

2-176A023

RED BUD FUNDING, LIMITED PARTNERSHIP  
WORLD FINANCIAL CENTER  
NORTH TOWER - 27TH FLOOR  
250 VESEY STREET  
NEW YORK, NEW YORK 10281-1327

June 24, 1992

BY HAND

The Honorable Sidney L. Strickland, Jr.  
Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

17824/A

JUN 24 1992 - 12 55 PM

INTERSTATE COMMERCE COMMISSION

MOTOR OPERATING UNIT

JUN 24 12 49 PM '92

Dear Mr. Strickland:

Enclosed please find three (3) executed and acknowledged originals of a Security Agreement dated as of June 25, 1992 to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The Security Agreement is a secondary document, as defined in 40 CFR 1177.1(b), and relates to a Lease Agreement, a primary document, dated as of June 25, 1992 between Red Bud Funding, Limited Partnership, as lessor (the "Lessor"), and Oklahoma Gas and Electric Company, as lessee (the "Lease"), which is being filed concurrently with the Interstate Commerce Commission ("ICC").

We request that the Security Agreement also be indexed under the name of Oklahoma Gas and Electric Company.

The names and addresses of the parties to the enclosed Security Agreement are as follows:

Debtor: Red Bud Funding, Limited Partnership  
c/o ML Leasing Equipment Corp.  
World Financial Center  
North Tower  
250 Vesey Street  
New York, New York 10281

*C. [Signature]*  
*Washington, D.C. [Signature]*

*[Handwritten mark]*

Collateral Agent                   Credit Lyonnais New York Branch  
for Secured Parties:           Credit Lyonnais Building  
                                  1301 Avenue of the Americas  
                                  New York, New York 10019

The Security Agreement grants a security interest in, and a lien upon, all of the Lessor's right, title and interest in, to and under the Lease, under which lease railroad equipment having the following description is leased:

Three hundred and thirty-six (336) 120-ton gondola cars with aluminum bodies, approximately 4,700 cu. ft. capacity bearing identification marks and numbers OGEX 2001 through OGEX 2336, A.A.R. car type J311, and any other railroad equipment hereafter acquired by the Lessor covered by the Lease intended for use related to interstate commerce.

We enclose the fee of \$16.00 for recordation. Please file-stamp the original copy of each Security Agreement and the extra copy of this transmittal letter furnished herewith, and return the extra copy of this letter and any original copies of the Security Agreement not needed by the ICC for recordation to the bearer of this letter.

A short summary of the Security Agreement to appear in the index follows:

Security Agreement between Red Bud Funding, Limited Partnership, as debtor (the "Debtor"), c/o ML Leasing Equipment Corp., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281 and Credit Lyonnais New York Branch, as collateral agent, Credit Lyonnais Building, 1301 Avenue of the Americas, New York, New York 10019, dated as of June 25, 1992, and granting a security interest in, and a lien upon, all of the Debtor's right, title and interest in, to and under a Lease Agreement dated as of June 25, 1992, between the Debtor, as lessor, and Oklahoma Gas and Electric Company, as lessee (the "Lease"), covering 336 120-ton gondola cars bearing identification marks

and numbers OGEX 2001 through OGEX 2336, A.A.R. car type J311, and any other railroad equipment hereafter acquired by the Debtor covered by the Lease intended for use related to interstate commerce.

Very truly yours,

RED BUD FUNDING, LIMITED PARTNERSHIP  
by Red Bud Capital, Inc.,  
its General Partner

By:



Clinton W. Lane  
Vice President - Finance  
And Assistant Secretary

Enclosures

Interstate Commerce Commission  
Washington, D.C. 20423

6/24/92

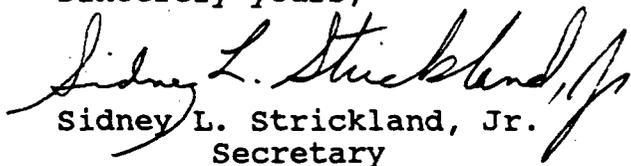
OFFICE OF THE SECRETARY

Clinton W. Lane  
Vice President -Finance  
Red Bud Funding  
World Financial Center  
North Tower 27th Floor  
250 Vesey Street  
New York, New York 10281-1327

