

# OBER, KALER, GRIMES & SHRIVER

ATTORNEYS AT LAW

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

14358

100 MARYLAND NATIONAL BANK BUILDING

10 LIGHT STREET

RECORDATION NO. .... Filed 1425

BALTIMORE, MARYLAND 21202

(301) 685-1120

TELECOPIER (301) 547-0699

CABLE "RITNEY"

TELEX 8-7774

JUN 28 1984 - 12 20 PM

INTERSTATE COMMERCE COMMISSION

JAMES L. KALER  
 J. PAUL BRIGHT, JR.  
 JAMES R. WORSLEY, JR. \*  
 RANDALL C. COLEMAN \*  
 PAUL DANIEL \*  
 THOMAS D. WASHBURNE \*  
 LEWIS C. STRUDWICK  
 LAWRENCE D. HOLLMAN \*  
 CARLYLE C. RING, JR. \*  
 JERVIS S. FINNEY \*  
 MANFRED W. LECKSZAS \*  
 THOMAS B. EASTMAN  
 FREDERICK S. HIRD, JR. \*  
 GEORGE T. TYLER  
 WILLIAM L. BALFOUR  
 WILLIAM TRICKEL, JR., P. A. \*  
 SHERWOOD B. SMITH, JR. \*  
 WILLIAM C. TRIMBLE, JR.  
 WILLIAM A. SNYDER, JR.  
 RICHARD R. JACKSON, JR.  
 FRANK H. WELLER, JR. \*  
 DAVID W. CROSLAND, III \*  
 GERARD A. DUPUIS \*  
 DONALD C. GREENMAN  
 JERALD J. OPPEL \*  
 PAUL M. VINCENT \*  
 JOHN H. WEST, III \*  
 ROBERT V. BARTON, JR.

ALAN J. MOGOL \*  
 LEONARD C. HOMER \*  
 JOHN A. WOLF \*  
 JOHN C. BALDWIN \*  
 WARREN B. DALY, JR. \*  
 GEOFFREY S. TOBIAS \*  
 JAMES B. WIELAND  
 ROBERT L. ASH  
 SANFORD V. TEPLITZKY  
 M. HAMILTON WHITMAN, JR. \*

COUNSEL

J. RIEMAN MCINTOSH  
 EMORY T. NUNNELEY \*  
 W. WALLACE KIRKPATRICK \*

FRANK B. OBER  
 (1889-1981)  
 WILLIAM A. GRIMES  
 (1904-1977)  
 J. NICHOLAS SHRIVER, JR.  
 (1912-1977)

MARGARET M. MANNING  
 LINDA DALLAS REIDER  
 DEBORAH A. RANDALL  
 PAMELA J. WHITE  
 CARLA G. KATZENBERG  
 JOHN M. KINSEY  
 PATRICK K. CAMERON  
 ROBERT E. MAZER  
 THOMAS S. SPENCER  
 CAREL T. HEDLUND \*  
 JONATHAN A. CHASE  
 GUY W. WARFIELD  
 BARBARA T. BARRANTES \*  
 ELIZABETH P. BLUE  
 KEVIN A. DUNNE  
 MARI ANNE T. HAMILTON  
 JAMES E. EDWARDS, JR.  
 PETER J. MCNAMARA  
 JOHN N. RODOCK \*  
 MICHAEL F. SCHAFF  
 ROBERT L. EHRlich, JR.  
 JOSEPH A. GUZINSKI  
 STEVEN J. MANDELL  
 ROANN NICHOLS

\* NOT ADMITTED IN MARYLAND  
 \* MEMBER OF A  
 PROFESSIONAL CORPORATION

710 RING BUILDING  
 1200 EIGHTEENTH STREET, N. W.  
 WASHINGTON, D. C. 20036  
 (202) 331-9100  
 TELECOPIER (202) 331-9116

4-180A056

No.

Date JUN 28 1984

Fee \$ 50.00

35 WEST PINE STREET  
 PALM BEACH, FLORIDA 32801  
 (305) 841-2512  
 CABLE "RITNEY"  
 TELEX 8-7774

ONE EXCHANGE PLAZA  
 AT 55 BROADWAY  
 NEW YORK, NEW YORK 10006  
 (212) 742-1400  
 CABLE "RITNEY NYK"  
 TELEX 6-40444

ICC Washington, D. C.

June , 1984

RECEIVED

JUN 28 12 21 PM '84

FEE OPERATION 8P I.C.C.

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

Dear Mr. Secretary:

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

This document is a security agreement, a primary document, dated as of July 1, 1984.

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

Debtor: Potomac Leverage Leasing Company  
 1300 Indian Wood Circle  
 Maumee, Ohio 43537

Secured Party: Security Benefit Life Insurance Company  
 700 Harrison Street  
 Topeka, Kansas 66636

A description of the equipment covered by the document follows:  
 One hundred (100) auto racks, more fully described on the attached schedule, attached to flat cars bearing the road numbers described on the attached schedule. Such equipment also bears the following legend:  
 "AUTO RACK OWNED UNDER A SECURITY AGREEMENT FILED UNDER SECTION 11303 OF THE INTERSTATE COMMERCE ACT AND LEASED UNDER A LEASE DEPOSITED UNDER SECTION 86 OF THE RAILWAY ACT OF CANADA".

*Robert E. Johnson*

*01*

OBER, KALER, GRIMES & SHRIVER

Secretary, Interstate Commerce Commission

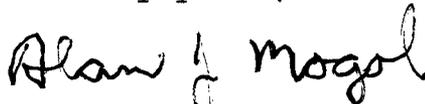
June , 1984

Page Two

A fee of \$50.00 is enclosed. Please return the original and any extra counterparts not needed by the Commission for recordation to: Alan J. Mogol, Esquire, Ober, Kaler, Grimes & Shriver, 1600 Maryland National Bank Building, Baltimore, Maryland 21202.

