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December 22, 1994

19117
RECORDATION NO. _____ FILED 1425

DEC 23 1994 - 11 20 AM

INTERSTATE COMMERCE COMMISSION

Vernon A. Williams
Secretary
Interstate Commerce Commission
12th Street & Constitution Ave., N.W.
Washington, D.C. 20423

Dear Mr. Williams:

I have enclosed two counterpart originals of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a Business Loan/Security Agreement, a primary document, dated December 22, 1994.

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

Lender and Secured Party: National Consumer Cooperative Bank
1401 Eye Street, N.W.
Washington, D.C. 20005

Borrower: Western Fuels Association, Inc.
1625 M Street, N.W.
Washington, D.C. 20036

A description of the equipment covered by the document follows:

242 High Side Gondolas (steel rotary dump coal cars), manufactured by Ortner Freight Car Company, and numbered WFA 79000-79017 (inclusive), WFA 79019-79045 (inclusive), WFA 79047-79055 (inclusive), WFA 79058-79080 (inclusive), WFA 79082, WFA 79085-79102

*NOT ADMITTED IN D.C.

Enclosure party
John D. Aldock

Interstate Commerce Commission
Washington, D.C. 20423

12/23/94

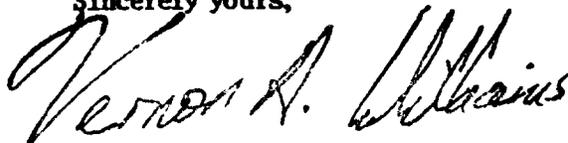
OFFICE OF THE SECRETARY

Timothy K. Shuba
Shea & Gardner
1800 Massachusetts Ave., NW.,
Washington, DC. 20036

Dear SIR:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/23/94 at 11:20AM, and assigned recordation number(s). 19117.

Sincerely yours,

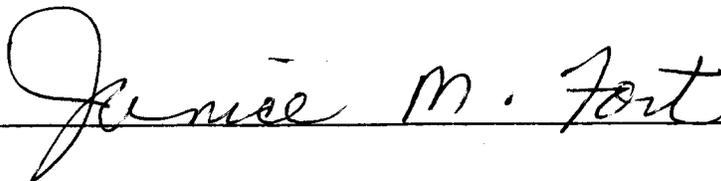


Vernon A. Williams
Secretary

Enclosure(s)

\$ 21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



BUSINESS LOAN/SECURITY AGREEMENT

19117
RECORDATION NO. FILED 1425

NATIONAL CONSUMER COOPERATIVE BANK
1401 Eye Street, N.W.
Washington, D.C. 20005

DEC 23 1994 -11 20 AM

INTERSTATE COMMERCE COMMISSION

LOAN NO. 22002588

DATE: December 22, 1994

THIS BUSINESS LOAN/SECURITY AGREEMENT (this "Agreement") is entered into as of this 22nd day of December, 1994, by and between Western Fuels Association, Inc., a Wyoming corporation with principal offices at 1625 M Street, N.W., Washington, D.C. 20036 ("Borrower"), and NATIONAL CONSUMER COOPERATIVE BANK, d/b/a National Cooperative Bank, a federally chartered banking corporation with principal offices located in Washington, D.C. ("Bank").

WHEREAS, Borrower has applied to Bank for a loan in the form and amount and for the purposes set forth in this Agreement; and

WHEREAS, Bank is agreeable to making such loan to Borrower, subject to the terms and conditions of this Agreement, Borrower's promissory note substantially in the form attached hereto as Exhibit 1, and any and all other documents to be delivered hereunder;

NOW THEREFORE, in consideration of their mutual covenants and agreements contained herein, the parties hereby covenant and agree as follows:

ARTICLE I. LOAN AND REPAYMENT

Section 1.1. The Loan. Bank hereby agrees to lend, and Borrower agrees to accept, subject to the terms and conditions of this Agreement, a term loan (the "Loan") in an aggregate principal amount not to exceed Three Million Nine Hundred Thousand and No/100 U.S. Dollars (\$3,900,000.00). The Loan is to be evidenced by a promissory note substantially in the form attached as Exhibit 1 hereto (the "Note") to be issued by Borrower to Bank on the Closing Date and maturing on December 21, 2004 (the "Maturity Date").

Section 1.2. Purpose and Availability of Proceeds. (a) Borrower agrees that the Loan proceeds will be used only in connection with Borrower's business and only for the purpose of purchasing from the Trustee ("Trustee") under that certain Trust Agreement dated as of January 1, 1979, between Bank One Chicago, N.A., successor in interest of First National Bank and Trust Company of Evanston, as trustee, and Borrower, successor in interest of American Security Bank, N.A., and The First National Bank of Denver, as trustor (the "79-1 Trust"), 242 High Side Gondola "Coalveyor" steel rotary dump coal railroad cars to be used for coal deliveries to one or more purchasers of coal ("Coal Purchasers") pursuant to coal purchase contracts ("Coal Contracts") between Borrower and such Coal Purchasers.

(b) Subject to the terms and conditions hereof, the Loan proceeds may be drawn on January 3, 1995.

(c) Bank shall pay the proceeds of the Loan directly to the secured party ("Security Trustee") under that certain Security Agreement-Trust Deed ("Security Agreement"), dated as of January 1, 1979, as amended, from the Trustee, as debtor, to The Bank of New York, successor in interest of Mercantile-Safe Deposit and Trust Company, as secured party, and executed in connection with the 79-1 Trust.

Section 1.3. Interest; Late Charge. (a)(i) The Note shall bear interest on the outstanding principal balance thereunder from the Closing Date through and including December 21, 1999, at a fixed rate of interest (the "Interest Rate") equal to nine and 39/100 percent (9.39%).

(ii) Effective December 22, 1999 (the "Conversion Date"), the Interest Rate shall be adjusted in accordance with this section. No later than December 1, 1999, Borrower shall advise the Bank in writing which of the following rates it elects to be the Interest Rate under the Note from the Conversion Date until the Note is paid in full:

- (A) A fluctuating rate per annum equal to the Commercial Loan Base Rate of Bank from time to time in effect. Bank's "Commercial Loan Base Rate" shall mean the Base Rate of Interest established by Bank from time to time in its sole discretion to be used as an index in determining actual interest rates to be charged for certain of its commercial loans, as announced publicly or privately by Bank. Each change in the Interest Rate hereunder shall become effective, without notice, as of the opening of business on the day on which such change in the Commercial Loan Base Rate becomes effective. In the event of any dispute as to the Commercial Loan Base Rate in effect on such date or for such period, a certificate as to the Commercial Loan Base Rate in effect on such date or for such period, executed by an authorized officer of Bank, shall be conclusive; or
- (B) A fixed annual rate equal to 1.85 percentage points above the highest yield quoted for a United States Treasury Security trading with a maturity nearest to the Maturity Date, as published in the Wall Street Journal's "Treasury Bonds, Notes, and Bills" Section as of the last business day preceding the Conversion Date, rounded up to the nearest 1/16 of 1%. If at the time of such determination United States Treasury Securities have ceased to be issued or actively traded, Bank, upon written notice to Borrower, shall designate other obligations backed by the full faith and credit of the United States adjusted to constant

maturities of five years as the instruments to be substituted for such United States Treasury Securities in order to compute the Interest Rate.

In the event Borrower fails to elect an Interest Rate to be effective from the Conversion Date as provided herein, the Interest Rate effective from the Conversion Date until the Note is paid in full shall be fixed pursuant to subsection 1.3(ii)(B) above.

(b) In the event that Borrower fails to pay any amount of principal or any other amount (other than interest) payable by Borrower hereunder when due, whether by acceleration, at the stated maturity, or otherwise, and Bank notifies Borrower that it is in default and that it must therefore pay interest at a higher rate, then Borrower shall pay interest on any such amount for the period commencing on the date stated in such notification and continuing until the same is paid in full, at the rate of 200 basis points in excess of the Interest Rate. Such notification, or the lack thereof, shall not affect the fact that Borrower is in default under Article VII of this Agreement.

(c) In the event that Borrower fails to make any payment under this Agreement within fifteen (15) days after the date such payment is due, Borrower shall immediately pay to Bank a late charge (the "Late Charge") equal to five percent of the required payment. The Late Charge shall be in addition to, and not in lieu of, any other right or remedy Bank may have and is in addition to any reasonable fees or charges of any agents or attorneys to which Bank may be entitled pursuant to the terms hereof.

(d) The Interest Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. If at any time the Interest Rate shall be deemed by any competent court of law, governmental agency or tribunal to exceed the maximum rate of interest permitted by any applicable laws (including in such computation any other fee or charges or other requirements imposed on Borrower hereunder, and deemed interest by said court, agency or tribunal), then, for such time as the rate would be deemed excessive, its application shall be suspended and there shall be charged instead the maximum rate of interest permissible (including in such computation all fees, charges or other requirements imposed on Borrower hereunder and deemed interest by said court, agency or tribunal).