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/24/92 at 12:55pm, and assigned recordation number(s). 17824-A

Sincerely yours,

  
Sidney L. Strickland, Jr.  
Secretary

17824

RECORDATION NO. \_\_\_\_\_ FILED 1992

JUN 24 1992 12 55 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of June 25, 1992 between RED BUD FUNDING, LIMITED PARTNERSHIP, a Delaware limited partnership (the "Company"), and CREDIT LYONNAIS NEW YORK BRANCH, as collateral agent (the "Collateral Agent") for (i) itself as fronting bank for the commercial paper support facility referred to below (in such capacity, the "Fronting Bank"), (ii) the banks that are parties to the Credit Agreement referred to below (the "Banks"), (iii) itself as agent for the Banks (in such capacity, the "Agent"), (iv) the holders from time to time of the Commercial Paper Notes referred to below (the "CP Holders"), and (v) Credit Lyonnais New York Branch and Credit Lyonnais Cayman Island Branch as lender under the Loan Agreement referred to below (in such capacity, the "Facility #2 Lender").

W I T N E S S E T H:

WHEREAS, the Company proposes to issue from time to time its commercial paper notes; and

WHEREAS, the Company, the Fronting Bank, the Banks and the Agent have entered into a Credit Agreement dated as of June 25, 1992 (hereinafter, as the same may from time to time be amended, modified, supplemented or extended, referred to as the "Credit Agreement") pursuant to which the Fronting Bank has agreed to make commercial paper support loans to the Company, and the Banks have agreed to make revolving credit loans to the Company; and

WHEREAS, Horseshoe Partners, L.P. ("Horseshoe"), a Delaware limited partnership which is a limited partner of the Company, and the Facility #2 Lender have entered into a Loan Agreement dated as of June 25, 1992 (hereinafter, as the same may from time to time be amended, modified, supplemented or extended, referred to as "Facility #2"); and

WHEREAS, the Company is willing to secure amounts owing under the Credit Agreement, its commercial paper notes and Facility #2 as provided herein;

NOW, THEREFORE, in consideration of the foregoing, the Company hereby agrees with the Collateral Agent, for the benefit of the Fronting Bank, the Banks, the Agent, the CP Holders and the Facility #2 Lender (collectively, the "Secured Parties"), as follows:

SECTION 1. Definitions. Unless otherwise indicated, capitalized terms used herein and not defined herein shall have the respective meanings given to them in the Credit Agreement.

SECTION 2. Grant of Security. The Company hereby assigns, pledges, transfers and grants to the Collateral Agent, for the benefit of the Secured Parties, a continuing security interest in, and a lien upon, all of the Company's right, title and interest in, to and under, the following:

(a) The Master Lease and the Agreement for Lease, including, without limitation, (i) the full amount of each installment of Basic Rent (as such term is defined in the Master Lease) and all other amounts which the Company may be entitled to receive pursuant to Sections 7 and 11 of the Master Lease; (ii) all other amounts payable to the Company by the Lessee under the Master Lease and the Agreement for Lease; (iii) all damages and other amounts payable by the Lessee to the Company in the event of any expiration or termination of the Master Lease or the Agreement for Lease, as the case may be, or by operation of law or otherwise or consequent on any failure on the part of the Lessee to perform or comply with any term of the Master Lease or the Agreement for Lease; and (iv) all rights, claims, powers, privileges and remedies of the Company, whether arising by contract or at law or in equity or otherwise under the Master Lease or the Agreement for Lease;

(b) The Operating Account established pursuant to the Issuing and Paying Agency Agreement and all monies and credit balances from time to time held in the Operating Account;

(c) The Collateral Account and any special purpose account of the Company established pursuant to Section 5.07(c) of the Credit Agreement and all monies, credit balances and certificates, instruments and other documents evidencing Permitted Investments from time to time held in the Collateral Account or such other account; and

(d) Any and all proceeds of any of the foregoing (including, without limitation, the proceeds of any insurance or condemnation awards).

The property referred to and described in (a), (b), (c), and (d) of this Section 2 is hereinafter collectively referred to as the "Collateral."