A short summary of the document to appear in the index follows: Security Agreement between Potomac Leverage Leasing Company, as Debtor, 1300 Indian Wood Circle, Maumee, Ohio 43537, and Security Benefit Life Insurance Company, as Secured Party, 700 Harrison Street, Topeka, Kansas 66636, dated as of July 1, 1984, and covering one hundred (100) auto racks.

Sincerely yours,



Alan J. Mogol  
Attorney for Potomac Leverage Leasing  
Company *et al*

AJM:caa  
Enclosure

Description of  
Auto Racks

Attached to Flatcars  
Bearing Road Numbers

Bi-level auto racks with  
standard height doors

TTSX 940037	TTSX 940172	TTSX 941691	TTSX 940170
TTSX 940091	TTSX 940175	TTSX 941764	TTSX 941583
TTSX 940093	TTSX 940975	TTSX 941775	
TTSX 940147	TTSX 941351	TTSX 963568	
TTSX 940158	TTSX 941376	TTSX 964469	

Fully enclosed bi-level  
auto racks

TTGX 940001	TTGX 940986	TTGX 941759
TTGX 940038	TTGX 941197	TTGX 941769
TTGX 940043	TTGX 941495	TTGX 941773
TTGX 940051	TTGX 941543	TTGX 941940
TTGX 940073	TTGX 941549	TTGX 941941
TTGX 940087	TTGX 941569	TTGX 962321
TTGX 940111	TTGX 941578	TTGX 963008
TTGX 940154	TTGX 941598	TTGX 963015
TTGX 940168	TTGX 941602	TTGX 963353
TTGX 940184	TTGX 941687	TTGX 940099
TTGX 940979	TTGX 941746	TTGX 964793

Bi-level covered partially  
enclosed auto racks with  
side screens

GIW 504314	TINX 962397
TINX 940102	TINX 962399
TINX 940169	TINX 962402
TINX 940941	TINX 962526
TINX 941208	TINX 962613
TINX 941532	TINX 962884
TINX 941727	TINX 963435
TINX 941949	TINX 963436
TINX 942098	TINX 963560
TINX 942111	TINX 963593
TINX 942163	TINX 963820
TINX 961478	TINX 964070
TINX 961479	TINX 964459
TINX 961482	TINX 961541
TINX 961491	TINX 964718
TINX 961495	TINX 964925
TINX 961504	TINX 964944
TINX 961510	TINX 964946
TINX 961526	TINX 964948
TINX 961537	TINX 964952
TINX 961543	TINX 964953
TINX 961545	TINX 964954
TINX 961742	TINX 964955
TINX 961749	TINX 965135
TINX 961761	TINX 965291

6/28/84

**Interstate Commerce Commission**  
Washington, D.C. 20423

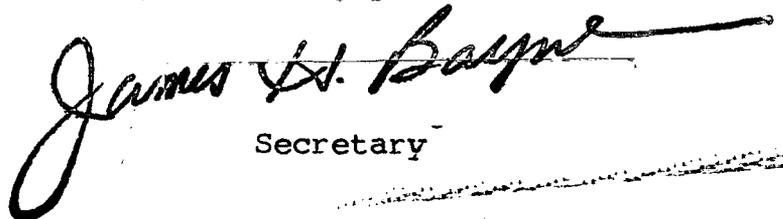
OFFICE OF THE SECRETARY

Alan J. Mogol  
Ober, Kaler, Grimes & Shriver  
1600 Maryland Natl. Bank Bldg  
10 Light St.  
Baltimore, Maryland 21202

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/28/84 at 12:40pm and assigned re-  
recording number(s). 14358

Sincerely yours,

  
Secretary

Enclosure(s)

SE-30  
(7/79)

**COUNTERPART**

REGISTRATION NO. **14358** Filed 1425

**JUN 28 1984 -12 42 PM**

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

Dated as of July 1, 1984

From

POTOMAC LEVERAGE LEASING COMPANY,

DEBTOR

To

SECURITY BENEFIT LIFE INSURANCE COMPANY,

SECURED PARTY

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of July 1, 1984 (the "Security Agreement") is from POTOMAC LEVERAGE LEASING COMPANY (the "Debtor"), Debtor's post office address being 1300 Indian Wood Circle, Maumee, Ohio 43537, to SECURITY BENEFIT LIFE INSURANCE COMPANY (the "Secured Party"), Secured Party's post office address being 700 Harrison Street, Topeka, Kansas 66636.

### R E C I T A L S:

A. The Debtor and the Secured Party have entered into a Participation Agreement dated as of the date hereof (the "Participation Agreement") providing for the commitment of the Secured Party to purchase on the Closing Date therein provided not later than July 3, 1984, the 13% Secured Notes (the "Notes") of the Debtor in an aggregate principal amount equal to \$1,854,675.60. The Notes are to be dated the Closing Date, to bear interest from such date at the rate of 13% per annum (computed on the basis of a 360-day year of actual days elapsed) prior to maturity, to be expressed to mature in eighteen (18) 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 January 1, 1985, and the balance of such installments to be paid on the first day of each July and January thereafter, to and including July 1, 1993, provided that in any event and notwithstanding the amortization schedule set forth in Schedule 1 hereto such final payment made on the Notes shall be in an amount sufficient to discharge the accrued interest on, and unpaid principal amount of, the Notes; and to be otherwise substantially in the form attached hereto as Exhibit A-1 or A-2, as appropriate. In the event the Closing Date occurs prior to July 1, 1984, the Notes shall provide for a single payment of accrued interest on July 1, 1984 in addition to the payments stated above. The liability of the Debtor with respect to the Notes, this Security Agreement and the Participation Agreement is limited as provided in Section 6.8 of this Security Agreement.