Section 1.4. Payment Provisions. Borrower shall repay the outstanding principal balance under the Note in 120 equal payments commencing February 1, 1995, and continuing on the first day of each month thereafter, through and including December 1, 2004, with a final payment on December 21, 2004. Borrower shall further pay accrued interest on the outstanding principal balance under the Note on each principal payment date hereunder.

Section 1.5. Prepayment. At any time that Interest Rate hereunder is a fluctuating rate as provided in Section 1.3(a)(ii)(A) hereof, Borrower may prepay the Note in whole or in part at any time in aggregate increments of \$250,000 or multiples thereof without penalty or premium. At any time that

the Interest Rate hereunder is a fixed annual rate, Borrower may prepay the Note any time in increments of \$250,000 or multiples thereof if Borrower pays to Bank, in addition to the amount of principal prepaid, all accrued interest, and any other charges which may be due and payable hereunder, (a) the amount, if any, which must be added to such prepaid principal amount such that the total would earn, if invested on the date of prepayment in current coupon United States Treasury bonds, notes or bills, then outstanding with a maturity date as close as possible to that of the Note, the same yield to maturity that Bank would have received had the prepayment not occurred, plus (b) the amount of out of pocket costs and expenses which would be required to reinvest the amount so prepaid, including, but not limited to, estimated transaction and processing fees and costs and estimated legal fees and costs, all as determined by Bank. Each prepayment shall be applied first, to the payment of any late fees or other fees due hereunder, second, to all interest accrued under the Note as of the date of such prepayment and third, to the outstanding and unpaid principal amount of the Note (if principal thereunder is to be repaid in installments, prepayments shall be applied against installments in their inverse order of maturity). Borrower may not reborrow under the Note.

Section 1.6. Fees. In addition to payments of principal, interest and expenses hereunder, any fees paid prior to the Closing Date, and the stock purchase requirement stated in Section 4.1(c) hereof, Borrower agrees to pay to Bank a Loan Origination Fee in the amount of \$19,500.000, to be paid prior to the Closing Date.

Section 1.7. Method of Payment. Whenever any payment of principal, interest, expenses or fees to be made hereunder or under the Note becomes due on a Saturday, Sunday, or public holiday or the equivalent for banks generally under the laws of the District of Columbia (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day, and such extension of time shall in each case be included in the computation of the amount of interest then to be paid. All payments and prepayments hereunder shall be made to Bank, at P.O. Box 91760, Washington, D.C. 20090-1760, or at such other address as Bank may specify to Borrower in writing, in such money of the United States as at the time of payment shall be legal tender for the payment of public and private debts and in immediately available funds. Each payment shall be received by Bank no later than 12:00 noon, District of Columbia time, in order to be credited to Borrower on the day of receipt, and any payment received after such time shall be treated as received on the next Business Day.

ARTICLE II. SECURITY

Section 2.1. Security Interests and Encumbrances. In order to secure all obligations of Borrower hereunder and under the Note and to secure all other liabilities and obligations of Borrower to Bank, whether now existing or hereafter incurred, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several, or joint and several, and no matter how the same may be evidenced or shall arise (all of which are hereinafter collectively called the "Obligations"), Borrower (assuming payment of the

security interests and encumbrances granted and to be granted to Bank under Article II hereof; and

(b) Borrower

(i) is in compliance with all applicable laws, rules, regulations, writs, judgments, orders, injunctions, decrees, determinations or awards applicable to it, and

(ii) (assuming payment of the proceeds of the Loan to the Security Trustee as provided in Section 1.2(c) above) is not in default under any indenture, agreement, lease, or instrument. The term "default" as used herein includes any Event of Default or any event which with notice or lapse of time or both would become an Event of Default ("Incipient Default").

Section 3.3. Validity. This Agreement, the Note, and all other documents to be delivered hereunder have been or shall be duly executed and delivered by Borrower and, when so executed, constitute the legal, valid and binding obligations of Borrower enforceable against Borrower and the Collateral in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, reorganization, or similar laws affecting the enforceability of creditors' rights in general and except for generally applicable principles of equity (collectively, the "General Exceptions").

Section 3.4. Governmental Approvals. No filing with or action or approval of any federal, state or local governmental department, agency, bureau, commission, board or instrumentality is or will be required under existing law in connection with the valid execution, delivery or performance by Borrower of this Agreement or the Note or in connection with the validity and enforceability of the security interests and encumbrances in or on the Collateral, except as has been accomplished or obtained by Borrower and none of which has been or is threatened to be rejected or revoked, and except for the filing and recording of financing statements, mortgages, deeds of trust, and other documents required under Section 2.2 hereof.

Section 3.5. Litigation. There are no undischarged judgments against Borrower and there are no actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or any of its properties before any court or governmental department, commission, board, bureau, agency or instrumentality which, if determined adversely to Borrower, would have a material adverse effect on the financial condition, properties or operations of Borrower.

Section 3.6. Records and Business Location. The principal place of business of Borrower and the office where Borrower keeps its corporate and accounting records, including records relating to the Collateral, is, and in the absence of 30 days prior written notice to Bank shall remain, located at Borrower's address stated in Section 8.8 hereof.

Section 3.7. Security Interests. This Agreement, together with the financing statements, mortgages, deeds of trust and other documents required under Section 2.2 hereof, and such other documents as are to be executed and delivered hereunder, create valid and, assuming payment of the proceeds of the Loan to the Security Trustee as provided in Section 1.2(c) above and timely filing with the Interstate Commerce Commission, perfected first-priority security interests and liens in, on and to all of the Collateral as provided in Section 2.1 hereof, enforceable against the Collateral in accordance with the terms hereof and thereof, excepting only the General Exceptions.

Section 3.8. Encumbrances. Upon release of existing encumbrances incurred in connection with the 79-1 Trust as provided in Section 4.2(b) below, none of the Collateral will be subject to any assignment, lien, security interest, charge or encumbrance, and, upon filing of said release with the I.C.C. as contemplated by Section 4.2(c) below, no effective financing statement, mortgage, deed of trust or other instrument similar in effect covering any of the Collateral will be on file in any filing or recording office, except such as have been or will promptly be filed in favor of Bank and except as permitted under Section 6.2 hereof.

Section 3.9. Financial Condition. The financial statements delivered to Bank pursuant to Section 4.1 hereof are accurate and complete and fully and fairly reflect Borrower's financial condition, as of the date(s) thereof, and the results of operations of Borrower, for the accounting periods covered therein, all in accordance with generally accepted accounting principles applied on a consistent basis ("GAAP") (as to annual statements) or (as to monthly or quarterly statements) in accordance with other consistently applied methods acceptable to Bank. Borrower has good and marketable title to all assets reflected in such financial statements except as stated therein, and all personal property of Borrower is in good operating condition and repair, and is suitable and adequate for the purpose for which it is being used. Borrower has no contingent tax or other liability not disclosed by or reserved against in the balance sheets delivered as part of such financial statements; there are no material unrealized or anticipated losses from any commitment of Borrower; and there has been no material adverse change in Borrower's financial condition or operations since the date of and period covered by the latest such financial statements.

Section 3.10. Taxes. Borrower has filed all United States income tax returns and all state and municipal tax returns which are required to be filed, and has paid, or made provision for the payment of, all taxes which have become due pursuant to said returns or pursuant to any assessment received by Borrower, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided, and no federal or state tax liens have been filed or, to the knowledge of Borrower, threatened against Borrower.

Section 3.11. Burdensome Documents. Borrower is not a party to or bound by, nor are any of its assets or operations affected by, any agreement (except with Bank), ordinance, decree, regulation, order or judgment which materially and adversely affects any of its assets, properties or operations.

Section 3.12. ERISA. With respect to any employee benefit plan maintained in whole or in part for the benefit of employees of Borrower ("Plan") that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and regulations issued pursuant to ERISA, Borrower is in compliance in all material respects with the applicable provisions of ERISA; no Plan or related trust maintained by Borrower has incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA or Section 412 of the Internal Revenue Code; no Reportable Event as defined in Section 4043(b) of ERISA that requires notification of the Pension Benefit Guaranty Corporation ("PBGC") has occurred with respect to any Plan; and no provision of this Agreement will result in a Reportable Event or violation of ERISA.

Section 3.13. Margin Stock. Borrower is not and will not be engaged in the business of purchasing, carrying, or extending credit for the purpose of purchasing or carrying "margin stock", as defined by Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 221, and no loan proceeds hereunder will be used for the purpose of purchasing or carrying margin stock or extending credit for such purpose.