SECTION 3. Security for Obligations. This Security Agreement secures the payment of the following:

(a) First, all obligations and liabilities now or hereafter existing (i) of the Company to the Fronting Bank, the Banks or the Agent under the Credit Agreement and the Related Documents, other than obligations and liabilities represented by the Banks' Share of any Asset Losses (as defined below) and the Commercial Paper Support Loan Obligations, (ii) of the Company to the CP Holders under the Commercial Paper Notes, and (iii) of Horseshoe to the Facility #2 Lender under Facility #2 and the

related documents referred to therein, in each case whether in respect of principal, interest, fees, expenses or otherwise (all such obligations and liabilities being hereinafter collectively referred to as the "Priority Obligations"), pari passu with no preference among the obligations described in clauses (i), (ii) and (iii);

(b) Second, the Banks' Share of any Asset Losses; and

(c) Third, the Commercial Paper Support Loan Obligations.

The obligations or liabilities referred to in clauses (a), (b) and (c) of this Section 3 are hereinafter collectively referred to as the "Secured Obligations." As used herein, "Banks' Share of any Asset Losses" means, on any date, the amount, if any, by which (i) the total of all Asset Loss Amounts arising from all Asset Losses occurring on or before such date with respect to which the Manager has not yet paid the amounts owing under the Shortfall Agreement exceeds (ii) the total amount of Commercial Paper Support Loans the Fronting Bank has made or may be required to make with respect to such Asset Losses.

SECTION 4. Further Assurances; Affirmative Covenants.

(a) The Company agrees that from time to time, at its own cost and expense, the Company will promptly execute and deliver and will cause to be executed and delivered all further instruments and documents, including, without limitation, financing and continuation statements, and will take all further action and will cause all further action to be taken, that the Collateral Agent may reasonably request in order to create, preserve, perfect and protect the security interest granted hereby, or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder or to preserve, perfect and protect the Company's right, title and interest in and to its Assets. Without limiting the generality of the foregoing, the Company will, on or before each date on which any additional Railcars (as defined in the Master Lease) are leased under the Master Lease, ensure that this Security Agreement is filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 in respect of such additional Railcars.

(b) The Company hereby authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, and take all such further action and execute all such further documents and instruments as may be necessary or desirable in order to create, preserve, perfect and protect the security interest granted hereby, without the signature of the Company where permitted by law. Whenever applicable law requires the signature of the Company on a document to be filed to preserve, perfect or protect the security interest granted hereby, the Company hereby appoints the Collateral Agent as the Company's attorney-in-fact, with full power of substitution, to sign the Company's name on any such document.

(c) The Company shall deliver to the Collateral Agent the duly executed counterpart number 1 of each of the Master Lease and the Agreement for Lease immediately after the execution and delivery thereof, which counterpart at all times shall be retained in the custody and possession of the Collateral Agent. In addition, the Company shall deliver to the Collateral Agent the duly executed counterpart number 1 of each amendment, modification, supplement or waiver of or to the Master Lease or the Agreement for Lease immediately after the execution and delivery thereof.

(d) The Company will at all times keep accurate and complete books and records with respect to the Collateral and agrees that the Collateral Agent or its representative shall have the right at any time and from time to time, upon not less than one Business Day's notice, to call at the Company's place of business during normal business hours to inspect and examine the books and records of the Company relating to the Collateral and to make extracts therefrom and copies thereof.

(e) The Company, at its own cost and expense, will perform and comply with all the terms and provisions of the Master Lease and the Agreement for Lease to be performed or complied with by it and will, in every material respect, enforce the Master Lease and the Agreement for Lease in accordance with their respective terms.

(f) The Company will promptly deliver to the Collateral Agent duplicates or copies of all financial information, notices, requests and other instruments given, delivered or received by the Company under the Master Lease or the Agreement for Lease; provided, however, that the Company will not be required to deliver to the Collateral Agent duplicates or copies of Unit Leasing Records or AFL Unit Leasing Records received by the Company under Section 5(b) of the Master Lease or Section 2.3 of the Agreement for Lease with respect to any given category of Unit FF&E (as defined in the Agreement for Lease) or Equipment if the Collateral Agent shall agree, as to such category of Unit FF&E or Equipment, that such delivery is not necessary.

SECTION 5. Certain Negative Covenants. The Company shall not, without the prior written consent of the Majority Banks:

(a) Take any action or fail to take any action if the taking of such action or the failure to take such action would impair the security interest granted to the Collateral Agent hereby or materially impair the value of the Collateral.