B. The Notes and all principal thereof and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor to the Secured Party 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 transactions 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.

D. The capitalized or quoted terms used herein and not defined shall have the respective meanings set forth in Section 1.1 of the Participation Agreement.

SECTION 1. GRANT OF SECURITY INTEREST.

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, the receipt and sufficiency 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, in this Security Agreement and in the Participation Agreement contained, running in favor of the Secured Party, does hereby convey, warrant, mortgage, assign, pledge and grant to 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 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 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 Master Equipment Lease dated as of January 5, 1984, and as amended from time to time (the "Lease") between the Debtor, as lessor, and Grand Trunk Western Railroad Company (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, proceeds 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 Rent, 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 1.6 hereof;

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

(3) subject to Section 6.8 of this Security Agreement, 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 such 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 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 Rent 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. Guarantee Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Guarantee Agreement dated as of January 5, 1984 (the "Guarantee Agreement") from Grand Trunk Corporation (the "Guarantor") to the Debtor, including, without limitation, any and all sums due and to become due thereunder insofar as the same relates to the Collateral described in Section 1.2 hereof excepting the guaranty of Excepted Rights in Collateral under Section 1.6 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 Equipment under the Lease so long as no Event of Default under the Lease, or any event which with the lapse of time or the giving of notice, or both, would constitute such an Event of Default shall have

occurred and be continuing, and the Secured Party shall have continued to receive all Rent and other sums payable pursuant to 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 20 of the Lease (collectively, "Permitted Encumbrances").

1.5. Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, 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 pertaining to the Debtor and all covenants and agreements of the Debtor herein and in the Participation Agreement and in the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall terminate; otherwise to remain in full force and effect.

1.6. Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter and hereinbefore sometimes referred to collectively 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 19, 21 and 22 of the Lease, which by the terms thereof are payable to the Debtor for its own account;

(b) all rights of the Debtor under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor on account of any such indemnities or payments pursuant to Sections 19, 21 and 22 of the Lease, which by the terms thereof are enforceable by the Debtor for its own account;

(c) all rights of the Debtor under the Guarantee Agreement to demand, collect, sue for or otherwise obtain amounts from the Guarantor due the Debtor on account of the Lessee's obligations under Sections 19, 21 and 22 of the Lease, which by the terms thereof are enforceable by the Debtor for its own account; and

(d) any insurance proceeds payable under the property damage and general public liability policies required to be maintained by the Lessee pursuant to Section 14 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 represents, 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 of the Debtor 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 for the Debtor herein and in the other Operative Agreements 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, at its own cost and expense, subject to Section 6.8 of this Security Agreement, 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 Equipment or any transactions pursuant to the Operative Agreements. Without limiting the generality of 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 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 generality of the foregoing but in furtherance of the security interest herein granted in the Rent and other sums due and to become due under the Lease and the Guarantee Agreement, the

Debtor covenants and agrees that it will, pursuant to Section 15(b) of the Lease, notify the Lessee and the Guarantor of the assignment hereunder and direct the Lessee and the Guarantor to make all payments of such Rent and other sums due and to become due under the Lease and the Guarantee Agreement 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 Section 1 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 this Security Agreement and all supplements or amendments hereto, the Lease and all supplements or amendments thereto, and all financing and continuation statements and similar notices required by applicable law, at all time to be kept, recorded, deposited and filed at no expense to the Secured Party in such manner and in such place as the Secured Party may reasonably request or as may be required by law in order to fully preserve and protect the rights of the Secured Party hereunder, and will at no expense to the Secured Party furnish to the Secured Party promptly after the execution and delivery of this Security Agreement an opinion of counsel stating that in the opinion of such counsel, this Security Agreement has been properly recorded or deposited or filed for record so as to make effective of record the security interest intended to be created hereby.

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 Rent 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) 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, except that the Debtor may, with the prior written consent of the Bank, so sell, mortgage, transfer, assign or hypothecate to Dana Corporation or to any corporation a majority of whose voting stock is owned, directly or indirectly, by Dana Corporation.

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 Rent, 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 Rent and other sums and the security intended to be afforded hereby; provided, that so long as no Event of Default under the Lease shall have occurred and be continuing, no settlements, adjustments or compromise of any claim and no modification of any provision of the Lease or amendment to the Lease, or of any provision of the Guarantee Agreement or amendment to the Guarantee Agreement, shall be made by the Secured Party without the consent of the Debtor.

2.8. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease if a responsible officer of the Debtor has actual knowledge of such event or condition. For purposes of this Section 2.8. a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Debtor in this Security Agreement contained, any corporate officer of the Debtor who, in the normal performance of his operational responsibilities, would have knowledge of such event or condition and the requirements of this Security Agreement with respect thereto.

### SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing, the Debtor 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, 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 Event of Default under the Lease has occurred and is continuing, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to Section 5(c) or 13 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 5(c) or 13 of the Lease.