Section 3.14. Hazardous Substances. (a) Borrower has not generated, stored, used, treated, disposed of or otherwise handled any Hazardous Substance (as used herein "Hazardous Substance" means any substance which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated by any applicable local, state or federal law or regulation, whether currently in existence or hereafter promulgated, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §§ 9601 et seq., and regulations promulgated thereunder, and the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §§ 6901 et seq., and regulations promulgated thereunder (collectively, the "Environmental Laws"), and includes also, without limitation, raw materials, building components, the products of any manufacturing activities, wastes, petroleum, and source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 3011 et seq.), excluding only such customary amounts of Hazardous Substances as may be commonly and lawfully generated, stored, used, treated, disposed of, or otherwise handled or located on or at any facility or other property used in the same or similar business or businesses as the affected facility or facilities or other property owned, leased or operated by Borrower ("Permissible Amounts"); (b) Borrower, after due investigation, has no knowledge of the generation, storage, use, treatment, disposal, or release into the environment of any Hazardous Substance by any other Person on or from any facility or other property owned, leased or operated by Borrower; (c) no Hazardous Substance in excess of Permissible Amounts is presently located on any facility or other property owned, leased or operated by Borrower; (d) no property owned, leased or operated by Borrower has been listed or proposed for listing on the National Priorities List established by the United States Environmental Protection Agency ("EPA"), or on any other list developed or maintained by any federal, state or local governmental entity and purporting to identify properties posing the threat of pollution or contamination due to the presence of any Hazardous Substance and Borrower has not been identified by the EPA or any federal, state or local governmental entity as a potentially

responsible party for environmental cleanup obligations with respect to any property, site or facility; and (e) all activities, operations and conditions at or on any facility or other property owned, leased, or operated by Borrower its Subsidiaries are in compliance with all Environmental Laws.

Section 3.15. Insurance. Each insurance policy currently owned or held by Borrower is (a) with an insurance company rated acceptably to Bank or otherwise acceptable to Bank, (b) in full force and effect, and (c) a valid, outstanding and enforceable policy. The insurance policies currently owned or held by Borrower collectively (a) insure against all risks of the kinds customarily insured against and in amounts customarily carried by entities in the same or similar type and size of business and owning similar property in the same general area situated similarly to Borrower, and (b) provide adequate coverage for the assets, properties, and business of Borrower.

Section 3.16. Coal Contract. The remaining terms of any Coal Contracts pursuant to which the Collateral will be used to deliver coal to the applicable Coal Purchasers (the "Affected Coal Contracts") extend beyond the Maturity Date.

ARTICLE IV. CONDITIONS PRECEDENT

Section 4.1. Conditions Precedent to Closing. The obligations of Bank under this Agreement are subject to compliance by Borrower, on or prior to the Closing Date, with each of the following:

(a) Bank shall have received each of the following documents, in form and substance satisfactory to Bank and to its counsel:

(i) quadruplicate originals of this Agreement, executed by Borrower and Bank;

(ii) the Note, executed by Borrower;

(iii) a transmittal letter addressed to the Interstate Commerce Commission with respect to the Collateral and satisfying the requirements of 49 C.F.R. § 1177.3(d);

(iv) a certificate issued by the appropriate state officer with respect to the good standing of Borrower and its charter documents on file;

(v) copies, certified by its Secretary or an Assistant Secretary, of the Articles of Incorporation and Bylaws of Borrower, with all amendments thereto to date, or a certificate of Borrower's Secretary or an Assistant Secretary certifying that there have been no material changes, modifications, amendments, or substitutions to or for the Articles of Incorporation or Bylaws of Borrower since September 28, 1994, and that such Articles and Bylaws are in full force and effect;

(vi) resolutions of the Board of Directors or other appropriate authorizations of Borrower certified by its Secretary or an Assistant Secretary, authorizing the execution, delivery and performance, as applicable, of this Agreement, the Note, and all other documents necessary for performance of the obligations of Borrower under this Agreement;

(vii) certificates, executed by the Secretary or an Assistant Secretary of Borrower, as to the incumbency and authenticity of signatures of the officers of Borrower executing this Agreement and any and all other documents required as conditions precedent under this Section;

(viii) a favorable opinion of counsel for Borrower with respect to the matters stated in Sections 3.1-3.4, 3.7-3.8 and 3.12, and with respect to such other matters as Bank or its counsel may require;

(ix) financial statements of Borrower as of such dates and for such periods as may be requested by Bank in writing, each including a balance sheet and statements of income, changes in financial position, cash flows, and stockholders' equity, if any, all in reasonable detail and (as to annual statements) prepared in accordance with GAAP, accompanied by a certification as to accuracy and fair and complete presentation by the chief financial officer of Borrower or such other person as may be acceptable to Bank, and audited and certified by an independent certified public accountant acceptable to Bank and containing no material qualifications or (as to quarterly or monthly statements) prepared in accordance with a consistently applied method acceptable to Bank and certified as to accuracy and fair and complete presentation by the chief financial officer of Borrower or such other person as may be acceptable to Bank;

(x) satisfactory lien, suits and judgment searches, together with any required releases, terminations, satisfactions or subordinations necessary, in the sole judgment of Bank, to ensure that Bank's priority position with respect to the Collateral, as required by Section 2.1 of this Agreement, will be obtained upon closing;

(xi) copies of all insurance policies or certificates of Borrower, including without limitation, full coverage casualty insurance on the Collateral, and copies of all endorsements to such policies of Borrower identifying Bank as an additional insured or loss payee, as appropriate;

(xii) copies of all applicable licenses or permits of Borrower; and

(xiii) any other documents requested by Bank prior to the Closing Date.

(b) There shall exist no Event of Default or Incipient Default under this Agreement.

(c) In accordance with the requirements of Section 104(d) of the Bank Act, Borrower shall own, on or before the Closing Date, shares of Class B

capital stock of Bank, par value \$100 per share, equal, at such par value, to at least one percent (1%) of the Loan amount. Such stock shall be purchased from such existing holder(s) of such stock as Bank may designate. Such ownership may be funded from the proceeds of the Loan. Ownership by Borrower of such shares, and any transfer of such shares, will be evidenced only by entry on the books of Bank, subject to the Bylaws of Bank. Bank shall have and hold a first lien on all shares of any class or series of its capital stock (including but not limited to the shares purchased pursuant to this Agreement, whether or not fully paid for) for any and all indebtedness of Borrower to Bank. This security interest extends to any proceeds of or distributions on such shares. Bank may at its sole option cancel such shares and apply the purchase price thereof against amounts now or hereafter owed to Bank by Borrower, at any time when Borrower is in default hereunder or under any other indebtedness to Bank. Borrower has no right to apply the price of the shares against the Loan, in any circumstances; and no such application shall occur unless and until Bank in its sole option notifies Borrower in writing that it has elected to cancel the shares because of a default. If Borrower ceases to be an active functioning cooperative, or ceases to be an eligible borrower from Bank at any time, including after all liabilities of Borrower to Bank have been satisfied, Bank may cancel or exchange such shares as provided in the Bylaws of Bank. Tax consequences to Borrower, if any, of the purchase and ownership of such shares are the sole responsibility of Borrower. The stock is not redeemable and, even after the Loan is repaid, may only be sold pursuant to Bank's rules governing such sales, as they may be amended from time to time. There is no assurance that Borrower will ever be permitted to sell its Class B stock pursuant to those rules. Borrower understands and acknowledges that (i) the Bank Act requires borrowers from Bank to own Class B stock in an amount not less than one percent (1%) of the face amount of the Loan at the time the Loan is made; (ii) Bank has furnished Borrower with the Act and current Bylaws of Bank and the most recent Annual Report of Bank for information purposes; (iii) Bank has made no representations concerning its Class B stock, other than those contained in this Agreement; and (iv) Borrower's decision to accept the Loan, and thereby incur the requirement to purchase or cause the purchase of Class B stock, has been made solely in reliance on the terms and conditions of the documents executed and delivered in connection with the Loan, and not on any expectation of future earnings or performance of Bank.

(d) Borrower shall have furnished evidence permitting Bank to determine that Borrower is an eligible borrower under Section 105 of the Bank Act.

Section 4.2. Conditions Precedent to Funding. Bank shall have no obligation to make any proceeds of the Loan available as provided in Section 1.2(b) & (c) above until the Bank shall have received each of the following documents, in form and substance satisfactory to Bank and to its counsel:

(a) an Assignment and Bill of Sale from the Trustee, as seller, to the Borrower, as purchaser, and covering the Collateral;

(b) two originals of a Release of Security Agreement/Security Interest executed by the Security Trustee, releasing all right, title and interest held by the Security Trustee in the Collateral pursuant to the Security Agreement;

(c) two originals of a Termination of Lease, executed by the Trustee and the Borrower, terminating that certain Equipment Lease dated as of January 1, 1979 between the Trustee, as Lessor, and the Borrower, as Lessee, in connection with the 79-1 Trust;

(d) a transmittal letter covering each of the documents described in subsections 4.2(b) and (c) above, addressed to the Secretary of the Interstate Commerce Commission, conforming in all respects to the requirements of 49 C.F.R. §1177.3, and terminating I.C.C. recordation numbers 10226 and 10227; and

(e) an original Release of Security Agreement/Security Interest, executed by Basin Electric Power Cooperative ("Basin"), releasing all right, title and interest held by Basin in the Collateral pursuant to that certain Security Agreement dated as of August 5, 1992, between the Trustee and Basin.

