

1-350A010  
**GASTON SNOW BEEKMAN & BOGUE**

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13361

212/227-8200  
CABLE ADDRESS BEEKOM

13361  
No.

DEC 16 1981 10 40 AM  
DEC 16 1981

DEC 16 1981 10 40 AM  
GASTON SNOW & ELY BARTLETT

ONE FEDERAL STREET  
BOSTON, MASSACHUSETTS 02110

December 16, 1981  
INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

2801 PONCE DE LEON BOULEVARD  
CORAL GABLES, FLORIDA 33134  
305/445-1477

Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

ICC Washington, D.C.

13361  
RECORDATION NO.

SUITE 550  
TWO PALO ALTO SQUARE  
PALO ALTO, CALIFORNIA 94304  
415/856-2400

DEC 16 1981 10 40 AM

13361

Dear Sir:

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. FILED 1981

Enclosed please find an original and two executed and acknowledged counterparts of each of the following documents to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code:

DEC 16 1981 10 40 AM

INTERSTATE COMMERCE COMMISSION

1. Bill of Sale, a primary document, dated as of December 16, 1981, between the following parties:

Vendor: Gulf States Utilities Company  
285 Liberty Street, Beaumont, Texas 77701

Vendee: The Connecticut Bank and Trust Company, Trustee  
One Constitution Plaza, Hartford, Connecticut 06103

RECEIVED  
DEC 16 10 29 AM '81

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

Bill of Sale between Gulf States Utilities Company, 285 Liberty Street, Beaumont, Texas 77701 and The Connecticut Bank and Trust Company, Trustee, One Constitution Plaza, Hartford, Connecticut 06103, dated December 16, 1981 and covering 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

2. Security Agreement, a primary document, dated as of December 1, 1981, between the following parties:

Debtor: The Connecticut Bank and Trust Company, Trustee  
One Constitution Plaza, Hartford, Connecticut 06103

Secured Party: Mercantile-Safe Deposit and Trust Company,  
Trustee  
Two Hopkins Plaza  
Baltimore, Maryland 21203

*Charles Lyman*  
*Robert H. Kaufman*

**GASTON SNOW BEEKMAN & BOGUE**

Secretary  
Interstate Commerce Commission  
Page 2

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

Security Agreement between The Connecticut Bank and Trust Company, Trustee, One Constitution Plaza, Hartford, Connecticut 06103 and Mercantile-Safe Deposit and Trust Company, Two Hopkins Plaza, Baltimore, Maryland 21203, dated as of December 1, 1981 and covering 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

3. Lease, a primary document, dated as of December 1, 1981, between the following parties:

Lessor: The Connecticut Bank and Trust Company,  
Trustee  
One Constitution Plaza  
Hartford, Connecticut 06103

Lessee: Gulf States Utilities Company  
285 Liberty Street  
Beaumont, Texas 77701

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

Lease between The Connecticut Bank and Trust Company, Trustee, One Constitution Plaza, Hartford, Connecticut 06103 and Gulf States Utilities Company, 285 Liberty Street, Beaumont, Texas 77701, dated as of December 1, 1981 and covering 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

4. Participation Agreement, a primary document, dated as of December 1, 1981, among the following parties:

Lessee: Gulf States Utilities Company  
285 Liberty Street  
Beaumont, Texas 77701

Trustee: The Connecticut Bank and Trust Company  
One Constitution Plaza  
Hartford, Connecticut 06115

GASTON SNOW BEEKMAN & BOGUE

Secretary  
Interstate Commerce Commission  
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Beneficiary: Bancorp Leasing and Financial Corp.  
555 S.W. Oak Street  
Portland, Oregon 97204

Note  
Purchaser: The Travelers Insurance Company  
One Tower Square  
Hartford, Connecticut 06115

Security  
Trustee: Mercantile-Safe Deposit and Trust Company  
Two Hopkins Plaza  
Post Office Box 2258  
Baltimore, Maryland 21203

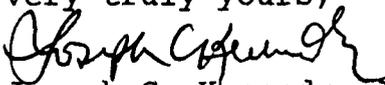
A short summary of the document to appear in the index follows:

Participation Agreement among Gulf States Utilities Company, 285 Liberty Street, Beaumont, Texas 77701, The Connecticut Bank and Trust Company, as Trustee, One Constitution Plaza, Hartford, Connecticut, Connecticut 06103, Bancorp Leasing and Financial Corp., 555 S.W. Oak Street, Portland, Oregon 97204, The Travelers Insurance Company, One Tower Square, Hartford, Connecticut 06115, and Mercantile-Safe Deposit and Trust Company, as Security Trustee, Two Hopkins Plaza, Post Office Box 2258, Baltimore, Maryland 21203, dated as of December 1, 1981 and relating to the financing of 4 100-ton double rotary gondola cars, numbers GSNX 60 to 63, inclusive, and 244 100-ton single rotary gondola cars, numbers GSNX 100-343, inclusive.

These documents all relate to the same equipment, more fully described as follows:

4 100-ton double rotary BethGon Coalporter gondola cars, AAR Mechanical Designation GT, AAR Type Code G092, and bearing numbers GSNX 60 to 63 inclusive and 244 100-ton BethGon Coalporter gondola cars, AAR Mechanical Designation GT, AAR Type Code G092, and bearing numbers GSNX 100-343, inclusive.

A fee of \$200, \$50 for each document, is enclosed. Please return the originals and any extra counterparts not needed by the Commission for recordation to the undersigned at the Boston address indicated above.

Very truly yours,  
  
Joseph C. Kennedy, Jr.

13361/A

RECORDATION NO. .... Filed 1425

DEC 16 1981 10 40 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT-TRUST DEED

Dated as of December 1, 1981

FROM

THE CONNECTICUT BANK AND TRUST COMPANY,  
as TRUSTEE

TO

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY,  
as SECURITY TRUSTEE

RELATING TO:  
605 ONE HUNDRED-TON  
UNIT TRAIN  
STEEL COAL PORTER CARS

---

Filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 on \_\_\_\_\_, 198\_ at \_\_\_\_\_, Recordation No. \_\_\_\_\_.