3.3. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

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

4.1. Application of Rents and Other Payments. As more fully set forth in Sections 1.2 and 1.3 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 and the Guarantee Agreement in respect of the Equipment as security for the Notes (except with respect to Excepted Rights in Collateral). 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 (or by the Guarantor in respect thereof under the Guarantee Agreement) of the installments of Rent 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 Rent which are received by the Secured Party, and then the balance, if any, of such amounts shall be paid promptly to or upon the order of the Debtor;

(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 13 of the Lease (or by the Guarantor in respect

thereof under the Guarantee Agreement) shall be applied promptly by the Secured Party as follows:

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

(ii) Second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment, without premium, of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the aggregate principal amount of such prepayment bears to the aggregate unpaid principal amount of the Notes immediately prior to such 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 promptly following payment of the amounts provided in the preceding clauses (i) and (ii).

For purposes of this Section 4.1(b), the "Loan Value" in respect of any Item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Total Invoice Cost (as defined in the Participation Agreement) of such Item(s) of Equipment for which settlement is then being made and the denominator of which is the aggregate Total Invoice Cost of all Items of Equipment then subject to the Lease (including the Total Invoice Cost of such Item(s) of Equipment for which settlement is then being made), times (B) the unpaid aggregate 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) Amounts to be paid to the Debtor pursuant to this Section 4.1 shall, if less than \$25,000, be paid forthwith by check of the Secured Party mailed to the office of the Debtor at the address set forth in Section 6.11 hereof, and shall, if \$25,000 or more, be paid forthwith by wire transfer of immediately available funds to Continental Bank of Illinois, Chicago, Illinois, Account No. 76-87974, for the account 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 Sections 1.2 and 1.3 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 ten days;

(b) Subject to Section 5.3 hereof, an Event of Default under the Lease, except in respect of default in payment or performance with regard to any Excepted Rights in Collateral (unless an aggregate amount of \$500,000 of payments due to the Debtor in regard to Excepted Rights in Collateral remains overdue for more than 30 days) shall have occurred and be continuing under the Lease;

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

(d) Any representation or warranty on the part of the Debtor made herein or in the Participation Agreement or in any report, certificate, financial or other statement furnished 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) 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 60 calendar days after written notice from the Secured Party to the Debtor and the Lessee demanding the discharge or removal thereof;

(f) The Debtor shall (1) be generally not paying its debts as they become due, (2) file, or consent to the filing against it of a petition for relief under any bankruptcy or insolvency laws, (3) make an assignment for the benefit of creditors, (4) consent to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other official with similar powers over the Debtor or a substantial part of its property, or (5) take corporate action for the purpose of any of the foregoing;

(g) A court having jurisdiction over the Debtor or its property shall enter a decree or order in respect of the Debtor or such property in an involuntary case under any bankruptcy or insolvency law, or shall appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator, or official with similar powers over the Debtor or any such property, or shall order the winding-up or liquidation of the affairs of the Debtor, and such order or decree shall continue in effect for a period of 60 consecutive days; or

(h) The Debtor shall fail to make any payment due on any indebtedness under any agreement for the repayment of borrowed money in the amount of \$100,000 or more, the effect of which is to permit any holder of indebtedness under such agreement or trustee to cause such indebtedness or portion thereof to become due prior to its stated maturity or its regularly scheduled dates of payment.

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 to Sections 5.3 and 6.8 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 the State of Ohio (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 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 to the rights of the Lessee under the Lease, provided no Event of Default thereunder has occurred and is continuing, the Secured Party 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 to the rights of the Lessee under the Lease, provided no Event of Default thereunder has occurred and is continuing and the Secured Party continues to receive all Rent payable pursuant to the Lease, the Secured Party may, if at the time such action may be lawful and 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 20 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 that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the Debtor may bid and become the purchaser at any such sale;

(d) Subject to the rights of the Lessee under the Lease, provided no Event of Default thereunder has occurred and is continuing, the Secured Party may proceed to protect and enforce its rights under this Security Agreement, the Participation Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or subject to the provisions of Section 6.8

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 to the rights of the Lessee under the Lease, provided no Event of Default thereunder has occurred and is continuing, 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 and any default or Event of Default hereunder arising therefrom shall have occurred and be continuing (including, without limitation, any resulting default or Event of Default under Section 5.1(a) hereof), the Secured Party shall give the Debtor not less than five (5) business 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) In the event of the occurrence of an Event of Default under the Lease arising under Section 23(a) thereof and any default or Event of Default hereunder arising therefrom, 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, which payment shall, for all purposes of this Security Agreement, be deemed to have cured such default or Event of Default; provided, that the Debtor may not exercise such right in respect of more than two (2) consecutive defaults in the payment of Rent under the Lease or in any event more than a total of four (4) times throughout the term of the Lease.

(b) Except as hereinafter in this Section 5.3(b) 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. In the event the Debtor pays in full the amount of principal and interest then due and payable on the Notes pursuant to

Section 5.3(a) hereof, the Debtor shall be subrogated to the rights of the Secured Party in respect of the Rent under the Lease 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 default or Event of Default hereunder 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 Rent under the Lease, the Debtor shall be entitled to receive such Rent and such interest upon receipt thereof by the Secured Party; provided that (i) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, such subrogation shall, until principal 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 Rent and such interest on such overdue Rent 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.

(c) 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, if an Event of Default shall have occurred and be continuing and the unpaid balance of the Notes shall have been declared due and payable pursuant to Section 5.2(a) hereof, before the sale or taking of the Equipment in accordance with the provisions of Section 5.2 hereof, 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, including interest on overdue amounts, to the date of prepayment and all other indebtedness hereby secured. In the event of such a prepayment of the Notes, the Secured Party shall forthwith transfer all of its right, title and interest in and to the Collateral under this Security Agreement to the Debtor and the Debtor shall assume all such right, title and interest.