(b) Amend or modify the Master Lease or the Agreement for Lease or give any consent, waiver or extension thereunder except as expressly permitted by the Credit Agreement.

SECTION 6. Collateral Agent Appointed Attorney-in-Fact. The Company hereby irrevocably appoints the Collateral Agent the Company's attorney-in-fact, with full authority in the place and stead of the Company and in the name of the Company or

otherwise, from time to time after the occurrence of and during the continuation of an Event of Default (as defined in the Credit Agreement and in Facility #2), to take any action, to execute any instruments and to exercise any rights, privileges, options, elections or powers of the Company pertaining or relating to the Collateral which the Collateral Agent may deem necessary or desirable to preserve and enforce its security interest in the Collateral and otherwise to accomplish the purposes of this Security Agreement. The Collateral Agent shall not have any duty to take any such action, to execute any such instrument, to exercise any such rights, privileges, options, elections or powers or to sell or to otherwise realize upon any of the Collateral, as hereinafter authorized, and the Collateral Agent shall not be responsible for any failure to do so or delay in so doing.

SECTION 7. Collateral Agent May Perform. If the Company fails to perform any agreement contained herein, the Collateral Agent may (but shall not be obligated to) itself perform, or cause performance of, such agreement. The Company shall reimburse the Collateral Agent on demand for any amounts paid or any expenses incurred by the Collateral Agent in connection therewith.

SECTION 8. Collateral Agent's Duties. The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral for the benefit of the Secured Parties and shall not impose any duty upon it to exercise any such powers. The Collateral Agent shall have no duty to take any steps to preserve the security interest granted hereby.

SECTION 9. Realization upon Collateral. If an Event of Default (as defined in the Credit Agreement and Facility #2) shall occur and be continuing, the Collateral Agent may, and at the request of the Majority Banks shall, for the benefit of the Secured Parties, subject to Section 18 hereof, (i) take any and all action necessary or appropriate to collect any and all amounts payable under or with respect to the Collateral, (ii) apply any and all amounts in the Collateral Account to the Secured Obligations in accordance with Section 10 of this Security Agreement, (iii) take possession of the Collateral forthwith or at any time thereafter, in which case the Company shall marshal and deliver the Collateral to the Collateral Agent or its designee at such time and place as the Collateral Agent may reasonably specify, and (iv) sell the whole or, from time to time, any part of the Collateral, by private or public sale, in such order or otherwise in such manner as the Majority Banks may elect in their sole discretion. The Collateral Agent shall have, with respect to the Collateral, in addition to any other rights and remedies which may be available to it at law or in equity or pursuant to this Security Agreement or any other contract or agreement, all rights and remedies of a secured party under any applicable version of the Uniform Commercial Code of the relevant jurisdictions relating to the Collateral, and it is expressly agreed that if the Collateral Agent should proceed to dispose of or utilize the Collateral, or any part thereof, in accordance with the provisions of said versions of the Uniform

Commercial Code, ten days' notice by the Collateral Agent to the Company shall be deemed to be reasonable notice under any such provision requiring such notice. Except as required by applicable law, any sale of Collateral by the Collateral Agent may be made on such terms as the Majority Banks may specify, without assuming any credit risk and without any obligation to advertise or give notice of any kind. The Collateral Agent and the Secured Parties shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private or public sale or as a result of the exercise of any other rights or remedies which may be available to it. The Company hereby waives, to the extent permitted by applicable law, any claims against the Collateral Agent and the Secured Parties arising by reason of the fact that the price at which Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer such Collateral to more than one possible purchaser. In exercising its rights hereunder, the Collateral Agent will act in a commercially reasonable manner.