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ATTACHMENTS TO SECURITY AGREEMENT-TRUST DEED:

- SCHEDULE 1 -- Amortization Schedules
- ANNEX A -- Equipment Description
- EXHIBIT A -- Form of 17% Secured Notes

SECURITY AGREEMENT-TRUST DEED

RE:

GULF STATES UTILITIES COMPANY

THIS SECURITY AGREEMENT-TRUST DEED dated as of December 1, 1981 (the "Security Agreement") from THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as Trustee (the "Debtor") under a Trust Agreement dated as of December 1, 1981 with Bancorp Leasing and Financial Corp., an Oregon corporation (the "Beneficiary"), Debtor's post office address being One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, to MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Security Trustee (the "Security Trustee"), whose post office address is Two Hopkins Plaza, Post Office Box 2258, Baltimore, Maryland 21203, Attention: Corporate Trust Department, for the benefit of the Note Purchaser named in Schedule 1 to the Participation Agreement of even date herewith and any successors thereto.

R E C I T A L S

A. The Debtor and the Security Trustee have entered into a Participation Agreement dated as of December 1, 1981 (the "Participation Agreement") with Gulf States Utilities Company, a Texas corporation (the "Lessee"), the Beneficiary and the Note Purchaser named therein (the "Note Purchaser") providing for the commitment of the Note Purchaser to purchase on the First Closing Date and the Third Closing Date (as defined in the Participation Agreement) the 17% Secured Notes, (the "Notes") of the Debtor in the aggregate principal amount of \$13,856,192.81. The Notes are to be dated their respective dates of issue, to bear interest at the rate of 17% per annum prior to maturity, to be expressed to mature in one installment of interest only for the periods from and including the First and Third Closing Dates, respectively, under the Participation Agreement to but not including March 1, 1982, payable on March 1, 1982, followed by 30 consecutive installments, including principal and interest, payable semi-annually thereafter on the first day of each March and September commencing September 1, 1982 to and including March 1, 1997 in accordance with the amortization schedule (which is expressed in terms of amortization of \$1,000,000 original principal amount) set forth in Schedule 1 to this Security Agreement, to bear additional interest on overdue payments at the rate of 1% above the rate stated above and to be otherwise substantially in the form attached as Exhibit A hereto.

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 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 have been fully complied with; 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 Security Trustee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Participation Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Security Trustee, its successors in trust and assigns, a first mortgage and security interest in all and singular of the Debtor's estate, right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof and included in the Trust Estate as defined in the Trust Agreement, including Lessee's obligation to indemnify Debtor under Section 12 of the Lease, all estate, right, title and interest in all contract rights, general intangibles, chattel mortgages and books and records relating thereto and arising therefrom and the proceeds and revenue from or guaranteed by all of the foregoing subject always to the exceptions, reservations and limitations contained in Section 1.5 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes on and after the Closing on the First Closing Date the railroad equipment described in Part I of Annex A, attached hereto and made a part hereof, and on and after the closing on the Third Closing Date the railroad equipment listed in Part I and Part II of Annex A (collectively the "Equipment" and individually a "Unit") constituting the Equipment leased and delivered under that certain Lease of Railroad Equipment dated as of December 1, 1981 (the "Lease") between the Debtor, as lessor, and the Lessee, as lessee; together with all accessories, additions, equipment, parts, components and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, except such thereof as remain the property of the Lessee under the Lease, together with all the rents, issues, income, profits and avails therefrom.

1.2. Lease Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including without limitation all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.5 hereof:

(1) the immediate and continuing right to receive and collect all Rental, Casualty Value and Termination Value (as each such term is defined in the Lease), insurance proceeds, requisitions and condemnation awards, indemnity and other payments, tenders and security now or hereafter payable or receivable by the Lessor under the Lease and pursuant thereto,

(2) the right to make all amendments, waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications, and

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

it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.5 hereof, the assignment and transfer to the Security Trustee 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 Security Trustee shall have the right to collect and receive all Rental, Casualty Value and Termination Value 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 prior to the issuance, sale and delivery of the Notes to be delivered on the Third Closing Date, Collateral shall include only the right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, as hereinabove set forth, only with respect to the Units of Equipment described in Part I of Annex A hereto.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to (a) the right, title and interest of the Lessee under the second paragraph of Section 15 of the Lease, and (b) the lien of current taxes, assessments, inchoate materialmen's, mechanics', workmen's, re-

pairmen's or other like liens arising in the ordinary course of business 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 by appropriate legal proceedings in any reasonable manner and the nonpayment of which in the opinion of the Security Trustee does not adversely affect its or the Note Purchaser's rights hereunder or under the Participation Agreement.

1.4. Duration of Security Interest. The Security Trustee, its successors in trust and assigns shall have and hold the Collateral forever, provided always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void and all estate, right, title and interest of the Security Trustee to the Collateral shall revert to the Debtor; otherwise to remain in full force and effect.

1.5. 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 or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Security Trustee:

(a) all payments of any indemnity under Section 12. of the Lease which by the terms of the Lease are payable to the Debtor or the Beneficiary solely for its own account as an indemnified party under said Section 12;

(b) all rights of the Debtor and the Beneficiary, respectively, under the Lease to demand, collect, sue for or otherwise obtain all amounts from the Lessee due the Debtor or the Beneficiary on account of any such indemnities under Section 12 of the Lease 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 13 of the Lease except those contained in Section 13(1) thereof as they relate to such indemnities or payments; and

(c) any insurance proceeds payable under general public liability policies maintained by the Lessee pursuant to Section 8 of the Lease which by the terms of such policies and the terms of Section 12 of the Lease are payable to the Debtor or Beneficiary for claims of third parties and solely for its own account.

1.6. Non-Exercise of Rights. So long as an Event of Default under the Lease or an Event of Default hereunder has not occurred or has occurred but is not continuing, the Security Trustee will not exercise or enforce, or seek to exercise or enforce, or avail itself of any of the rights, powers, privileges, authorities or benefits of Section 1.2(2) hereof or Section 13 of the Lease hereby assigned, without the prior written consent of the Debtor (which consent shall be given or denied within 30 days from receipt of such request by any such party, failure to give denial or consent within such period of time being deemed to be consent), except the right to receive and apply the Rentals, Casualty Value and Termination Value and other payments as provided in this Section 1, the right to give any notice in case of the occurrence of an Event of Default under the Lease or a default hereunder and the right to recover directly from the Lessee amounts owing under the Lease directly to the Security Trustee and/or the Note Purchaser. Nothing in this Security Agreement shall be construed to prohibit the Debtor or the Beneficiary (i) from proceeding directly against the Lessee for payments due the Debtor or the Beneficiary, as the case may be, for its own account for indemnification pursuant to Section 12 of the Lease, or (ii) from proceeding directly against any insurer with respect to any public liability insurance maintained by the Lessee pursuant to Section 8 of the Lease.