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 and all other indebtedness hereby secured, shall at once become and be immediately due and payable; also in the case of any such sale, any purchaser, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use, as a credit on the purchase price, an amount of the Notes (including all claims for interest matured and unpaid thereon) owned by such purchaser equal to the pro rata portion of the net proceeds of such sale to which such purchaser is entitled on account of all Notes owned by such purchaser.

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, or 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, provided that the waiver contained in this Section 5.5 shall not apply to actions against the Debtor pursuant to Section 6.8(d) hereof.

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 reasonable 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 and interest, 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, if any, with application on each Note to be made, first, to the unpaid interest thereon, and thereafter to the 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 position 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 guarantee for the payment of the indebtedness hereby secured 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 guarantee.

SECTION 6. MISCELLANEOUS.

6.1. Registration and Execution. As provided in Recital A hereof, the Notes issuable hereunder may be either Registered Notes, registered as to principal and interest, in substantially the form of Exhibit A-1 hereto, or Order Notes, transferable by endorsement and delivery, in substantially the form of Exhibit A-2 hereto, and, in either case, such Notes shall be signed on behalf of the Debtor by its President or any Vice President or any other officer of the Debtor who, at the date of the actual execution thereof, shall be a proper officer to execute the same.

6.2. Payment of the Notes. (a) The principal of and interest on the Notes shall be payable by wire transfer of immediately available funds to Security Benefit Life Insurance Company, c/o The First National Bank of Topeka, Account No. 16-332-5, or as the Secured Party shall otherwise designate. 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 of a Registered Note (or the person for whom such holder is a nominee) by its acceptance of any Note 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 6.4 and 6.5 hereof.

(b) All amounts constituting payment of the installments of Rent under the Lease or payments of 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.

6.3. The Register. The Debtor will keep at its principal corporate office a register for the registration and transfer of Registered Notes (herein called the "Register"). The names and addresses of the holders of such Notes, the transfers of such Notes and the names and addresses of the transferees of all such Notes shall be registered in the Register.

The holder of any Note issued hereunder which is so registered may, pursuant to Sections 6.4 and 6.5 hereof, upon presentation thereof at the principal 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, pursuant to Sections 6.4 and 6.5 hereof, cause the same to be discharged from registration and reissued in unregistered form

as authorized above, upon surrender thereof at the principal 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 6.4 hereof.

The holder of any Order Note may, pursuant to Sections 6.4 and 6.5 hereof cause the same to be replaced and reissued in registered form as set forth in Exhibit A-1 hereto upon surrender thereof at the principal office of the Debtor duly endorsed or accompanied by a written instrument of transfer duly executed by such holder.

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

(a) The holder of any Registered Note may transfer such Note upon the surrender thereof at the principal corporate office of the Debtor. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to such holder for delivery to such transferee, provided that each such new Note shall be issued in a denomination of not less than \$100,000.

(b) The holder of any Registered Note or Notes may surrender such Note or Notes at the principal corporate 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. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in 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, provided that each such new Note shall be issued in a denomination of not less than \$100,000.

(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 of the name and address of the transferee of any Note so transferred. With respect to Notes to which this Section applies, the Debtor shall be entitled to presume conclusively that the Secured Party or such subsequent holder as shall have requested for provisions hereof to apply to its Notes remains the holder of such Notes until (i) the Debtor 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 (10) 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 6.4, and the holder of any Note issued as provided in this Section 6.4 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 Secured Party, or any other institutional investor having a net worth in excess of \$50,000,000 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 institutional investor 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 institutional investor to indemnify the Debtor for any claims or action against it (and for its attorneys' fees) resulting from the issuance of such new Note or the reappearance of the old Note.

6.5. The New Notes.

(a) Each new Note (herein, in this Section 6.5, called a "New Note") issued pursuant to Section 6.4(a), (b) or (f) hereof in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 6.5, 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 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 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 made on such New Note, as provided in clause (ii) above, shall be deemed to have been made on such Old Note.

(b) Upon the issuance of or request to issue a New Note pursuant to Section 6.4(a), (b) or (f) hereof, 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, including reasonable attorneys' fees, connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 6.4(a), (b) or (f) hereof 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 shall prepare and deliver to the Secured Party an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment. 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.

6.6. 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.

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

6.8. Limitation of Liability. (a) Except as set forth in paragraph (d) of this Section 6.8, all liability of the Lessor under this Security Agreement, the Participation Agreement and the Notes shall be limited to the Collateral and the "income and proceeds from the Collateral", which shall consist of amounts received as, or as damages in lieu of, payments assigned to the Secured Party as Collateral, and the Secured Party agrees that it will look solely to the "income and proceeds from the Collateral" to the extent available for distribution to the Secured Party and that the Debtor shall not be personally liable to the Secured Party for any amounts payable hereunder, under the Participation Agreement or under the Notes.

(b) As used herein the phrase "income and proceeds from the Collateral" shall mean:

(1) if an Event of Default under the Lease or this Security Agreement shall have occurred and be continuing and the Secured Party shall have declared the Notes to be due and payable in accordance with the provisions of Section 5 of this Security Agreement, so much of any amounts due to the Debtor (except to the extent of the Excepted Rights in Collateral) under this Security Agreement as are indefeasibly received by the Debtor or the Secured Party at any time after such Event of Default and during the continuance of such Event of Default;

(2) at any other time, only that portion of the amounts referred to in paragraph (b)(1) of this Section 6.8 as is indefeasibly received by the Debtor or the Secured Party and as shall equal the aggregate unpaid principal amount of the Notes (including any amounts required to be prepaid pursuant to Section 5 of this Security Agreement, including interest) then due and payable or due and payable by reason of a Total Loss pursuant to Section 13 of the Lease, together with all other amounts payable to the Secured Party pursuant to this Security Agreement and the Participation Agreement.