ARTICLE V. AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, until all of its obligations hereunder, under the Note, and under all other documents delivered hereunder have been satisfied in full and in the absence of prior contrary written consent of Bank:

Section 5.1. Payments Hereunder. Borrower shall make all payments of principal, interest, fees, and all other payments required hereunder, under the Note, and under any other agreements with Bank to which Borrower is a party, as and when due.

Section 5.2. Existence and Good Standing. Borrower shall do all things necessary (a) to preserve and keep in full force and effect its corporate existence, rights, and licenses, permits and franchises and comply with all applicable laws and all rules, regulations and orders of federal, state and local regulatory bodies having jurisdiction applicable to it, including without limitation all Environmental Laws; (b) to maintain and protect its assets or properties used or useful in the conduct of its operations in a prudent business manner; (c) to keep the Collateral in good order and repair and not waste the same; (d) to conduct its operations and continue the conduct of its business without any substantial change in the general nature of such operations or business from that in effect on the Closing Date; (e) to maintain Borrower's place of business at the location specified in Section 3.6 hereof, provided, however, that upon 30 days prior written notice to Bank, Borrower may change its place of business; and (f) to maintain its status as an eligible borrower, as defined in the Bank Act, and as set forth in Bank's policies as they exist on the date hereof.

Section 5.3. Taxes and Charges. Borrower shall timely file returns and pay and discharge all taxes, assessments and governmental fees, charges or levies imposed upon it or its income or profits or upon its assets or properties or any part thereof, before the same shall be in default, as well as all lawful claims which, if unpaid, might become a lien or charge upon such properties or any part thereof; provided, however, that Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and Borrower shall have set aside on its books adequate reserves therefor.

Section 5.4. Insurance. Borrower shall at all times maintain insurance with insurance companies rated acceptably to Bank or otherwise acceptable to Bank, in such amounts and against such risks as are satisfactory to Bank, including without limitation casualty and liability insurance and, in any event, as would be reasonably prudent for entities in the same or similar type and size of business and owning similar property in the same general area. All such policies insuring Borrower or the Collateral shall provide that the proceeds thereof shall be payable to Bank pursuant to an additional insured or a standard mortgagee or loss payee clause. Copies (or, with respect to coverage of Bank, originals) of all said policies or certificates thereof, including all endorsements, shall be delivered to Bank; and such policies shall contain provisions that no such insurance may be canceled or decreased without ten days prior written notice to Bank. In the event of acquisition by Borrower of additional insurable Collateral, Borrower shall cause such insurance coverage to be increased or amended in such manner and to such extent as prudent business judgment would dictate. If Borrower shall at any time or times hereafter fail to obtain or maintain any of the policies of insurance required herein, or fail to pay any premium in whole or in part relating to such policies, Bank may, but shall not be obligated to, obtain or cause to be maintained insurance coverage, including, at Bank's option, the coverage provided by all or any of the policies of Borrower or its Subsidiaries and pay all or any part of the premium therefor, without waiving any default by Borrower, and any sums so disbursed by Bank shall be additional loans to Borrower by Bank payable on demand. Bank shall have the right to settle and compromise any and all claims under any of the casualty policies required to be maintained by Borrower hereunder, and Borrower hereby appoints Bank as its attorney-in-fact, with power to demand and receive all monies payable thereunder, to execute in the name of Borrower or Bank or both any proof of loss, notice, draft, or other instruments in connection with such policies or any loss thereunder and generally to do and perform any and all acts as Borrower, but for this appointment, might or could perform.

Section 5.5. Financial Statements. Borrower shall maintain accurate and complete books and financial records and shall deliver or cause to be delivered to Bank:

(a) no later than 120 days after the close of each fiscal year of Borrower and the Coal Purchaser under any Affected Coal Contract, each of Borrower's and such Coal Purchaser's financial statements for such fiscal year, respectively, each containing a balance sheet as of the end of such

fiscal year and statements of income, stockholders' equity, if any, cash flows, and changes in financial position for such fiscal year, all in reasonable detail and prepared in accordance with GAAP, accompanied by a certification as to accuracy and fair and complete presentation by Borrower's or such Coal Purchaser's chief financial officer, respectively, or such other person as may be approved by Bank in writing, and audited and certified by an independent certified public accountant reasonably acceptable to Bank and containing no material qualifications;

(b) within 60 days after the end of each quarter of each fiscal year of Borrower and the Coal Purchaser under any Affected Coal Contract, financial statements for Borrower and such Coal Purchaser for such quarter, respectively, each such financial statement containing a balance sheet as at the end of such period and statements of income, and such other quarterly statements as are customarily prepared by Borrower or such Coal Purchaser on a quarterly basis, and, upon the written request of Bank and with reasonable notice, such other financial information as Bank may reasonably deem necessary to provide current financial information, each prepared in a format substantially similar to similar statements, if any, delivered under Section 4.1(a)(xiv) and all prepared by accountants satisfactory to Bank and accompanied by a certification as to accuracy and fair and complete presentation by Borrower's or such Coal Purchaser's chief financial officer, respectively, or such other person as may be approved by Bank in writing; and

(c) concurrently with the delivery of the financial statements required under subsections (a) and (b) of this Section, a certificate of Borrower's chief financial officer or such other person as may be approved by Bank in writing stating that there exists no Event of Default or Incipient Default hereunder.

Section 5.6. Reports. Borrower shall deliver to Bank, in reasonable detail and in form acceptable to Bank,

(a) as soon as possible, and, in any event, within five Business Days after Borrower receives notice or knowledge thereof or learns facts which would lead a reasonable person to undertake diligent inquiry with respect thereto, a report or statement executed by a senior officer of Borrower with respect to (i) the occurrence of any Reportable Event that requires notification of the PBGC by Borrower pursuant to ERISA and regulations thereunder; (ii) the occurrence of any Event of Default or Incipient Default or failure to observe or perform any covenant set forth herein or in any other agreement with Bank to which Borrower is a party and any action taken or contemplated with respect thereto; (iii) (A) the existence or change in status of any pending or threatened litigation or administrative proceedings or investigations against or affecting Borrower which, if determined adversely to Borrower, would have a material adverse effect upon the financial condition or operations of Borrower and (B) any reserves set aside or to be set aside in connection with such proceedings, in accordance with GAAP; and (iv) any report, citation, notice demand or other written or oral communication concerning any facility or other property now or hereafter owned, leased or operated by Borrower to which any Hazardous Substance used, generated, treated

or disposed of by Borrower may have been transported, or concerning the activities, operations or potential responsibility for environmental cleanup obligations of Borrower, to or from any governmental agency or entity empowered to enforce, investigate, or oversee compliance with any Environmental Law; and

(b) such other reports as Bank may, from time to time, reasonably request in writing from Borrower.

Section 5.7. Management. Borrower shall maintain in the positions of chief executive officer, chief operating officer, and chief financial officer (or, in each case, an equivalent position) a person of demonstrated skill and experience in the duties of each such position, and, in the event that any person holding such a position leaves the employ of or otherwise ceases to hold such a position with Borrower, Borrower shall immediately notify Bank of such vacancy and shall, immediately upon employing a replacement, so notify Bank.

Section 5.8. Hazardous Substances. (a) All activities, operations and conditions at or on any facility or other property now or hereafter owned, leased or operated by Borrower shall be conducted and maintained in compliance with all Environmental Laws. Borrower shall perform or have performed at its expense such environmental investigations, audits, surveys, or tests as Bank may from time to time require. Upon discovery of any Hazardous Substance at or on any facility or other property now or hereafter owned, leased, or operated by Borrower in excess of Permissible Amounts, or upon discovery of the release of any Hazardous Substance into the environment from any such facility or property, Borrower shall immediately notify Bank thereof. Borrower shall immediately take all actions necessary (i) to comply with laws requiring notification of government agencies concerning such discovered or released Hazardous Substances, (ii) to remedy or correct the condition, including, without limitation, any resulting environmental contamination, and (iii) to remove from the facility or other property all such discovered or released Hazardous Substances. Borrower shall handle and dispose of such substances in accordance with Environmental Laws. Borrower shall take any and all actions necessary to obtain reimbursement or compensation from any Person responsible for the presence or release of such Hazardous Substances. Bank shall be subrogated to Borrower's rights in all such claims.