## 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 under the Trust Agreement to grant a security interest in the Collateral to the Security Trustee 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 the right, title and interest of the Lessee under the Lease

and of persons claiming by, through or under the Lessee). 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 herein. 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 7 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 in its individual capacity and not related to the ownership of the Equipment or the administration of the Trust Estate (as defined in the Trust Agreement) or any transactions pursuant to the Operative Agreements (as defined in the Participation Agreement) ("Trustee's liens").

2.3. Further Assurances. At the closing on the Third Closing Date, the Debtor will, at no expense to the Security Trustee, execute, acknowledge and deliver to the Security Trustee, under appropriate arrangements for recording the same with the Interstate Commerce Commission, an appropriate supplement to the Security Agreement evidencing the fact that the Units of Equipment listed in Part II of Annex A have become part of the Collateral and are subject to the Lien of the Security Trustee. The Debtor will, at no expense to the Security Trustee do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Lease constituting Collateral hereunder (but excluding Excepted Rights in Collateral), the Debtor represents that by its execution of the Lease, the Lessee acknowledges this assignment of the Lease and thereby agrees to make all payments of such rent and other sums due and to become due under the Lease constituting Collateral hereunder other than those sums referred to in Section 1.5 hereof as excepted from the Collateral directly to the Security Trustee or as the Security Trustee may direct.

2.4. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Security Trustee in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Security Trustee hereunder, and will at no expense to the Security Trustee furnish to the Security Trustee promptly after

the execution and delivery of this Security Agreement and of each supplemental Security Agreement an opinion of counsel (which may be an opinion of counsel for the Lessee) stating that in the opinion of such counsel, this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby. The Debtor will cooperate with the Lessee to perform its obligations under Section 9.5 of the Participation Agreement and, in addition, the Debtor shall annually cause the Lessee to provide the Security Trustee with an opinion of counsel covering the items covered by Section 20 of the Lease. To the extent that the Lessee undertakes to perform its obligations under Section 9.5 of the Participation Agreement, such undertaking shall relieve the Debtor of its obligations set forth herein but, to the extent that the Lessee shall not so perform such obligations, it shall constitute a default pursuant to Section 5.1(c) hereof.

2.5. Modifications of the Lease. The Debtor will not, without the prior written consent of the Security Trustee and the holder of the Notes

(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; or

(b) receive or collect any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Security Trustee hereunder) any rent payment then due or to accrue in the future under the Lease in respect of the Equipment; provided that the Debtor shall not be in violation of this clause (b), or incur any liability, due to any receipt or collection of rentals by the Security Trustee or its successors or assigns in accordance with the assignment provided for herein; or

(c) exercise any right given to it under the Lease, or except to the extent permitted by the Lease and the Participation Agreement, sell, mortgage, transfer, assign or hypothecate (other than to the Security Trustee hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.6. Power of Attorney in Respect of the Lease. The Debtor does hereby irrevocably constitute and appoint the Security Trustee, its true and lawful attorney with full power of

substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Sections 1.1 and 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and 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 Security Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Security Trustee in and to such rents and other sums and the security intended to be afforded hereby.

2.7 Restrictions on Business Activity. The Debtor agrees that the Trust Estate (or any portion thereof) will not engage in any business or activity other than the acquisition, ownership, leasing, mortgage or transfer of the Equipment pursuant to the terms and provisions of the Trust Agreement, the Participation Agreement, the Lease, this Security Agreement, and the Notes.

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

3.1. Possession of Collateral. While the Debtor is not in default hereunder, it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided always, that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1. This Security Agreement is entered into with the expectation that the Equipment shall be leased to the Lessee under the Lease and all use of the Equipment permitted thereby is authorized hereunder.

3.2 Release of Property. So long as no default referred to in Section 13 of the Lease has occurred and is continuing to the knowledge of the Security Trustee the Security Trustee shall execute a release in respect of any Unit designated by the Lessee for settlement pursuant to Section 7 of the Lease upon receipt from the Lessee by the Security Trustee of written notice designating the Unit in respect of which the Lease will terminate and the receipt by the Security Trustee from the Lessee of the Casualty Value (as defined in Section 7 of the Lease) payment for such Unit in compliance with Section 7 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 Security Trustee to ex-

ecute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser in good faith of any item or unit of the mortgaged property be under an 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 SECURITY TRUSTEE.

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 Security Trustee a security interest in rents, issues, profits, income and other sums due and to become due under the Lease constituting the Collateral hereunder (but not including Excepted Rights in Collateral) in respect of the Equipment as security for the Notes. So long as no Event of Default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time received by the Security Trustee which constitute payments by the Lessee under the Lease of the installments of Rentals under the Lease shall be applied first, to the payment of the installments of interest and principal (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 Rentals which are received by the Security Trustee and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor not later than the first business day following the receipt thereof;

(b) The amounts from time to time received by the Security Trustee pursuant to Section 7 of the Lease shall be applied by the Security Trustee as follows:

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

(ii) Second, an amount equal to the Loan Value (as hereinafter defined) of such Unit for which settlement is then being made shall be applied to the prepayment of the Notes so that each of the remaining installments of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment; and

(iii) Third, the balance, if any, of such amounts held by the Security Trustee after making the applications provided for by the preceding subparagraphs (i) and (ii) shall be released to or upon the order of the Debtor.