SECTION 10. Application of Proceeds. The Collateral Agent shall apply the proceeds of any realization upon or sale of the whole or any part of the Collateral after the occurrence of an Event of Default (as defined in the Credit Agreement and Facility #2), after deducting all reasonable costs and expenses of collection, retaking, handling, storage, preparation, sale and delivery (including, without limitation, counsel's fees and expenses) incurred by it in connection with such realization or sale, first to the payment of the Priority Obligations pro rata according to the respective amount of Priority Obligations owed to the Secured Parties, second to the payment of the Banks' Share of any Asset Losses and the balance, if any, of such proceeds shall be applied to the payment of the Commercial Paper Support Loan Obligations, and the Company shall remain in all respects liable to the Secured Parties for any unrecovered balance. With respect to the proceeds of realization upon the Collateral to be applied to the Commercial Paper Notes, the Collateral Agent will transfer such proceeds to the Issuing and Paying Agent for deposit into the Note Redemption Account (i) as promptly as possible, if such Commercial Paper Notes have matured, and (ii) on the maturity date of such Commercial Paper Notes, if such Commercial Paper Notes have not yet become due.

SECTION 11. Waiver of Stays, Etc. To the full extent that the Company may lawfully so agree, the Company agrees that it will not at any time plead, claim or take the benefit of any appraisement, valuation, stay, extension, moratorium or redemption law now or hereafter in force to prevent or delay the enforcement of this Security Agreement or the absolute sale of any portion of or all of the Collateral or the possession thereof by any purchaser at any sale under this Security Agreement, and the Company, for itself and all who may claim under the Company, as far as the Company now or hereafter lawfully may do so, hereby waives the benefit of all such laws.

SECTION 12. Amendments, Etc. No amendment, modification or waiver of any provision of this Security Agreement, nor consent to any departure by the Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent, with the consent of the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 13. Notices. Unless otherwise specified herein, all notices, requests, and other communications to any party hereunder shall be in writing (including telex, telecopier or similar writing) and shall be given to such party at its address or telex or telecopier number set forth below or such other address or telex or telecopier number as such party may hereafter specify by notice to the other party:

(a) If to the Company:

c/o ML Leasing Equipment Corp.  
Project and Master Lease Finance Group  
World Financial Center  
North Tower - 27th Floor  
250 Vesey Street  
New York, New York 10281-1327  
Attention: Jean Tomaselli  
Telecopier: (212) 449-2854  
Telephone: (212) 449-7925

with a copy to:

ML Leasing Equipment Corp.  
Controller's Office  
World Financial Center  
South Tower - 8th Floor  
225 Liberty Street  
New York, New York 10080-6108  
Attention: Gary Carlin

(b) If to the Collateral Agent:

Credit Lyonnais New York Branch,  
as Collateral Agent  
Credit Lyonnais Building  
1301 Avenue of the Americas  
New York, New York 10019  
Attention: Katherine Mackey,  
Assistant Manager,  
Loan Servicing Department  
Telecopier: (212) 459-3180  
Telephone: (212) 261-7635

with a copy to:

Credit Lyonnais New York Branch,  
as Collateral Agent  
c/o Credit Lyonnais, Dallas  
Representative Office  
Lincoln Plaza  
500 N. Akard  
Suite 3210  
Dallas, Texas 75201  
Attention: Gary C. Krivo  
Telex: 6829274  
Telecopier: (214) 954-3312  
Telephone: (214) 954-3500

Each such notice, request or other communication shall be effective when actually received.

SECTION 14. Continuing Security Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the later of (i) the termination of the Commitments and the Commercial Paper Support Commitment under the Credit Agreement, (ii) the termination of the commitment of the Facility #2 Lender under Facility #2, or (iii) the payment in full of the Secured Obligations, (b) be binding upon the Company and its successors and assigns and (c) inure to the benefit of the Collateral Agent and each Secured Party and their respective successors, transferees and assigns. Upon the termination of the security interest created hereby pursuant to clause (a) above, the Collateral Agent shall, at the Company's request and expense, deliver to the Company the original counterparts of the Master Lease and the Agreement for Lease in its possession, and a release of all security interests granted by the Company to the Collateral Agent pursuant to this Security Agreement.

SECTION 15. No Waiver; Cumulative Remedies. No failure on the part of the Collateral Agent to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Collateral Agent preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All rights, powers and remedies hereunder are cumulative and are not exclusive of any other rights, powers and remedies provided by law.