(b) Bank or its agents shall have the right to enter and inspect the condition of any facility or other property owned, leased, or operated by Borrower at any time and to conduct such inspection, testing, environmental audit and/or other procedures as Bank believes are necessary to determine current compliance with the covenants and representations contained in this Section 5.8 and in Sections 3.14 and 6.5.

Section 5.9. Coal Contracts. Borrower shall include in the costs to be paid by the Coal Purchasers under all Affected Coal Contracts, all costs and expenses incurred by it, and all payments to be made by it, in connection with the Loan, and shall take all such reasonable steps as may be necessary to secure prompt payment by the Coal Purchasers of all such costs. Borrower

shall take all such reasonable steps as may be necessary to assure that the Affected Coal Contracts do not expire or terminate prior to the Maturity Date.

ARTICLE VI. NEGATIVE COVENANTS

Borrower covenants and agrees that, until such time as Borrower's obligations hereunder, under the Note and under all other documents delivered hereunder have been satisfied in full, and in the absence of prior contrary written consent of Bank:

Section 6.1. Mergers and Related Transactions. Except as specifically identified on Appendix B hereto, Borrower shall not (a) merge into, acquire, or consolidate with or into any other Person, (b) create or acquire any subsidiary, (c) alter or amend its capital structure in any way, or (d) amend its Articles of Incorporation or Bylaws in any material respect (except as may be necessary to comply with Section 5.2 hereof, in which case it shall provide the Bank with 15 days prior written notice of such amendments), nor shall any change be made in the ownership of any legal or beneficial interest in Borrower.

Section 6.2. Encumbrances and Indebtedness. Borrower shall not:

(a) Assume, create, incur, maintain or suffer to exist any indebtedness, other than to Bank, except for short-term trade indebtedness incurred in the ordinary course of business, indebtedness existing as of the date hereof, and indebtedness specifically identified on Appendix B hereto;

(b) Create, incur, assume, maintain or suffer to exist any mortgage, deed of trust, security interest, lien or other encumbrance upon any of its real or personal properties or assets, whether now owned or hereafter acquired, except for (i) encumbrances granted to Bank; (ii) liens for taxes not yet due or contested in good faith by appropriate proceedings; and (iii) encumbrances securing indebtedness permitted under Section 6.2(a); or

(c) Make loans or other advances to any Person, or assume or incur any direct or contingent obligation or liability, as endorser, guarantor, surety or otherwise, with respect to the obligations of any other Person.

Section 6.3. Sales and Dispositions. Borrower shall not sell, exchange, loan, deliver, transfer, lease, assign, mortgage or otherwise dispose of any material portion of its assets, including any of the Collateral, or its interests therein, except in the ordinary course of business.

Section 6.4. Financial Requirements. Borrower shall not suffer or permit its tangible net worth at any time to be less than \$4,000,000.00, provided, that all assets owned by Borrower and included on its balance sheet as of the date hereof shall be deemed to constitute "tangible" assets for purposes of the tangible net worth requirement stated herein. Such tangible

net worth shall be maintained by per ton overrides, established by resolution of Borrower's Board of Directors and sufficient to maintain such net worth, on all Coal Contracts to which Borrower is a party.

Section 6.5. Hazardous Substances. Throughout the term of this Agreement, Borrower shall not allow any Hazardous Substance in excess of Permissible Amounts to be brought onto, generated, stored, used, treated, disposed of, transported over, or otherwise handled or located at any facility or other property owned, leased, or operated by it. Upon receipt of notice from Borrower concerning Borrower's intent or desire to take any action described in this Section 6.5, Bank may, at its sole option, consent, withhold consent, or condition its consent upon the provision by Borrower or its Subsidiaries of insurance adequate to fully cover and protect Bank's interest under the Note.

Section 6.6. Franchises. Borrower shall not suffer the final revocation, suspension, material amendment or termination of any franchise, agreement, permit, or license necessary for the lawful operation of its primary business activity.

Section 6.7. Coal Contracts. Borrower shall not cause or permit any Affected Coal Contract to expire or terminate or be terminated or canceled prior to the Maturity Date.

ARTICLE VII. DEFAULT

Section 7.1. Events of Default. Each of the following events shall constitute an Event of Default hereunder if such event shall not be remedied within the time period set forth below:

(a) Borrower shall fail to pay any amount of principal, interest, fees, or other payments due hereunder or under the Note in accordance with Section 5.1 or under any other agreement with Bank to which Borrower is a party when such amount is due and payable, and such failure shall continue for more than five days;

(b) Borrower or the Coal Purchaser under any Affected Coal Contract shall fail to pay any indebtedness (other than that due under any agreement with Bank), when due (whether by scheduled maturity, by required prepayment, by acceleration, by demand or otherwise), shall fail to meet its obligations under the terms of any guaranty when called upon to do so, or shall fail to perform any term, covenant or agreement on its part to be performed under any agreement or instrument evidencing or securing or relating to any such indebtedness or guaranty when required to be performed, and the effect of any such failure is to accelerate, or to permit the holder or holders of such indebtedness or the trustees under any such agreement or instrument to accelerate, the maturity of such indebtedness or such obligation guaranteed by Borrower or the Coal Purchaser under any Affected Coal Contract, and Borrower or the Coal Purchaser under any Affected Coal Contract has not cured such failure within the grace period, if any, provided by the applicable

instrument or agreement, whether or not such holders or trustees elect to exercise such remedy or to waive such failure;

(c) Any representation or warranty made by Borrower in this Agreement or any certificate, agreement, instrument, report or statement contemplated by or made or delivered pursuant to or in connection with this Agreement or any other agreement with Bank to which Borrower is a party, shall be, at the time of the making of such representation or warranty, untrue or incorrect in any respect;

(d) Borrower shall fail to observe or perform any covenant or agreement contained in (i) the corporate existence clause of Section 5.2(a), 5.6(a), 6.1 through 6.4, and 6.7 hereof, or (ii) any other provision of Article V or VI of this Agreement or any other agreement with Bank to which Borrower is a party, except as otherwise provided herein, and such failure shall continue for more than 30 days;

(e) Borrower or the Coal Purchaser under any Affected Coal Contract shall generally not pay its debts (other than inter-company debts) as they become due or admit in writing its inability generally so to pay its debts, make an assignment for the benefit of creditors, seek an order for relief in bankruptcy, become insolvent or bankrupt within the meaning of the Federal Bankruptcy Code, petition or apply to any tribunal for the appointment of any receiver, custodian, liquidator, trustee, or similar official (hereinafter "Official") for it or any substantial part of its property, commence any proceeding relating to it under any reorganization, arrangement, readjustment of debt, conservatorship, receivership, dissolution or liquidation law or statute of any jurisdiction (including, without limitation, the Federal Bankruptcy Code) or there shall be commenced against it any such proceeding which remains unstayed or undismissed for a period of more than sixty (60) days, or it shall consent to, approve of or acquiesce in any such proceeding or the appointment of any such Official, or it shall suffer any such proceeding to continue undischarged for a period of more than sixty (60) days;

(f) Borrower (i) shall suffer the entry of any judgment against it by any court of record for the payment of money, if the aggregate of all such judgments outstanding is in excess of \$250,000 at any one time, or enjoining the conduct of any material part of its business or the performance of any material covenants in this Agreement or (ii) shall suffer the issuance of any writ of attachment on any of its assets, if the aggregate of all such writs outstanding at any one time is greater than \$250,000, and, under the circumstances of either (i) or (ii), above, Borrower shall not discharge the same or provide for its discharge in accordance with its terms, or fully bond or insure against the same or procure a stay of execution thereon within 30 days from the date of entry thereof, unless execution thereon is effectively stayed pending further proceedings;

(g) Any security interest or lien granted herein or to be granted hereunder in or on the Collateral shall for any reason not be or cease to be a

valid and perfected security interest or lien having priority as stated in Section 2.1;

(h) Any Reportable Event that requires notification of the PBGC and which might constitute grounds for the termination of any Plan covered by Title IV of ERISA or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan shall have occurred and be continuing 60 days after written notice to such effect shall have been given to Borrower by Bank, or any such Plan shall be terminated, or a trustee shall be appointed by an appropriate United States District Court to administer any such Plan, or the PBGC shall institute proceedings to terminate any such Plan or to appoint a trustee to administer any such Plan; and

(i) Bank in good faith shall believe the prospect of payment of the Note is substantially impaired due to acts or events bearing upon the financial condition of Borrower or the Coal Purchaser under any Affected Coal Contract.