For purposes of this Section 4.1(b), the "Loan Value", in respect of any Unit shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price of such Unit (as defined in the Lease) for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Units then subject to the Lease (including the Purchase Price of such Unit for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 4.1(b) (after giving effect to all other payments of installments of principal made or to be made on the date of such prepayment but without giving any effect to any prepayment or prepayments theretofore made;

(c) The amount, if any, received by the Security Trustee which constitutes settlement by the Lessee of the "Termination Value" of the Equipment pursuant to Section 9 of the Lease shall be paid and applied on the aggregate principal and accrued interest remaining unpaid on the Notes, and the balance of such amount shall be paid promptly to or upon the order of the Debtor on the date of payment of the Notes; and

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

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

(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 Security Trustee or if within such period the Lessee shall have notified the Security Trustee in writing that the Lease is to be terminated as to such damaged Units in accordance with the provisions of Section 7 of the Lease then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Security Trustee the insurance proceeds shall be applied by the Security Trustee as follows:

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

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

4.2. Multiple Notes. If more than one Note is outstanding at the time any such application is made pursuant to Section 4.1 hereof, 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 Security Trustee 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) days after such payment is due; or

(b) Default shall be made in payment of any amount required to be paid by the Debtor hereunder, other than an installment of principal of or interest on the Notes and such default shall continue for ten (10) days after such payment is due; or

(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 twenty (20) days after written notice from either the Security Trustee or the Note Purchaser to the Debtor and Lessee specifying such default and demanding that the same be remedied; or

(d) The occurrence of an Event of Default as set forth in Section 13 of the Lease; or

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

(f) Any unauthorized transfer of all or any part of the beneficial interest of the Beneficiary under the Trust Agreement; or

(g) Any claim, lien or charge (other than the Lease and liens, charges and encumbrances which the Lessee is obligated to discharge under Section 15 of the Lease and other than as permitted by Section 8 of the Participation Agreement and Section 1.3 hereof) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed within thirty calendar days from the inception thereof.

(h) The Debtor or the Beneficiary shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated, or (vi) take corporate action for the purpose of any of the foregoing; or

(i) A court or government authority of competent jurisdiction shall enter an order (i) appointing, without consent by the Debtor or the Beneficiary, a custodian, receiver, trustee or other officer with similar powers with respect to the Debtor or the Beneficiary, or with respect to any substantial part of its property, and within 30 days after entry of such order such appointment shall not have been set aside or stayed by a court having jurisdiction or (ii) constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or (iii) ordering the dissolution, winding-up or liquidation of the Debtor or the Beneficiary; or if any petition referred to in clause (ii) above shall be filed against the Debtor or the Beneficiary and such petition shall not be dismissed or stayed by a court having jurisdiction within 30 days.

5.2. Security Trustee's Rights. The Debtor agrees that when any Event of Default as defined in Section 5.1 has occurred and is continuing, but subject always to Section 7 hereof, the Security Trustee shall have the rights, options, duties and remedies of a Secured Party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of New York (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Security Trustee 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 Security Trustee may, and upon the written request of the holders of 15% of the principal amount of the Notes then outstanding shall, by notice in writing to the Debtor, the Lessee and the Beneficiary declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of the Lessee under the Lease (provided no Event of Default shall have occurred under Section 13 thereof) the Security Trustee 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 of any portion thereof, 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 no Event of Default shall have occurred under Section 13 thereof) the Security Trustee 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 Beneficiary and the Lessee once at least ten (10) business days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Collateral, or any part thereof, at public auction to the

highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Security Trustee may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Security Trustee, the Debtor, or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(d) Subject always to the rights of the Lessee under the Lease (provided no Event of Default shall have occurred under Section 13 thereof) and the limitations of liability specified in Section 7 hereof, the Security Trustee may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or subject to the provisions of Section 7 hereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) Subject always to the rights of the Lessee under the Lease (provided no Event of Default shall have occurred under Section 13 thereof) the Security Trustee 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 Security Trustee or in the name of the Debtor for the use and benefit of the Security Trustee.

### 5.3. Certain Rights of the Debtor on the Occurrence of an Event of Default Under the Lease and Prepayment Options.

(a) Right to Cure. Except as hereinafter provided, if an Event of Default under the Lease of which the Security Trustee has knowledge shall have occurred and be continuing, the Debtor shall have the following rights hereunder. In the event of the occurrence of an Event of Default in respect of the payment of rent under Section 13(A) of the Lease (unless there shall have occurred and be continuing any other Event of Default under the Lease), the Debtor may cure such default by paying to the Security Trustee 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; provided, however,

that the Debtor may not exercise such payment right in respect of the third of any three consecutive such rental payment defaults or in any event more than a total of four times throughout the term of the Lease.

Except as hereinafter in this Section 5.3(a) provided, the Debtor shall not obtain any lien, charge or encumbrance of any kind on any of the Collateral or any rent payable under the Lease for or on account of the money paid pursuant to this Section 5.3(a) and the costs or expenses incurred in connection with the exercise of such right, nor shall any claim of the Debtor against the Lessee or any other party for the repayment of such money, costs or expenses impair the prior right and security interest of the Security Trustee in and to the Collateral. Upon any such payment by the Debtor, the Debtor shall be subrogated to the rights of the Security Trustee and the holder or holders of the Notes in respect of the rental or other payment 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 or other 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 if all principal and interest payments due on the Notes have been paid at the time of receipt by the Security Trustee of such rental, the Debtor shall be entitled to receive such rental and such interest upon receipt thereof by the Security Trustee; provided that in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 5.2(a) hereof, (i) such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinated to the rights of the Security Trustee and the holders of the Notes in respect of such payment of rental and such interest on such overdue 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. Whether or not an Event of Default shall have occurred and 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, and in the case of Subsections (i) and (ii) below, shall

- (i) at any time, to the extent there occurs a Casualty Occurrence to one or more Units of Equipment, under Section 7 of the Lease, prepay all or a portion of the outstanding principal balance of the Notes in accordance with the provisions of Section 4.1(b) hereof;
- (ii) only after the tenth payment date, upon the exercise by the Lessee of its termination rights set forth in Section 9 of the Lease,

prepay all (but not less than all) Notes at the time outstanding at a price equal to their then principal amount plus accrued interest in accordance with the provisions of Section 4.1(c) hereof;

- (iii) upon the occurrence of an Event of Default as set forth in Section 13 of the Lease and without the consent of the Lessee, purchase from the then holders of the Notes or prepay all (but not less than all) of the Notes at the time outstanding at a price equal to and in accordance with the provisions of Section 5.2(a) hereof, plus any costs of the holder of the Notes incurred in connection with such prepayment or purchase;
- (iv) only after the tenth payment date but before the twenty-first payment date, at its option with the consent of the Lessee, prepay all (but not less than all) Notes at the time outstanding at a price equal to the price (expressed as a percentage of the principal amount of such Notes) set forth in the Schedule below for the year in question, provided that no Notes shall be prepaid directly or indirectly with borrowed funds or in anticipation of funds to be borrowed for a term ending prior to the maturity date of the Notes or having an effective cost (calculated in accordance with generally accepted financial practice) of less than 17% per annum or with a term shorter than the Notes; or
- (v) only after the twentieth payment date, at its option with the consent of the Lessee, prepay all (but not less than all) Notes at the time outstanding at a price equal to the price (expressed as a percentage of the principal amount of such Notes then outstanding) set forth in the Schedule below for the year in question:

If Prepaid  
During the  
12 Months  
Beginning  
March 1,

The Prepayment prices  
are as follows:

1987 .....	111.33%
1988 .....	110.20
1989 .....	109.07

1990 .....	107.93
1991 .....	106.80
1992 .....	105.67
1993 .....	104.53
1994 .....	103.40
1995 .....	102.27
1996 .....	101.13

Together, in each case, with all interest accrued to the date of prepayment.