SECTION 16. Obligations under the Master Lease and the Agreement for Lease. Anything herein contained to the contrary notwithstanding, (i) the Company shall remain liable under the Master Lease and the Agreement for Lease to perform all of its obligations and agreements thereunder, (ii) the obligations of the

Company under the Master Lease and the Agreement for Lease may be performed by the Collateral Agent or its nominee or other assignee of the Collateral Agent, if not performed by the Company, without releasing the Company therefrom and (iii) neither the Collateral Agent nor the Secured Parties shall have any obligation or liability under the Master Lease or Agreement for Lease by reason of, or arising out of, this Security Agreement or be obligated to perform any of the obligations or agreements of the Company thereunder or to make any payment or to make any inquiry as to the sufficiency of any payment received by the Company or the Collateral Agent or to present or file any claim or to take any other action to enforce any right, title or interest assigned hereunder.

SECTION 17. Responsibility of the Collateral Agent.

(a) By accepting the benefits hereof, each Secured Party hereby irrevocably designates and appoints, subject to Section 17(e) hereof, the Collateral Agent as Collateral Agent under this Security Agreement, to take such action on its behalf under the provisions of this Security Agreement and to exercise such powers and perform such duties as are expressly delegated to such Collateral Agent by the terms of this Security Agreement, together with such other powers as are reasonably incidental thereto.

(b) By accepting the benefits hereof, each Secured Party agrees that (i) neither the Collateral Agent, nor any of its directors, officers or employees or agents, shall be liable for any action taken or omitted to be taken by them hereunder, except for their own gross negligence or willful misconduct, (ii) the Collateral Agent shall not be responsible to the Secured Parties for any statements, warranties or representations herein or in Facility #2 or the related documents referred to therein, the Credit Agreement, the Related Documents or any other documents contemplated thereby (collectively, the "Financing Documents"), or the value, condition, priority, ownership or sufficiency of the Collateral or the legality, validity or enforceability of any of the Financing Documents, nor shall the Collateral Agent be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements provided for in the Financing Documents, (iii) the Collateral Agent shall not have any obligation to determine whether there has occurred any event of default or potential event of default under any Financing Documents, and the Collateral Agent shall not be charged with knowledge of the happening of any event of default or potential event of default unless it shall have been notified thereof in writing by the Company or a Secured Party, and (iv) the Collateral Agent shall be entitled to rely upon any notice, consent, certificate, statement or other document believed by it to be genuine and correct and to have been signed and sent by the proper person or persons and, in respect of legal matters, upon the opinion of counsel selected by it. The Collateral Agent may seek instructions from the Majority Banks as to the exercise of its rights, powers and remedies. If the Collateral Agent shall be instructed by the Majority Banks to take any action hereunder, the

Collateral Agent may, before taking such action, require that the Majority Banks indemnify the Collateral Agent, in a manner reasonably satisfactory to the Collateral Agent, for any liability which the Collateral Agent may incur in taking such action.

(c) Nothing in this Security Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Collateral Agent any obligations in respect of this Security Agreement or any Collateral except as expressly set forth herein or therein. With respect to the credit extended by it, the Collateral Agent shall have the same rights and powers under the Financing Documents as any other Bank and may exercise the same as though it were not the Collateral Agent, and the Collateral Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company and Lessee as if it were not the Collateral Agent.

(d) The Company shall indemnify the Collateral Agent for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Collateral Agent in any way relating to or arising out of this Security Agreement or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or the enforcement of any of the terms hereof or of any such other documents, provided that the Company shall not be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Collateral Agent.

(e) The Collateral Agent may resign at any time by giving written notice thereof to the Agent, the Facility #2 Lender and the Company, provided that no such resignation shall take effect until a successor Collateral Agent has been appointed and has agreed to act as such under this Security Agreement. Upon any such resignation, the Majority Banks shall promptly appoint a successor to the Collateral Agent, which decision of the Majority Banks shall be binding upon all of the Secured Parties. Any successor Collateral Agent which is not a Bank or an affiliate of a Bank shall be approved by the Company, which approval shall not be unreasonably withheld. Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent, and the retiring Collateral Agent shall be discharged from its duties and obligations hereunder. After any retiring Collateral Agent's resignation hereunder as Collateral Agent, the provisions of this Security Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Collateral Agent under this Security Agreement.

SECTION 18. No Action Contrary to the Lessee's Rights under the Master Lease or an Agent's Rights under the Agreement for Lease. So long as no Event of Default (as defined in the Master Lease and the Agreement for Lease) has occurred and is continuing and subject respectively to the terms and conditions of the Master Lease and the Agreement for Lease, the Collateral Agent hereby acknowledges the right of the Lessee to possess and use the Equipment and Property leased under the Master Lease and the right of the Agent (as defined in the Agreement for Lease) to act as the Agent under the Agreement for Lease without interference from the Collateral Agent.