Section 7.2. Acceleration. Upon the occurrence of any Event of Default, Bank may, by written notice to Borrower, elect to make no further advances under the Loan and declare the entire indebtedness of Borrower then outstanding under the Note immediately due and payable without presentment, demand, protest, notice of protest or any other notice of any kind, all of which are hereby expressly waived. Notwithstanding the foregoing provisions of this Section, the entire indebtedness of Borrower then outstanding under the Note shall become immediately due and payable without notice or election of any kind and without need for any action by Bank if Borrower or the Coal Purchaser under any Affected Coal Contract shall file a voluntary petition for an order for relief in bankruptcy, for an arrangement with its unsecured creditors or for corporate reorganization under any bankruptcy, receivership or similar statute. Bank shall have no obligation to disburse any Loan proceeds during the existence of any Event of Default or Incipient Default.

Section 7.3. Right of Setoff. Upon the occurrence and during the continuance of any Event of Default, Bank is hereby authorized at any time and from time to time, without notice to Borrower (any such notice being expressly waived by Borrower), to set off and apply any and all money, credits, stocks, bonds or other securities or property of any nature whatsoever at any time held, and other indebtedness at any time owing, by Bank to or for the credit or the account of Borrower, including patronage dividends which would otherwise be payable by Bank to Borrower, against any and all of the obligations of Borrower, first under this Agreement and second under any other agreement with Borrower, irrespective of whether or not Bank shall have made any demand under this Agreement or the Note, and although such obligations may be unmatured. Bank agrees promptly to notify Borrower after any such setoff and application, provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights of Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) that Bank may have.

Section 7.4. Rights to Collateral. Upon the occurrence of any Event of Default, Bank shall have all rights with respect to the Collateral hereunder as are available to secured parties under the Uniform Commercial Code and other applicable law in effect in the District of Columbia, and in the jurisdiction in which any portion of the Collateral is located (including without limitation the right to repossession without judicial process as set forth in Section 9-503 of the Uniform Commercial Code), and Bank may (a) enter upon Borrower's premises peaceably, by Bank's own means or with legal process, and take possession of the Collateral, or render it unusable, or dispose of the Collateral on Borrower's premises, and Borrower agrees not to resist or interfere, (b) require Borrower to assemble the Collateral and make such Collateral available to Bank at a place reasonably designated by Bank, and (c) sell, assign and deliver all, or any part of, the Collateral at any broker's board or at any public or private sale, as Bank may elect, either for cash or on credit, and for present or future delivery without assumption of any credit risk, and without either demand, advertisement or notice of any kind, all of which are expressly waived. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Bank will give Borrower reasonable notice of the time and place of any public sale thereof or of the time after which any public or private sale or any other intended disposition thereof is to be made. In any event, Borrower agrees that any notice of sale or other action given by Bank at least five Business Days prior to such action shall constitute reasonable notice. Bank may at any time after the occurrence of any Event of Default notify account debtors on any Collateral that the Collateral has been assigned to Bank and that proceeds shall be paid to Bank. Upon request by Bank after the occurrence of any Event of Default, Borrower agrees to so notify account debtors and to indicate on all account billings that the accounts are payable to Bank. In the event of any sale hereunder, Bank shall, after deducting all costs or expenses of every kind for care, safekeeping, collection, sale, delivery, administration of this Agreement, or otherwise, apply the residue of the proceeds of such sale first, to the payment of interest due under the Note, second, to the payment of principal due under the Note, third, to the payment of any unpaid fees hereunder, and fourth, if there be any surplus remaining, to Borrower; provided, however, that if the proceeds are insufficient to pay all such expenses, interest, principal, and fees, Borrower shall remain liable for any deficiency. Upon the occurrence of any Event of Default, Bank is further authorized to transfer any Collateral to its own name or that of its nominees. Bank shall not have any duty with reference to any Collateral in its possession other than to use reasonable care in the custody and preservation of such Collateral, which duty shall not include any steps to preserve rights against prior parties or to send notices, perform services, or take any action in connection with the management of the Collateral. Borrower shall bear all risks of diminution or depreciation of the Collateral upon and after the occurrence of any Event of Default, and Bank shall have the right, in its sole discretion, to delay or refrain from selling or otherwise disposing of the Collateral. In the absence of any Event of Default, Borrower may continue to vote any shares of stock constituting Collateral and to receive any cash dividends on such shares permitted hereunder.

ARTICLE VIII. MISCELLANEOUS

Section 8.1. Rights and Waivers. All rights, remedies and powers granted to Bank herein, or in the Note or any other instrument or document delivered or to be delivered in connection herewith (collectively the "Loan Documents"), whether express or implied, shall be cumulative and may be exercised singly or concurrently with such other rights as Bank may have, and shall include, without limitation, the right to apply to a court of equity for any injunction to restrain a breach or threatened breach of this Agreement and all rights as stated in Article VII hereof. No failure or delay on the part of Bank in exercising any right, power or privilege hereunder, under any other of the Loan Documents, or under applicable law, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege; and Borrower shall remain liable for the strict performance hereof until all Obligations shall have been fully paid in accordance with their terms and this Agreement shall have been terminated. No waiver or modification of any right, power or privilege of Bank, or of any obligation of Borrower shall be effective unless such waiver or modification is in writing, signed by Bank and then only to the extent set forth therein. A waiver by Bank of any right, power or privilege hereunder on any one occasion shall not be construed as a bar to, or a waiver of, any such right, power or privilege which Bank otherwise would have on any subsequent occasion. This Agreement and the Loan Documents shall continue in full force and effect for so long as Borrower shall be indebted to Bank, and thereafter until Bank shall have actually received written notice of the termination hereof from Borrower and until all Obligations of Borrower to Bank incurred or contracted before receipt of such notice, plus applicable interest, fees, costs and expenses, including without limitation attorneys' fees, shall have been fully paid. Bank shall have no liability to Borrower for failure to fund the Loan on the date or dates set for such funding if such failure is due to forces or circumstances beyond the control of Bank, including, without limitation, Acts of God, concerted work stoppages, or delays in wire transfer systems.

Section 8.2. Binding Effect; Assignment. This Agreement shall bind and inure to the benefit of the parties, their legal representatives, successors and assigns, including, without limitation, other banks to which Bank may assign participations in the Loan to the extent of such participations, except that Borrower may not assign or transfer its rights hereunder or any interests herein without the prior written consent of Bank. Borrower waives all statutory exemptions as to liabilities hereunder, including, without limitation, exemptions under the bankruptcy laws.

Section 8.3. Severability. Any provision of this Agreement prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, or modified to conform with such laws, without invalidating the remaining provisions of this Agreement, and any such prohibition in any jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 8.4. Interpretation. Article and Section headings used herein are for convenience only and shall not affect the construction or interpretation of this Agreement. Use of the singular shall include the plural, and vice versa, whenever appropriate to protect the interests of Bank; the conjunctive shall include the disjunctive, and vice versa, whenever so appropriate, and masculine, feminine, and neuter pronouns shall be considered interchangeable. Specification of any section or subsection herein shall be deemed to include specification of any exhibit or appendix referred to therein. Each party to this Agreement has participated in its drafting, and this Agreement shall be interpreted without reference to any rule of construction providing for interpretation of documents against the Persons drafting them.

Section 8.5. Governing Law; Jury Trial. This Agreement and the Note shall be construed in accordance with and governed by the internal laws of the District of Columbia (but excluding its choice of law rules). Borrower consents to the jurisdiction of the courts of the District of Columbia (including, without limitation, the federal district court) over all disputes or controversies arising in connection with this Agreement or the Note, and waives any defense of inconvenient forum, and all litigation in that regard shall be brought in such courts unless Bank otherwise consents. The parties individually with respect to each instance and each issue arising in connection with this Agreement or the Note as to which the right to a trial by jury would otherwise accrue, waive and elect not to assert their right to trial by jury on any issue triable of right by a jury to the full extent that any such right shall now or hereafter exist, and each represents that it has entered into such waiver knowingly, willingly and voluntarily after receiving the advice of independent counsel of its own choosing, and Borrower certifies that no representative or agent of Bank (including without limitation Bank's counsel) has represented, expressly or otherwise, to Borrower that Bank will not seek to enforce this waiver of right to jury trial provision. The parties consent to service of process by registered mail, return receipt requested.