(c) Subrogation of Debtor. Upon any prepayment of the Notes in full by the Debtor pursuant to Section 5.3(b) above, the Debtor shall be subrogated to the rights of the Security Trustee and the holder or holders of the Notes hereunder in respect of all amounts so paid by the Debtor in accordance with the provisions of the second paragraph of Section 5.3(a) above.

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

5.5. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or any time hereafter in force, nor claim, take, nor insist upon any benefit of 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 Security Trustee, 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 unless sold to the Debtor, or any person affiliated with it, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

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

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

(b) Second, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest (applied first to interest and then to principal); 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, with application on each Note to be made, first, to the unpaid interest thereon and second, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

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

5.8. Discontinuance of Remedies. In case the Security Trustee shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for

any reason or shall have been determined adversely, then and in every such case the Debtor, the Security Trustee and the holders of the Notes shall be restored to their former positions and rights hereunder (giving effect to any such adverse determination) 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 Security Trustee or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Security Trustee or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Security Trustee or holder or holders of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

## SECTION 6. THE SECURITY TRUSTEE

6.1. Certain Duties and Responsibilities of Security Trustee. (a) Except during the continuance of an Event of Default hereunder:

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

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

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

(c) No provision of this Security Agreement shall be construed to relieve the Security Trustee from liability for its own acts of gross negligence, its own gross negligence in failing to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to expand the scope of the Security Trustee's duties under subsection (a) of this Section;

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

(3) the Security Trustee shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holder if one or if more than one holder of two-thirds principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Security Trustee, or exercising any trust or power conferred upon the Security Trustee under this Security Agreement.

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

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

6.2. Certain Limitations on Security Trustee's Rights to Compensation and Indemnification. The Security Trustee agrees that it shall have no right against the Debtor, the Beneficiary, the Note Purchaser or the holders of any Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification

against liability which it may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Lessee under Section 7 of the Participation Agreement for such payment and indemnification and that it shall have no lien on nor security interest in the Collateral as security for such compensation, expenses, disbursements and indemnification except to the extent provided for in Section 5.7(a) hereof.

6.3. Certain Rights of Security Trustee. (a) Except with respect to recitals made in its individual capacity the Security Trustee shall not be responsible for any recitals herein or in the Participation Agreement or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral not created by the Security Trustee because of its interest in the Collateral, or for the recording, filing or refileing of this Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Security Trustee be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Participation Agreement, and, except in the case of a default in the payment of the principal of, or interest on, any Note or a default of which the Security Trustee has actual knowledge, the Security Trustee shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from one or more of the holders of the Notes. The Security Trustee shall promptly notify all holders of the Notes of any default of which the Security Trustee has actual knowledge. Upon receipt by the Security Trustee of such written notice from a holder of a Note, the Security Trustee shall promptly notify all other holders of the Notes and the Debtor of such notice and the default referred to therein by prepaid registered mail addressed to them at their addresses set forth in the Register (as defined in Section 9.3 hereof) or, as the case may be, Section 9.11.

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

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

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

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

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

(g) The Security Trustee shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Security Trustee may involve loss, liability or expense, unless the Lessee or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Security Trustee but if such security or indemnity is provided by a holder of the Notes such Note holder shall be entitled to look to the Lessee pursuant to Section 7 of the Participation Agreement for reimbursement or indemnification therefrom.

(h) The Security Trustee shall not be bound to make any investigation into the facts or matters stated in any reso-

lution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

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

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

6.4. Disputes. In the event of any dispute with respect to the delivery or ownership or right to possession of funds or documents at any time hereof by the Security Trustee hereunder, or with respect to the title, security interest or release of any Unit, the Security Trustee is hereby authorized and directed to retain, without liability to anyone, all or any of such funds or documents of title or security interest to such Unit until such dispute shall have been settled either by agreement of the holders of the Notes or by final order, decree or judgment by a court of competent jurisdiction.

6.5. Status of Moneys Received. All moneys received by the Security Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Security Trustee under such general conditions as may be prescribed by law in the Security Trustee's general banking department, and the Security Trustee shall be under no liability for interest on any moneys received by it hereunder. The Security Trustee and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor, the Beneficiary or any affiliated corporation of either or the Lessee or any affiliated corporation, or the Security Trustee may act as depository or otherwise in respect to other securities of the Debtor or any affiliated corporation or the Lessee or any affiliated corporation, all with the same rights which it would have if not the Security Trustee.

6.6. Resignation of Security Trustee. The Security Trustee may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor, the Lessee and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice

(being not less than thirty days after the mailing of such notice) unless previously a successor security trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

6.7. Removal of Security Trustee. The Security Trustee may be removed and/or a successor security trustee may be appointed at any time by an instrument or concurrent instruments in writing signed and acknowledged by the holder or if more than one holder by the holders of a majority in principal amount of the Notes and delivered to the Security Trustee, the Lessee and to the Debtor and, in the case of the appointment of a successor security trustee, to such successor security trustee.