(c) Subject to the limitation on liability of the Debtor herein contained (including, but not limited to, such limitations as are referred to in clauses (1) and (2) of paragraph (b) of this Section 6.8), and subject to the right, title and interest of the Lessee in and to the Equipment under the Lease so long as no Event of Default under the Lease, or any event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, and the Secured Party shall have continued to receive all Rent and other sums payable pursuant to the Lease, the obligation of the Debtor to pay the principal of and interest on the Notes shall be fully enforceable (by appropriate proceedings against the Debtor at law or in equity or otherwise), except as otherwise set forth herein, against the Debtor's right, title and interest in the Lease (except to the extent of the Excepted Rights in Collateral), and nothing contained herein limiting the liability of the Debtor shall derogate from the right of the Secured Party to enforce, as provided in Section 5 of this Security Agreement, its security interest in the Collateral for the unpaid principal of and interest on the Notes and all other amounts payable to the Secured Party hereunder and under the Notes, including, without limitation, the right to accelerate the maturity of payments on the Notes as provided herein upon an Event of Default under the Lease or this Security Agreement and to proceed against the Lessee under the Lease for any sums due or to become due under the Lease (except to the extent of the Excepted Rights in Collateral).

(d) Notwithstanding the provisions of this Section 6.8 and notwithstanding any transfer by the Debtor of its right, title and interest in and to the Lease (except to the extent of the Excepted Rights in Collateral), the Debtor shall be and remain personally liable for any damages resulting from any misrepresentation or violation of the covenants, representations, warranties and agreements of the Debtor set forth in Sections 2.6, 3.1 and 3.3 of the Participation Agreement and the covenants and warranties of the Debtor set forth in Section 2 of this Security Agreement. Personal liability shall include any legal expenses incurred by the Secured Party in recovering such damages.

6.9. 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.

6.10. 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.

6.11. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or five (5) days following deposit in the United States mail, certified, postage prepaid, addressed as follows:

If to the Debtor: Potomac Leverage Leasing Company  
1300 Indian Wood Circle  
Maumee, Ohio 43537  
Attention: President

If to the Secured Party: Security Benefit Life Insurance Company  
700 Harrison Street  
Topeka, Kansas 66636  
Attention: Investment Department

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

If to any holder of Order Notes: At the last address of such holder of which the Debtor has knowledge

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. Duplicate copies of all notices delivered to the Debtor or the Secured Party hereunder will be delivered to the Lessee and the Guarantor at their respective addresses set forth in Section 7.2 of the Participation Agreement.

6.12. Amendments. This Security Agreement may, from time to time and at any time, be amended or supplemented by an instrument or instruments in writing executed by the parties hereto.

6.13. 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 hereby secured has been fully paid or discharged.

6.14. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Ohio without regard to principles of conflicts of law.

6.15. 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.

6.16. 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.

6.17. Effective Date. Although this Security Agreement is dated as of the date first above written for convenience, the actual dates of execution hereof by the Debtor and the Secured Party are respectively the dates set forth in the acknowledgments hereto, and this Security Agreement shall be effective on the latest of such dates.

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



[CORPORATE SEAL]

ATTEST:

[Signature]  
Authorized Officer

POTOMAC LEVERAGE LEASING COMPANY

STANLEY L. RUDINE

By

Its [Signature]  
VICE PRESIDENT

SECURITY BENEFIT LIFE INSURANCE COMPANY

EVERETT S. GUB

By

Its [Signature]  
SENIOR VICE PRESIDENT

[CORPORATE SEAL]

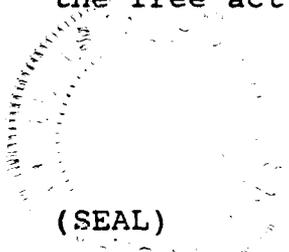
ATTEST:

[Signature]  
Authorized Officer

STATE OF OHIO )  
 ) SS  
COUNTY OF LUCAS )

On this 27th day of JUNE, 1984 before me personally appeared STANLEY L. RUBIN, to me personally known, who being by me duly sworn, says that he is the VICE PRESIDENT of POTOMAC LEVERAGE LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the 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.

Linda S. Croydon  
Notary Public



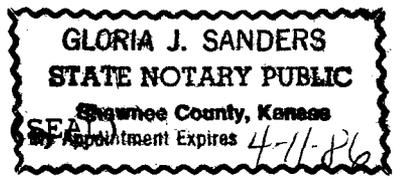
(SEAL)

My commission expires: **LINDA S. CROYDON, Notary Public**  
**State of Ohio**  
**My Commission Expires March 4, 1988**

STATE OF Kansas )  
 ) SS  
COUNTY OF Shawnee )

On this 26 day of June, 1984, before me personally appeared Evelyn Gille, to me personally known, who being by me duly sworn, says that he is the Senior Vice President of SECURITY BENEFIT LIFE INSURANCE 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.