Section 8.6. Payment of Expenses and Taxes. Borrower agrees to pay all actual and reasonable out of pocket costs and expenses of Bank in connection with the negotiation, preparation, execution and delivery of this Agreement, the Note, the other Loan Documents, and any other related documents, including without limitation the fees and disbursements of special counsel to Bank, and to pay all actual and reasonable out of pocket costs and expenses of Bank in connection with the administration and enforcement of this Agreement, the Note, and the other Loan Documents, including actual attorneys' fees and disbursements arising in connection therewith (whether or not suit is instituted). Borrower agrees to pay all actual out-of-pocket costs of Bank in connection with any review, investigation, inspection, examination, testing, or audit performed under Section 2.2(c) or 5.8(b). Borrower agrees to indemnify Bank, its officers and agents from and against any and all liabilities, losses, damages, penalties, actions, judgments, costs, expenses (including, without limitation, attorneys' fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Bank or such officers or agents in any litigation, proceeding or investigation instituted or conducted by any Person (other than

Borrower) with respect to any aspect of, or any transaction contemplated by, or referred to in, this Agreement or the Loan or any matter related to the business of Borrower or any securities or other litigation arising as a result of any action or failure to act by Borrower. Borrower also agrees to pay, and to make Bank harmless from any delay in paying, all stamp and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of this Agreement, the Note, any other of the Loan Documents, or any modification hereof or thereof, and all filing and recording fees in connection therewith. All costs and expenses of whatever nature to be paid by Borrower to or for Bank hereunder shall be paid by Borrower on demand, together with interest thereon from the date incurred until repaid at the Interest Rate.

Section 8.7. Survival of Representations and Warranties. All representations and warranties made by Borrower in this Agreement and in the other Loan Documents shall survive the execution and delivery of this Agreement and the making of the Loan hereunder until payment of the Obligations and shall be deemed made and reaffirmed by Borrower at the time of the making of each disbursement under the Loan, and the provisions of Section 8.6 hereof shall survive payment of the Obligations.

Section 8.8. Notices. Unless otherwise specified herein, all notices, requests and demands to or upon any party hereto shall be deemed to have been given or made when delivered or when transmitted by facsimile, with confirmation, or when mailed, first-class, postage prepaid, addressed to such party as follows or to such other address as may be hereafter designated in writing by such party to the other parties hereto:

(a) if to Bank by hand delivery to:

National Cooperative Bank
1401 Eye Street, N.W.
Washington, D.C. 20005
Attention: Darrell Johnson

and if by mail to:

National Cooperative Bank
P.O. Box 96812
Washington, D.C. 20009-6812
Attention: Darrell Johnson

in either case with a copy to:

Shea & Gardner
Suite 800
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036
Attention: Timothy K. Shuba

(b) if to Borrower to:

Western Fuels Association, Inc.
1625 M Street, N.W.
Washington D.C. 20036
Attention: Robert P. Norrgard

with a copy to:

Doherty Rumble & Butler, P.A.
2800 Minnesota World Trade Center
30 East Seventh Street
St. Paul, Minnesota 55101-4999
Attention: David P. Swanson

Section 8.9. Execution. This Agreement may be executed by the parties hereto individually or in any combination of the parties hereto in several separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same Agreement.

Section 8.10. Amendments. This Agreement and its Appendices and Exhibits, together with the provisions of the Note and the other Loan Documents, constitute the entire agreement between the parties hereto, superseding all prior and contemporaneous oral or written understandings with respect to the subject matter, and no amendment or waiver of any provision of this Agreement or the Note nor consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by Bank and Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific stated purpose for which given.

Section 8.11. Relationship of the Parties. This Agreement provides for the making of a loan by Bank, in its capacity as a lender, to Borrower, in its capacity as a borrower, and for the payment of interest and repayment of principal by Borrower to Bank. The relationship between Bank and Borrower is limited to that of creditor/secured party, on the one hand, and debtor, on the other hand. The provisions herein for compliance with financial, environmental, and other covenants, delivery of financial, environmental and other reports, and financial, environmental and other inspections, investigations, audits, examinations, or tests are intended solely for the benefit of Bank to protect its interests as a lender in assuring payments of interest and repayment of principal and protecting and preserving the Collateral, and nothing contained in this Agreement or the Note shall be construed as permitting or obligating Bank to act as a financial or business advisor or consultant to Borrower, as permitting or obligating Bank to control Borrower or to conduct or operate Borrower's operations, as creating any fiduciary obligation on the part of Bank to Borrower, or as creating any joint venture, agency, or other relationship between the parties other than as explicitly and specifically stated in this Agreement. Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and to obtain the advice of such counsel with respect to all matters

contained herein, including, without limitation, the provision in Section 8.5 for waiver of trial by jury. Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to apply to Bank for the financial accommodations provided hereby and to execute and deliver this Agreement.

Section 8.12. Participants. Bank reserves the right to obtain participants with respect to the Loan and the Note, and Borrower agrees to cooperate fully with any reasonable requests necessary or convenient to implement and administer such participations, including without limitation providing financial information and statements to prospective participants. Prior to the closing of any participation, Bank shall give at least five days' prior written notice to Borrower of the name of each participant.

Section 8.13. Definitions. For purposes of this Agreement, terms bearing initial capitals and defined in various previous Sections of this Agreement shall have the meanings stated in such Sections; financial or accounting terms not specifically defined shall have the meanings ordinarily applied under GAAP; and the following terms shall have the meanings stated below, except as the context otherwise requires:

(a) "Closing Date" means the date first stated on page one hereof, provided that all of the conditions precedent stated in Section 4.1 have then been satisfied;

(b) "Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or a government or any agency or political subdivision thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered in duplicate as of the date stated on the first page hereof.

ATTEST:

[Signature]
[SEAL]

WESTERN FUELS ASSOCIATION, INC.

By: [Signature]
Name: _____
Title: CEO

State of Washington
County of District of Columbia ss.

On this 22nd day of December, 1994, before me personally appeared Frederick Palmer, to me personally known, who being by me duly sworn, says that (s)he is the CEO of Western Fuels Association, Inc., and that the foregoing Business Loan/Security Agreement was signed by him/her on behalf of said corporation, and (s)he acknowledged that the execution of the Business Loan/Security Agreement was the free act and deed of said corporation.

(SEAL)

[Signature]
Notary Public

My commission expires _____

DIANE L. BROOKS
Notary Public District of Columbia
My Commission Expires June 14, 1999

NATIONAL CONSUMER COOPERATIVE BANK

By: *Darrell Johnson*

Name: *Darrell's Johnson*

Title: *Vice President*

State of *Washington*

County of *District of Columbia*

On this *22nd* day of December, 1994, before me personally appeared *DARRELL JOHNSON*, to me personally known, who being by me duly sworn, says that (s)he is the *VICE - PRESIDENT* of National Consumer Cooperative Bank, and that the foregoing Business Loan/Security Agreement was signed by him/her on behalf of said corporation, and (s)he acknowledged that the execution of the Business Loan/Security Agreement was the free act and deed of said corporation.

(SEAL)

Diane L. Brooks
Notary Public

My commission expires _____

DIANE L. BROOKS
Notary Public District of Columbia
My Commission Expires June 14, 1999

SECURED PROMISSORY NOTE

\$3,900,000.00

Washington, D.C.
December 22, 1994

FOR VALUE RECEIVED, the undersigned WESTERN FUELS ASSOCIATION, INC. (hereinafter whether one or more called "Maker"), hereby jointly and severally promises to pay to the order of NATIONAL CONSUMER COOPERATIVE BANK, d/b/a NATIONAL COOPERATIVE BANK, a federally chartered banking association, or to its assigns (the "Bank"), at its offices at 1401 Eye Street, N.W., Washington, D.C. 20005, or at such other address as the Bank may specify to Maker in writing, in lawful money of the United States of America and in immediately available funds, without offset, the principal sum of Three Million Nine Hundred Thousand and No/100 Dollars (\$3,900,000.00), or so much thereof as shall have been advanced or readvanced hereunder pursuant to that certain Business Loan/Security Agreement dated December 22, 1994, by and between Maker and the Bank (the "Agreement"), together with interest accrued on the unpaid principal amount hereof (computed on the basis of the actual number of days elapsed over a year of 360 days).

Interest on the outstanding principal balance hereunder shall accrue from the date hereof through and including December 21, 1999, at a fixed rate of interest (the "Interest Rate") equal to nine and 39/100 percent (9.39 %).

Effective December 22, 1999 (the "Conversion Date"), the Interest Rate hereunder shall be adjusted as follows: No later than December 1, 1999, Maker shall advise the Bank in writing which of the following rates it elects to be the Interest Rate hereunder from the Conversion Date until this Note is paid in full:

- (A) A fluctuating rate per annum equal to the Commercial Loan Base Rate of the Bank from time to time in effect. The Bank's "Commercial Loan Base Rate" shall mean the Base Rate of Interest established by the Bank from time to time in its sole discretion to be used as an index in determining actual interest rates to be charged for certain of its commercial loans, as announced publicly or privately by the Bank. Each change in the Interest Rate hereunder shall become effective, without notice, as of the opening

of business on the day on which such change in the Commercial Loan Base Rate becomes effective. In the event of any dispute as to the Commercial Loan Base Rate in effect on such date or for such period, a certificate as to the Commercial Loan Base Rate in effect on such date or for such period, executed by an authorized officer of the Bank, shall be conclusive; or

- (B) A fixed annual rate equal to 1.85 percentage points above the highest yield quoted for a United States Treasury Security trading with a maturity nearest to December 21, 2004 (the "Maturity Date"), as published in the Wall Street Journal's "Treasury Bonds, Notes, and Bills" Section as of the last business day preceding the Conversion Date, rounded up to the nearest 1/16 of 1%. If at the time of such determination United States Treasury Securities have ceased to be issued or actively traded, the Bank, upon written notice to Maker, shall designate other obligations backed by the full faith and credit of the United States adjusted to constant maturities of five years as the instruments to be substituted for such United States Treasury Securities in order to compute the Interest Rate.