6.8. Successor Security Trustee. Each security trustee appointed in succession to the Security Trustee named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in the States of New York, Maryland or Connecticut, in good standing and having a capital and surplus aggregating at least \$100,000,000, if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

6.9. Appointment of Successor Security Trustee. If the Security Trustee shall have given notice of resignation to the Debtor, the Lessee and the holders of the Notes pursuant to Section 6.6 hereof, if notice of removal shall have been given to the Security Trustee, the Lessee and the Debtor pursuant to Section 6.7 hereof, which notice does not appoint a successor security trustee, a successor security trustee may be appointed by the holders of a majority in interest of the principal amount of the Notes then outstanding, or, if such successor security trustee shall not have been so appointed or shall not have accepted such appointment within fifteen calendar days after the giving of such notice of resignation or the giving of any such notice of removal, as the case may be, a successor security trustee may be appointed by the Debtor, the holder of any outstanding Note or, upon application of the retiring security trustee by any court of competent jurisdiction.

6.10. Merger or Consolidation of Security Trustee. Any company into which the Security Trustee, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Security Trustee or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the States of New York, Maryland or Connecticut or of the United States of America, having a capital and surplus of at least \$100,000,000), shall be the successor to the Security Trustee under this Security Agreement without the

execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as secured party under this Security Agreement, all at such merged, consolidated or converted corporation's expense.

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

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

## SECTION 7. LIMITATIONS OF LIABILITY OF DEBTOR

It is expressly understood and agreed by and between the Debtor and the Security Trustee that except with respect to the actions of gross negligence or willful misconduct or except as otherwise expressly provided herein or in the Participation Agreement, nothing herein contained shall be construed as creating any liability on The Connecticut Bank and Trust Company or any successor, or the Beneficiary, individually or personally, to perform any obligation or covenant either express or implied contained herein, or to pay any amount under any of the Operative Agreements, all such liability, if any, being expressly waived by the holders of the Notes and by the Security Trustee and by each and every person now or hereafter claiming by, through or under the holder of any Note or the Security Trustee; and that so far as The Connecticut Bank and Trust Company, or any successor trustee or the Beneficiary, individually or personally is concerned,

the holder of any Note and the Security Trustee and any person claiming by, through or under the holder of any Note or the Security Trustee shall look solely to the Collateral (but excluding Excepted Rights in Collateral) for payment of the indebtedness evidenced by any Note, the payment of any other amounts under the Operative Agreements (except as otherwise expressly provided herein or in the Participation Agreement) and the performance of any obligation or covenant under any of the instruments referred to herein. The Security Trustee, the holders of the Notes and their respective successors and assigns agree that in the event it and/or they shall obtain a judgment against the Debtor and/or the Beneficiary for an amount in excess of the amounts payable by the Debtor and/or the Beneficiary pursuant to the limitations set forth in this Section, it and/or they will, accordingly, limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this Section.

SECTION 8. SUPPLEMENTAL SECURITY AGREEMENTS; WAIVERS.

8.1. Supplemental Security Agreements Without Noteholders' Consent. The Debtor and the Security Trustee from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon the Debtor;

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of the property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect;

(d) for any other purpose not inconsistent with the terms of this Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental agreement. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental agreements, or otherwise.

8.2. Waivers and Consents by Noteholders; Supplemental Security Agreements with Noteholders' Consent. Upon the waiver or consent of each holder of the Notes (a) 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 (b) the Debtor and the Security Trustee 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 modifying 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 any holder to receive payments or prepayments of the principal of and payments 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, or (iv) modify the rights, duties, or immunities of the Security Trustee, without the consent of the holders of all of the Notes at the time outstanding.

8.3. Notice of Supplemental Security Agreements. Promptly after the execution by the Debtor and the Security Trustee of any supplemental agreement pursuant to the provisions of Section 8.1 or 8.2 hereof, the Security Trustee 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 Security Trustee to give notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

8.4. Opinion of Counsel Conclusive as to Supplemental Security Agreements. The Security Trustee is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Security Trustee may receive an opinion of counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 8 complies with the requirements of this Section 8.

## SECTION 9. MISCELLANEOUS.

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

## 9.2. Payment of the Notes.

(a) Unless otherwise directed by the Note Purchaser in writing, the principal of and interest on the Notes shall be payable by wire transfer of immediately available funds at the principal corporate trust office of the Security Trustee, in lawful money of the United States of America. Payment of principal and interest of the Notes shall be made without presentation of such Notes to the Security Trustee for notation thereon of the amount of such payment.

(b) So long as any Note is registered in the name of or held by the original holder or any of its subsidiaries or a nominee thereof, the Security Trustee will, upon written notice from such original holder or subsidiary or nominee given not less than 20 days prior to the payment or prepayment of the Notes, cause all subsequent payments and prepayments of the principal of and interest on the Notes registered in the name of or held by such original holder or subsidiary or nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer in immediately available funds to such bank, on each such date such payment or prepayment is due, provided that such bank has facilities for the receipt of a wire transfer. Schedule 1 to the Participation Agreement insofar as it relates to the Original holder of the Notes shall be deemed to constitute such written notice. Subject to timely receipt by the Security Trustee of available funds, the Security Trustee will transmit any such wire transfer from its offices not later than 10:00 A.M., Baltimore time, on each such date payment or prepayment is due.

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

## 9.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal corporate trust office of the Security Trustee. Thereupon, the Debtor shall execute in the name of the transferee a new Note or Notes in denominations not less than \$50,000 each in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered and deliver such new Note or Notes to the Security Trustee for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal corporate trust office of the

Security Trustee, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered and in denominations of \$50,000 each or such amount in excess thereof as may be specified in such request. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and in 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 the Secured Party for certification and delivery to such holder.

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

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 9.4, and the holder of any Note issued as provided in this Section 9.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor; upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by it to save the Debtor harmless from all risks (but if the applicant for the substituted Note is an insurance company its written agreement of indemnity shall be deemed sufficient for these purposes), and the applicant shall also furnish to the Debtor and to the Security Trustee evidence to their 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 and to the Security Trustee such security or indemnity as they may require to save them harmless (but if the applicant for the substituted Note is an

insurance company its written agreement of indemnity shall be deemed sufficient for these purposes), and shall evidence to the satisfaction of the Debtor and the Security Trustee the mutilation, destruction, loss or theft of such Note and the ownership thereof.

9.5. The New Notes.

(a) Each new Note (herein, in this Section 9.5, called a "New Note") issued pursuant to Section 9.4(a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 9.5, called an "Old Note") shall be dated the date of such Old Note. The Security Trustee shall mark on each New Note (i) the dates to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 9.4(a), (b) or (e), the Debtor may require the transferor to pay the amount required to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge, which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 9.4(a), (b) or (e) in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

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

9.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Security Trustee for cancellation or, if surrendered to the Security Trustee, 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. The Security Trustee shall deliver a certificate to the Debtor specifying any cancellation of Notes which has been made, and all such cancelled Notes shall be delivered to or disposed of as directed by the Debtor.