Gloria J. Sanders  
Notary Public



My commission expires:

DEBT SERVICE REPORT

AVERAGE LOAN LIFE 5.95

SCHEDULE 1

GRAND TRUCK WESTERN  
POTOMAC LEVERAGE LEASING  
ACTUAL DEAL

	TAKEDOWNS	REPAYMENTS	INTEREST	DEBT SERVICE	OUTSTANDING	REPAYMENTS AS % OF LOAN	DEBT SERVICE AS % OF LOAN	OUTSTANDING AS % OF LOAN
29JUN84	1,854,675.60				1,854,675.60			100.00000000
1JUL84			1,339.49	1,339.49			0.07222233	
1JAN85		45,759.48	120,553.91	166,313.39	1,808,916.12	2.46724980	8.96724958	97.53275020
1JUL85		48,733.84	117,579.55	166,313.39	1,760,182.28	2.62762070	8.96724958	94.90512950
1JAN86		51,901.54	114,411.85	166,313.39	1,708,280.74	2.79841607	8.96724958	92.10671343
1JUL86		55,275.14	111,038.25	166,313.39	1,653,005.60	2.98031311	8.96724958	89.12640033
1JAN87		58,868.03	107,445.36	166,313.39	1,594,137.57	3.17403378	8.96724958	85.95236655
1JUL87		62,694.45	103,618.94	166,313.39	1,531,443.12	3.38034587	8.96724958	82.57202068
1JAN88		66,769.59	99,543.80	166,313.39	1,464,673.53	3.60006839	8.96724958	78.97195229
1JUL88		71,109.61	95,203.78	166,313.39	1,393,563.92	3.83407265	8.96724958	75.13787964
1JAN89		75,731.74	90,581.65	166,313.39	1,317,832.18	4.08328766	8.96724958	71.05459197
1JUL89		80,654.30	85,659.09	166,313.39	1,237,177.88	4.34870120	8.96724958	66.70589078
1JAN90		122,852.66	80,416.56	203,269.22	1,114,325.22	6.62394329	10.95982607	60.08194748
1JUL90		130,838.08	72,431.14	203,269.22	983,487.14	7.05449945	10.95982607	53.02744803
1JAN91		139,342.56	63,926.66	203,269.22	844,144.58	7.51304217	10.95982607	45.51440586
1JUL91		148,399.82	54,869.40	203,269.22	695,744.76	8.00138957	10.95982607	37.51301629
1JAN92		158,045.81	45,223.41	203,269.22	537,698.95	8.52147998	10.95982607	28.99153631
1JUL92		168,318.79	34,950.43	203,269.22	369,380.16	9.07537631	10.95982607	19.91616000
1JAN93		179,259.51	24,009.71	203,269.22	190,120.65	9.66527570	10.95982607	10.25088431
1JUL93		190,120.65	12,357.84	202,478.49	(-.00)	10.25088431	10.91719166	(-.00000000)
	1,854,675.60	1,854,675.60	1,435,160.82	3,289,836.42	(-.00)	100.00000000	177.38069234	(-.00000000)

READY: >

<u>Description of Auto Racks</u>	<u>Attached to Flatcars Bearing Road Numbers</u>				
Bi-level auto racks with standard height doors	TTSX 940037	TTSX 940172	TTSX 941691	TTSX 940170 TTSX 941583	
	TTSX 940091	TTSX 940175	TTSX 941764		
	TTSX 940093	TTSX 940975	TTSX 941775		
	TTSX 940147	TTSX 941351	TTSX 963568		
	TTSX 940158	TTSX 941376	TTSX 964469		
Fully enclosed bi-level auto racks	TTGX 940001	TTGX 940986	TTGX 941759		
	TTGX 940038	TTGX 941197	TTGX 941769		
	TTGX 940043	TTGX 941495	TTGX 941773		
	TTGX 940051	TTGX 941543	TTGX 941940		
	TTGX 940073	TTGX 941549	TTGX 941941		
	TTGX 940087	TTGX 941569	TTGX 962321		
	TTGX 940111	TTGX 941578	TTGX 963008		
	TTGX 940154	TTGX 941598	TTGX 963015		
	TTGX 940168	TTGX 941602	TTGX 963353		
	TTGX 940184	TTGX 941687	TTGX 940099		
	TTGX 940979	TTGX 941746	TTGX 964793		
	Bi-level covered partially enclosed auto racks with side screens	GTW 504314	TINX 962397		
		TINX 940102	TINX 962399		
TINX 940169		TINX 962402			
TINX 940941		TINX 962526			
TINX 941208		TINX 962613			
TINX 941532		TINX 962884			
TINX 941727		TINX 963435			
TINX 941949		TINX 963436			
TINX 942098		TINX 963560			
TINX 942111		TINX 963593			
TINX 942163		TINX 963820			
TINX 961478		TINX 964070			
TINX 961479		TINX 964459			
TINX 961482		TINX 961541			
TINX 961491		TINX 964718			
TINX 961495		TINX 964925			
TINX 961504		TINX 964944			
TINX 961510		TINX 964946			
TINX 961526		TINX 964948			
TINX 961537		TINX 964952			
TINX 961543		TINX 964953			
TINX 961545		TINX 964954			
TINX 961742		TINX 964955			
TINX 961749	TINX 965135				
TINX 961761	TINX 965291				

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

POTOMAC LEVERAGE LEASING COMPANY

13% SECURED NOTE

No. R-

Maumee, Ohio

\$

\_\_\_\_\_, 1984

FOR VALUE RECEIVED, the undersigned, POTOMAC LEVERAGE LEASING COMPANY (the "Maker") promises to pay to SECURITY BENEFIT LIFE INSURANCE COMPANY (the "Payee"), or registered assign, at 700 Harrison Street, Topeka, Kansas 66636 or such other place as the Payee or any subsequent holder hereof (the "Holder") may from time to time designate, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), together with interest from the date hereof until maturity at the rate of 13% per annum (computed on the basis of a 360-day year of actual days elapsed) on the unpaid principal hereof, in installments as follows:

(i) A single installment of accrued interest on July 1, 1984, if the date of this Note is prior to July 1, 1984;

(ii) Seventeen (17) installments of principal and interest in the amounts set forth in Schedule I hereto, payable on January 1, 1985 and the first day of every July and January thereafter to and including January 1, 1994; followed by

(iii) A final installment on July 1, 1993 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date.