SECTION 19. Counterparts. This Security Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when executed and delivered, shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument.

SECTION 20. Governing Law; Severability. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 21. No Recourse. The Company's obligations hereunder are intended to be the obligations of the Company and the General Partner only and, accordingly, no recourse for the payment of any amount due under this Security Agreement, or for any claim based thereon or otherwise in respect thereof, shall be had against any limited partner of the Company or any incorporator, partner, shareholder, officer or director, or affiliate, as such, past, present or future, of the General Partner or any such limited partner or of any successor corporation to the General Partner or any such limited partner, or against any direct or indirect parent corporation of the General Partner or any such limited partner or any other subsidiary or affiliate of any such direct or indirect parent corporation, as such, or any incorporator, shareholder, officer or director, as such, past, present or future, of any such parent or other subsidiary or affiliate, it being understood that the Company and the General Partner are a special purpose limited partnership and a special purpose corporation, respectively, formed for the purpose of the transaction involved in the Credit Agreement, the Agreement for Lease and the Master Lease on the express understanding aforesaid. Nothing contained in this Section 21 shall be construed to limit the exercise or enforcement, in accordance with the terms of this Security Agreement and the other documents referred to herein, of rights and remedies against the Company or the assets of the Company, the General Partner or the assets of the General Partner or against the Lessee or any

other Person expressly undertaking obligations in connection with the transaction contemplated thereby.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the date first above written.

RED BUD FUNDING, LIMITED PARTNERSHIP

By: Red Bud Capital, Inc.  
General Partner

By: *Teresa A. Miles*  
Name: Teresa A. Miles  
Title: Vice President and  
Assistant Secretary

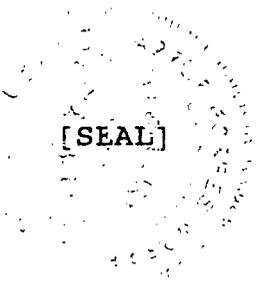
CREDIT LYONNAIS  
NEW YORK BRANCH, as Collateral Agent

By: *Sebastian Rocca*  
Name: SEBASTIAN ROCCA  
Title: FIRST VICE PRES.

(SEAL)

State of New York     )  
                                  )     ss.:  
County of New York    )

On this 19<sup>th</sup> day of June, 1992 before me personally appeared Teresa A. Miles, to me personally known, who, being by me duly sworn, says that she resides at New York, New York, that she is the Vice President and Assistant Secretary of Red Bud Capital, Inc., the general partner of Red Bud Funding, Limited Partnership, that the seal affixed to the foregoing instrument is the corporate seal of said general partner, that said instrument was signed and sealed on behalf of Red Bud Funding, Limited Partnership, by said general partner by the authority of said general partner's Board of Directors, and she acknowledged that the execution of the foregoing instrument was the free act and deed of said general partner on behalf of Red Bud Funding, Limited Partnership.



*Adele Forbes Morse*  
\_\_\_\_\_  
Notary Public

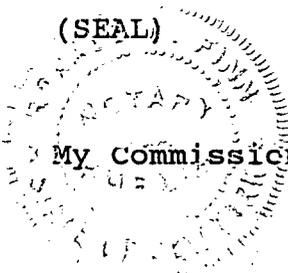
My Commission Expires:

**ADELE FORBES MORSE**  
**Notary Public, State of New York**  
**No. 31-4969830**  
**Qualified in New York County**  
**Commission Expires July 30, 1992**

State of New York )  
County of New York ) ss.:

On this 19<sup>th</sup> day of June, 1992, before me personally appeared Salvatore Orco, to me personally known, who, being by me duly sworn, says that he resides at 38 Hathaway Rd Brookville NY 10708, that he is the First Vice President of Credit Lyonnais, a French banking corporation, acting through its New York Branch, that said instrument was signed 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)



My Commission Expires:

*Ronald N. Finn*

Notary Public

RONALD N. FINN  
Notary Public, State of New York  
No. 31-4978529  
Qualified in New York County  
Commission Expires Jan. 14, 1993