9.7. Security Trustee as Agent. The Security Trustee is hereby appointed the agent of the Debtor for the limited purpose of payment, registration, transfer and exchange of Notes. Subject to the provisions of Section 9.2 hereof, Notes may be presented for payment at, and notices or demands with respect to the Notes or this Security Agreement may be served or made at, the principal corporate trust office of the Security Trustee. Any such notices or demands shall promptly be delivered by the Security Trustee to the Debtor.

9.8. 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 neither the Debtor nor the Security Trustee shall 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 and the Security Trustee may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

9.9. 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 Security Trustee, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

9.10. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid, provided that nothing contained in this Section 9.10 shall be construed to be in derogation of any rights or immunities of the Debtor in its individual capacity under Section 7 hereof, or to amend or modify any limitations or restrictions of the Security Trustee or the holder of any Note or their respective successors or assigns under said Section 7.

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

If to the Debtor: THE CONNECTICUT BANK AND TRUST  
COMPANY  
One Constitution Plaza  
Hartford, Connecticut 06115  
Attention: Corporate Trust  
Department

If to the Beneficiary: BANCORP LEASING AND FINANCIAL  
CORP.  
555 S. W. Oak Street  
Portland, Oregon 97204  
Attention:

If to the Security Trustee: Mercantile-Safe Deposit and  
Trust Company  
Two Hopkins Plaza  
Post Office Box 2258  
Baltimore, Maryland 21203  
  
Attention: Corporate Trust  
Department

If to the Note Purchaser: As set forth in Schedule 1 to  
the Participation Agreement

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.

9.12. Release. The Security Trustee shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness and other sums due hereunder secured hereby has been fully paid or discharged.

9.13. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of New York where this Security Agreement has been delivered by the parties hereto and where the Notes secured hereby have been paid for and delivered; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

9.14. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, one of which counterparts shall be marked "Original" and

the others marked "duplicate" but all together only one Security Agreement with the "original" to be held by the Security Trustee.

9.15. 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.

9.16. 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.

9.17. Effective Date. This Security Agreement is dated as of the date designated in the initial paragraph hereof for convenience of identification and has been executed by the Debtor on the date shown in the acknowledgment attached hereto, but is delivered by the Debtor to the Security Trustee and becomes effective on the date of purchase of the Notes by the Note Purchaser and the filing and recording of this Security Agreement with the Secretary of the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303 of the Interstate Commerce Act.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its Assistant Vice President and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Corporate Trust Officer, all as of the day and year first above written.

[SEAL]

DEBTOR:

THE CONNECTICUT BANK AND TRUST  
COMPANY, as trustee as aforesaid

ATTEST:

\_\_\_\_\_

By \_\_\_\_\_

SECURITY TRUSTEE:

[CORPORATE SEAL]

MERCANTILE-SAFE DEPOSIT AND TRUST  
COMPANY, as security trustee

ATTEST:

\_\_\_\_\_

By \_\_\_\_\_

Assistant Vice President

Assistant Corporate  
Trust Officer

STATE OF CONNECTICUT        )  
                                  ) ss  
COUNTY OF                    )

On this \_\_\_\_ day of \_\_\_\_\_, 1981, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, says that he is a \_\_\_\_\_ of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

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

My commission expires:

STATE OF MARYLAND        )  
                                  ) ss  
CITY OF BALTIMORE        )

On this \_\_\_\_ day of \_\_\_\_\_, 1981, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

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

My commission expires:



STATE OF MARYLAND )  
 ) ss  
CITY OF BALTIMORE )

On this 8<sup>th</sup> day of December, 1981, before me personally appeared R. E. SCHREIBER, to me personally known, who being by me duly sworn, says that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

  
Notary Public

My commission expires: 7-1-82

## ANNEX A

<u>Type</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Car Numbers (Both Inclusive)</u>	<u>Unit Base Price</u>	<u>Maximum Purchase Price</u>	<u>Estimated Time and Place of Delivery</u>
<u>Part I:</u>							
Beth Gon Coalporter	100-Ton Double Rotary	Bethlehem, PA	4	60-63	\$41,878.82	\$ 167,515.28	December 16, 1981
Beth Gon Coalporter	100-Ton Single Rotary	Bethlehem, PA	244	100-343	\$41,528.82	\$10,133,032.03	December 16, 1981
TOTAL PART I						<u>\$10,300,547.31</u>	
<u>Part II:</u>							
Beth Gon Coalporter	100-Ton Double Rotary	Bethlehem, PA	3	64-66	\$41,164.09	\$ 123,492.27	December 31 1981
Beth Gon Coalporter	100-Ton Single Rotary	Bethlehem, PA	354	344-697	\$40,814.09	\$14,448,187.86	December 31, 1981
TOTAL PART II						<u>\$14,571,680.13</u>	
AGGREGATE TOTAL						<u>\$24,872,227.44</u>	

~~Statement~~  
aggregate of all loans

amount: 1000000.00  
of total cost: 55.709497%  
filename: 'GSUS1.PAR'