Both the principal hereof and interest thereon are payable to the Payee or any 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.

This Note is one of the 13% Secured Notes of the Maker not exceeding \$1,854,675.60 in aggregate principal amount (the "Notes") issued under and pursuant to that certain

Participation Agreement dated as of July 1, 1984 (the "Participation Agreement") between the Maker and the Payee, and is also issued under and equally and ratably with said other Notes secured by, that certain Security Agreement dated as of July 1, 1984 (the "Security Agreement") from the Maker to the Payee. Reference is made to the Participation Agreement, the Security Agreement and all supplements and amendments thereto for a description of the collateral, the nature and extent of the security and rights of the Payee, any Holder hereof and the Maker in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Maker agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement. Maker shall not otherwise prepay the principal balance of this Note in whole or in part at any time without the prior written consent of the Payee or any Holder hereof provided, however, that any installment of interest payable on any January 1 may be prepaid by the Lessor at any time during the ten (10) Business Days (as defined in the Participation Agreement) preceding such January 1 if the Lessor shall have notified the Lender of its intention to so prepay not later than twenty (20) Business Days prior to such January 1.

The terms and provisions of the Security Agreement and the rights and obligations of the Payee and any Holder hereof may be changed and modified to the extent permitted by and as provided in the Security Agreement.

The Notes are issuable as either registered or unregistered Notes. This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Maker, duly endorsed or accompanied by a written instrument of transfer, duly executed by the Payee or any Holder of this Note or his attorney duly authorized in writing.

Maker hereby waives demand, protest, presentment of this Note for payment or the acceleration of maturity, notice of nonpayment, notice of protest and notice of dishonor. Maker hereby waives the right to plead any statute of limitations as a defense to any demand on this Note.

The liability of the Maker with respect to this Note is limited as provided in Section 6.8 of the Security Agreement.

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

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

POTOMAC LEVERAGE LEASING COMPANY

By \_\_\_\_\_

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

POTOMAC LEVERAGE LEASING COMPANY

13% SECURED NOTE

No. O-

Maumee, Ohio

\$

\_\_\_\_\_, 1984

FOR VALUE RECEIVED, the undersigned, POTOMAC LEVERAGE LEASING COMPANY (the "Maker") promises to pay to SECURITY BENEFIT LIFE INSURANCE COMPANY (the "Payee"), or order, at 700 Harrison Street, Topeka, Kansas 66636 or such other place as the Payee or any subsequent holder hereof (the "Holder") may from time to time designate, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), together with interest from the date hereof until maturity at the rate of 13% per annum (computed on the basis of a 360-day year of actual days elapsed) on the unpaid principal hereof, in installments as follows:

(i) A single instalment of accrued interest on July 1, 1984, if the date of this Note is prior to July 1, 1984;

(ii) Seventeen (17) installments of principal and interest in the amounts set forth in Schedule I hereto, payable on January 1, 1985 and the first day of every July and January thereafter to and including January 1, 1994; followed by

(iii) A final installment on July 1, 1993 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date.

Both the principal hereof and interest thereon are payable to the Payee or any 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.

This Note is one of the 13% Secured Notes of the Maker not exceeding \$1,854,675.60 in aggregate principal amount (the "Notes") issued under and pursuant to that certain Participation Agreement dated as of July 1, 1984 (the "Participation Agreement") between the Maker and the Payee, and is also issued under and equally and ratably with said other Notes secured by, that certain Security Agreement dated as of

July 1, 1984 (the "Security Agreement") from the Maker to the Payee. Reference is made to the Participation Agreement, the Security Agreement and all supplements and amendments thereto for a description of the collateral, the nature and extent of the security and rights of the Payee, any Holder hereof and the Maker in respect thereof.

Certain prepayments are required to be made on this Note and any other Notes outstanding under the Security Agreement. The Maker agrees to make the required prepayments on the Notes in accordance with the provisions of the Security Agreement. Maker shall not otherwise prepay the principal balance of this Note in whole or in part at any time without the prior written consent of the Payee or any Holder hereof provided, however, that any installment of interest payable on any January 1 may be prepaid by the Lessor at any time during the ten (10) Business Days (as defined in the Participation Agreement) preceding such January 1 if the Lessor shall have notified the Lender of its intention to so prepay not later than twenty (20) Business Days prior to such January 1.

The terms and provisions of the Security Agreement and the rights and obligations of the Payee and any Holder hereof may be changed and modified to the extent permitted by and as provided in the Security Agreement.

The Notes are issuable as either registered or unregistered Notes. This Note is an unregistered Note and is intended by Maker and Payee to be a negotiable instrument. This Note is not subject to setoff, defenses, counterclaim, or cross-complaint.

The holder of this Note agrees that in the event it shall sell or transfer this Note (a) it will, prior to the delivery hereof (unless it has already done so), make a notation hereon of all principal, if any, prepaid hereon and will also note hereon the date to which interest has been paid hereon, and (b) it will promptly notify the Maker of the name and address of the transferee of this Note.

Maker hereby waives demand, protest, presentment of this Note for payment or the acceleration of maturity, notice of nonpayment, notice of protest and notice of dishonor. Maker hereby waives the right to plead any statute of limitations as a defense to any demand on this Note.

The liability of the Maker with respect to this Note is limited as provided in Section 6.8 of the Security Agreement.

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

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

POTOMAC LEVERAGE LEASING COMPANY

By \_\_\_\_\_