In the event Maker fails to elect an Interest Rate to be effective from the Conversion Date as provided above, the Interest Rate effective from the Conversion Date until payment in full of this Note shall be fixed pursuant to paragraph (B) above.

Maker shall repay the outstanding principal balance hereunder in 120 equal payments commencing February 1, 1995, and continuing on the first day of each month thereafter, through and including December 1, 2004, with a final payment on the Maturity Date. Maker shall further pay accrued interest on the outstanding principal balance hereunder on each principal payment date hereunder.

In the event that Maker fails to make any payment under this Note within fifteen (15) days after the date such payment is due, Maker shall immediately pay to the Bank a late charge (the "Late Charge") equal to five percent of the required payment. The Late Charge shall be in addition to, and not in lieu of, any other right or remedy the Bank may have.

To secure the prompt payment when due of this Note, whether by acceleration or otherwise, and of any other obligation of Maker to the Bank, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several, or joint and several, Maker has granted or caused to be granted to the Bank certain security interests and encumbrances, all as provided in the Agreement. This Note is issued pursuant to the Agreement, and is entitled to the benefits thereof, including, without limitation, security interests and encumbrances and provisions for prepayment, for a default rate of interest, for acceleration of maturity, for payment of costs of enforcement and collection, and for waivers by Maker of demand, presentment, protest, and other notices, all as provided in the Agreement.

ATTEST:

WESTERN FUELS ASSOCIATION,
INC.

[SEAL]

By: _____
Name: _____
Title: _____

APPENDIX A

DESCRIPTION OF COLLATERAL

Manufacturer: Ortner Freight Car Company

Description and Mark: 242 High Side Gondolas
Marked and Numbered as follows:

WFAX 79000-79017 (inclusive),
WFAX 79019-79045 (inclusive),
WFAX 79047-79055 (inclusive),
WFAX 79058-79080 (inclusive),
WFAX 79082,
WFAX 79085-79102 (inclusive),
WFAX 79104,
WFAX 79106-79115 (inclusive),
WFAX 79118-79125 (inclusive),
WFAX 79127-79133 (inclusive),
WFAX 79135-79157 (inclusive),
WFAX 79159-79162 (inclusive),
WFAX 79164-79177 (inclusive),
WFAX 79179-79188 (inclusive),
WFAX 79190-79199 (inclusive),
WFAX 79201,
WFAX 79203,
WFAX 79206-79238 (inclusive),
WFAX 79240-79241 (inclusive),
WFAX 85242-85248 (inclusive), and
WFAX 87249-87263 (inclusive)

maturities of five years as the instruments to be substituted for such United States Treasury Securities in order to compute the Interest Rate.

In the event Borrower fails to elect an Interest Rate to be effective from the Conversion Date as provided herein, the Interest Rate effective from the Conversion Date until the Note is paid in full shall be fixed pursuant to subsection 1.3(ii)(B) above.

(b) In the event that Borrower fails to pay any amount of principal or any other amount (other than interest) payable by Borrower hereunder when due, whether by acceleration, at the stated maturity, or otherwise, and Bank notifies Borrower that it is in default and that it must therefore pay interest at a higher rate, then Borrower shall pay interest on any such amount for the period commencing on the date stated in such notification and continuing until the same is paid in full, at the rate of 200 basis points in excess of the Interest Rate. Such notification, or the lack thereof, shall not affect the fact that Borrower is in default under Article VII of this Agreement.

(c) In the event that Borrower fails to make any payment under this Agreement within fifteen (15) days after the date such payment is due, Borrower shall immediately pay to Bank a late charge (the "Late Charge") equal to five percent of the required payment. The Late Charge shall be in addition to, and not in lieu of, any other right or remedy Bank may have and is in addition to any reasonable fees or charges of any agents or attorneys to which Bank may be entitled pursuant to the terms hereof.

(d) The Interest Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. If at any time the Interest Rate shall be deemed by any competent court of law, governmental agency or tribunal to exceed the maximum rate of interest permitted by any applicable laws (including in such computation any other fee or charges or other requirements imposed on Borrower hereunder, and deemed interest by said court, agency or tribunal), then, for such time as the rate would be deemed excessive, its application shall be suspended and there shall be charged instead the maximum rate of interest permissible (including in such computation all fees, charges or other requirements imposed on Borrower hereunder and deemed interest by said court, agency or tribunal).

Section 1.4. Payment Provisions. Borrower shall repay the outstanding principal balance under the Note in 120 equal payments commencing February 1, 1995, and continuing on the first day of each month thereafter, through and including December 1, 2004, with a final payment on December 21, 2004. Borrower shall further pay accrued interest on the outstanding principal balance under the Note on each principal payment date hereunder.

Section 1.5. Prepayment. At any time that Interest Rate hereunder is a fluctuating rate as provided in Section 1.3(a)(ii)(A) hereof, Borrower may prepay the Note in whole or in part at any time in aggregate increments of \$250,000 or multiples thereof without penalty or premium. At any time that

the Interest Rate hereunder is a fixed annual rate, Borrower may prepay the Note any time in increments of \$250,000 or multiples thereof if Borrower pays to Bank, in addition to the amount of principal prepaid, all accrued interest, and any other charges which may be due and payable hereunder, (a) the amount, if any, which must be added to such prepaid principal amount such that the total would earn, if invested on the date of prepayment in current coupon United States Treasury bonds, notes or bills, then outstanding with a maturity date as close as possible to that of the Note, the same yield to maturity that Bank would have received had the prepayment not occurred, plus (b) the amount of out of pocket costs and expenses which would be required to reinvest the amount so prepaid, including, but not limited to, estimated transaction and processing fees and costs and estimated legal fees and costs, all as determined by Bank. Each prepayment shall be applied first, to the payment of any late fees or other fees due hereunder, second, to all interest accrued under the Note as of the date of such prepayment and third, to the outstanding and unpaid principal amount of the Note (if principal thereunder is to be repaid in installments, prepayments shall be applied against installments in their inverse order of maturity). Borrower may not reborrow under the Note.

Section 1.6. Fees. In addition to payments of principal, interest and expenses hereunder, any fees paid prior to the Closing Date, and the stock purchase requirement stated in Section 4.1(c) hereof, Borrower agrees to pay to Bank a Loan Origination Fee in the amount of \$19,500.000, to be paid prior to the Closing Date.

Section 1.7. Method of Payment. Whenever any payment of principal, interest, expenses or fees to be made hereunder or under the Note becomes due on a Saturday, Sunday, or public holiday or the equivalent for banks generally under the laws of the District of Columbia (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day, and such extension of time shall in each case be included in the computation of the amount of interest then to be paid. All payments and prepayments hereunder shall be made to Bank, at P.O. Box 91760, Washington, D.C. 20090-1760, or at such other address as Bank may specify to Borrower in writing, in such money of the United States as at the time of payment shall be legal tender for the payment of public and private debts and in immediately available funds. Each payment shall be received by Bank no later than 12:00 noon, District of Columbia time, in order to be credited to Borrower on the day of receipt, and any payment received after such time shall be treated as received on the next Business Day.

ARTICLE II. SECURITY

Section 2.1. Security Interests and Encumbrances. In order to secure all obligations of Borrower hereunder and under the Note and to secure all other liabilities and obligations of Borrower to Bank, whether now existing or hereafter incurred, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several, or joint and several, and no matter how the same may be evidenced or shall arise (all of which are hereinafter collectively called the "Obligations"), Borrower (assuming payment of the

APPENDIX B

PERMITTED EXCEPTIONS

[Sections 6.1; 6.2]

So long as Borrower maintains a net worth, as shown on its latest quarterly balance sheet, equal to or in excess of \$4,000,000, Borrower may (1) create or acquire any subsidiary, (2) retire or redeem patronage equities, credits or other interests in the equity of Borrower, and (3) make patronage distributions with cash components in excess of 20 percent of the total amount of such distributions.

The assets of Borrower are subject to assignments, liens, security interests, charges and encumbrances and effective financing statements, mortgages, deeds of trust, and other instruments similar in effect covering any of such assets are on file in relevant filing and recording offices as indicated on copies of Uniform Commercial Code and lien reports delivered to the Bank herewith. The stock of Western Fuels-Wyoming, Inc., owned by Borrower is pledged to Basin to secure a loan from Basin to Borrower.