debt rate: 17.000%  
payment: semiannual  
10-Dec-81 16:49

pay no.	date	beginning principal	debt service	interest	principal	remaining balance
funding	16 Dec 81	0.00	0.00	0.00	0.00	409917.36
funding	31 Dec 81	409917.36	0.00	0.00	0.00	1000000.00
interim	1 Mar 82	1000000.00	31236.92	31236.92	0.00	1000000.00
1	Sep 1982	1000000.00	97599.27	85000.00	12599.27	987400.73
2	Mar 1983	987400.73	97599.27	83929.06	13670.21	973730.52
3	Sep 1983	973730.52	97599.27	82767.10	14832.17	958898.35
4	Mar 1984	958898.35	97599.27	81506.36	16092.91	942805.44
5	Sep 1984	942805.44	97599.27	80138.46	17460.81	925344.63
6	Mar 1985	925344.63	97599.27	78654.30	18944.97	906399.66
7	Sep 1985	906399.66	97599.27	77043.97	20555.30	885844.36
8	Mar 1986	885844.36	97599.27	75296.77	22302.50	863541.86
9	Sep 1986	863541.86	91253.78	73401.06	17852.72	845689.14
10	Mar 1987	845689.14	86539.39	71883.58	14655.81	831033.33
11	Sep 1987	831033.33	89712.10	70637.84	19074.26	811959.07
12	Mar 1988	811959.07	84215.41	69016.52	15198.89	796760.18
13	Sep 1988	796760.18	88159.01	67724.62	20434.39	776325.79
14	Mar 1989	776325.79	81821.87	65987.70	15834.17	760491.62
15	Sep 1989	760491.62	86541.98	64641.79	21900.19	738591.43
16	Mar 1990	738591.43	79326.98	62780.28	16546.70	722044.73
17	Sep 1990	722044.73	84855.59	61373.81	23481.78	698562.95
18	Mar 1991	698562.95	90828.32	59377.85	31450.47	667112.48
19	Sep 1991	667112.48	90828.32	56704.57	34123.75	632988.73
20	Mar 1992	632988.73	90828.32	53804.05	37024.27	595964.46
21	Sep 1992	595964.46	90828.32	50656.98	40171.34	555793.12
22	Mar 1993	555793.12	90828.32	47242.42	43585.90	512207.22
23	Sep 1993	512207.22	90828.32	43537.62	47290.70	464916.52
24	Mar 1994	464916.52	90828.32	39517.91	51310.41	413606.11
25	Sep 1994	413606.11	90828.32	35156.52	55671.80	357934.31
26	Mar 1995	357934.31	90828.32	30424.42	60403.90	297530.41
27	Sep 1995	297530.41	90828.32	25290.09	65538.23	231992.18

	date	beginning principal	debt service	interest	principal	remaining balance
28	Mar 1996	231992.18	90828.32	19719.34	71106.98	160883.20
29	Sep 1996	160883.20	90828.32	13675.08	77153.24	83729.96
30	Mar 1997	83729.96	90847.01	7117.05	83729.96	0.00
<b>totals</b>			<u>2766962.77</u>	<u>1765244.04</u>	<u>1000000.00</u>	

average life from 1 Mar 1982 is 10.200 years

17% SECURED NOTE

No.

\_\_\_\_\_, 19\_\_

\$

FOR VALUE RECEIVED, the undersigned, THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation with its principal place of business at One Constitution Plaza, Hartford, Connecticut 06115, not in its individual capacity but solely as trustee under Trust Agreement dated as of December 1, 1981 between itself and Bancorp Leasing and Financial Corp. as Beneficiary ("Debtor") promises to pay to

or registered assigns,  
the principal sum of

DOLLARS (\$ \_\_\_\_\_ )

together with interest from and including the date hereof until maturity at the rate of 17% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) one (1) installment of all accrued and unpaid interest shall be due and payable on March 1, 1982; followed by

(ii) twenty-nine (29) installments of principal and interest shall be due and payable, in the respective amounts per \$1 million of original principal amount of this Note set forth in the columns entitled "interest" and "principal" in the Amortization Schedule attached as Annex A hereto, on September 1, 1982 and on the first day of each March and September thereafter, to and including September 1, 1996; followed by

(iii) a final installment on March 1, 1997 in an amount equal to the entire unpaid principal and interest remaining unpaid shall be due and payable as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate of 18% per

annum after maturity, whether by acceleration or otherwise, until paid. All payments hereunder will be applied first to interest due hereunder and then to principal. Both the principal hereof and interest hereon are payable to the registered holder hereof at the principal office of the Security Trustee (as hereinafter defined) in Baltimore, Maryland 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 debt.

This Note is one of the 17% Secured Notes of the Debtor not exceeding \$13,856,192.81 in aggregate principal amount (said Secured Notes being herein collectively called the "Notes") which are issued under and pursuant to the Participation Agreement dated as of December 1, 1981 among the Debtor, Gulf States Utilities Company, Mercantile-Safe Deposit and Trust Company, as trustee (the "Security Trustee"), the Beneficiary, and the Note Purchaser named in Schedule 1 thereto. This Note is also secured equally and ratably with said other Notes by that certain Security Agreement-Trust Deed dated as of December 1, 1981 (the "Security Agreement") from the Debtor to the Security Trustee. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral, the nature and extent of the security and rights of the Security Trustee in the Collateral and of the holder or holders of the Notes in respect thereof.

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

This Note is also subject to redemption on or after March 1, 1987 and prior to maturity at the option of the Debtor under the circumstances, at the prices and subject to the limitations set forth in the Security Agreement.

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

This Note and the Security Agreement have been executed and delivered in, and shall be governed by and construed in accordance with the laws of, the State of New York.

It is expressly understood and agreed by and between the Debtor and the holder hereof and their respective successors and assigns, that this Note is executed by The Connecticut Bank and Trust Company solely in its capacity as Trustee, and it is

expressly understood and agreed that, except as otherwise expressly provided in the Security Agreement or in the Participation Agreement, nothing herein contained shall be construed as creating any liability on The Connecticut Bank and Trust Company or any successor Trustee, or the Beneficiary, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the holder hereof and by each and every person now or hereafter claiming by, through or under the holder hereof; and that, except as otherwise expressly provided in the Security Agreement or in the Participation Agreement, so far as The Connecticut Bank and Trust Company or any successor Trustee, or the Beneficiary, individually or personally, is concerned, the holder hereof shall look solely to the Collateral (but not including the Excepted Rights in Collateral) as defined in the Security Agreement for payment of the indebtedness evidenced by this Note and the performance of any obligation under any of the instruments referred to herein.

This Note is transferable by the registered owner hereof in person or by his duly authorized attorney upon surrender thereof at the principal office of the Security Trustee in Baltimore, Maryland, upon compliance with the provisions of Section 9.4 and 9.5 of the Security Agreement. The holder of this Note may surrender the same for cancellation at said office and receive in exchange therefor a new Note or Notes each in a denomination of not less than \$50,000, equal in aggregate principal amount to the unpaid principal amount of this Note upon compliance with the provisions of said sections 9.4 and 9.5 of the Security Agreement.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed under seal as of the above date.

THE CONNECTICUT BANK AND TRUST COMPANY,  
as Trustee as aforesaid,

By: \_\_\_\_\_

Its \_\_\_\_\_