrender of this Note to the Borrower.

This Note is one of the Notes which have been or are to be issued by the Borrower pursuant to the terms of the Security Agreement. The Collateral (as defined in the Security Agreement) is held by the Lender as security for such

Notes. Reference is hereby made to the Security Agreement for a statement of the rights of the owners or other holders of, and the nature and extent of the security for, this Note. This Note is subject to mandatory partial prepayment (in the case of a casualty occurrence) and mandatory repayment in full (in the case the Lessee exercises its early termination option) on the date on which the Casualty Value or Termination Value is paid by the Lessee under the Lease following a Casualty Occurrence (as such terms are defined in the Lease) or upon exercise by the Lessee of its early termination option pursuant to Section 18 of the Lease. Any such prepayment shall be in accordance with the provisions of Section 4 of the Security Agreement.

In case an Event of Default under the Lease shall occur and be continuing, the unpaid principal of this Note together with accrued interest hereon may become or be declared due and payable in the manner, with the effect and subject to the conditions, provided in the Security Agreement.

Each payment on this Note shall be applied in the manner set forth in Section 4 of the Security Agreement.

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

STEINER FINANCIAL CORPORATION

By _____

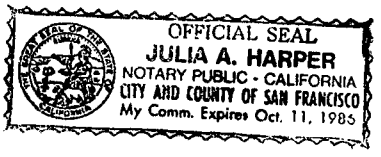
Its _____

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.

STATE OF CALIFORNIA)
) SS.
COUNTY OF SAN FRANCSICO)

On this 30th day of June, 1983, before me personally appeared Herbert L. Broadbelt, III. to me personally known, who being by me duly sworn says that he is the Assistant Corporate Counsel of National Cooperative Services Corporation, that the seal 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 execution of the foregoing instrument was the free act and deed of said corporation.



Julia A. Harper
Notary Public
My Commission Expires: October 11, 1986

STATE OF CALIFORNIA)
) SS.
COUNTY OF SAN FRANCISCO)

On this 30th day of June, 1983, before me personally appeared David H. Stanley to me personally known, who being by me duly sworn says that he is the Vice President of Steiner Financial Corporation, that the seal 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 execution of the foregoing instrument was the free act and deed of said corporation.

OFFICIAL SEAL
JULIA A. HARPER
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Comm. Expires Oct. 11, 1986

Julia A. Harper
Notary Public
My Commission Expires: October 11, 1986