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November 27, 1996

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Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of each of the following documents, all dated as of November 13, 1996: the Security Agreement, a primary document as defined in the Board's Rules for the Recordation of Documents, and an Addendum to Security Agreement (Railcars) and Amendment to Security Agreement (Subleasing), both secondary documents related thereto.

The names and addresses of the parties to each of the enclosed documents are:

Borrower: Mid-Am Equipment, Inc.
45 West University
Mesa, Arizona 85201

Secured Party: KeyCorp Leasing Ltd.
54 State Street
Albany, New York 12207

A description of the railroad equipment covered by the enclosed documents is:

seven (7) rail tank cars bearing reporting mark and road numbers NECX 1600 through NECX 1606, inclusive

Mr. Vernon A Williams
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Also enclosed is a check in the amount of \$66 00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copy of the enclosed documents to the undersigned

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W Alvord", with a long horizontal flourish extending to the right.

Robert W Alvord

RWA/bg
Enclosures



SECURITY AGREEMENT

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THIS SECURITY AGREEMENT (this "Agreement" or "Security Agreement") dated as of November 13, 1996 is made by and between MID-AM EQUIPMENT, INC., a Delaware corporation having its chief executive office at 45 West University, Mesa AZ 85201 (the "Borrower"), and KEYCORP LEASING LTD., a Delaware corporation with its principal place of business at 54 State Street, Albany, New York 12207 ("KCL").

WITNESSETH:

1. **Grant of Security Interest in the Equipment.** In consideration of one or more loans, advances or other financial accommodations at any time before, at or after the date hereof, made or extended by KCL to or for the account of the Borrower, directly or indirectly, as principal, guarantor or otherwise and to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Secured Obligations, the Borrower hereby grants to KCL a security interest in, and acknowledges and agrees that KCL has and shall continue to have a continuing security interest in, and all right, title and interest of the Borrower in and to the Collateral.

The Secured Obligations of the Borrower are absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any right of set-off, counterclaim, deduction, defense or other right which the Borrower may have for any reason against any vendor, supplier, manufacturer, KCL or any other party.

2. **Definitions.** Unless the context otherwise requires, as used in this Agreement, the following terms shall have the respective meanings indicated below and shall be equally applicable to both the singular and the plural forms thereof:

(a) "Applicable Law" shall mean all applicable Federal, state, local and foreign laws (including, without limitation, any Environmental Law, industrial hygiene and occupational safety or similar laws), ordinances, judgments, decrees, injunctions, writs and orders of any Governmental Authority and rules, regulations, orders, licenses and permits of any Governmental Authority.

(b) "Authorized Signer" shall mean those officers of Borrower, set forth on an incumbency certificate (in form and substance satisfactory to KCL) delivered by Borrower to KCL, who are authorized and empowered to execute the Loan Documents.

(c) "Certificate of Acceptance" shall mean a certificate of acceptance, in form and substance satisfactory to KCL, executed and delivered by Borrower in accordance with Section 3 hereof indicating, among other things, that the Equipment described therein has been accepted by Borrower for all purposes of this Agreement.

(d) "Collateral" shall mean the Equipment and any and all substitutions, replacements or exchanges therefor, and any and all proceeds (both cash and non-cash), including insurance proceeds, thereof (including, without limitation, claims of the Borrower against third parties for loss or damage to, or destruction of, any such collateral).

(e) "Collateral Schedule" shall mean each collateral schedule now or hereafter attached hereto and made a part hereof, in substantially the form of Schedule 1 hereto.

(f) "Default" shall mean any event or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

(g) "Environmental Law" shall mean any Federal, state, or local statute, law, ordinance, code, rule, regulation, or order or decree regulating, relating to or imposing liability upon a person in connection with the use, release or disposal of any hazardous, toxic or dangerous substance, waste, or material as same may relate to the Equipment or its operation.

(h) "Equipment" shall mean an item or items of personal property which are described on the Collateral Schedule, together with all replacement parts, additions, attachments and accessories incorporated therein or affixed thereto, or used in connection therewith.

(i) "Equipment Location" shall mean the location of the Equipment, as set forth on Schedule 1, or such other location (approved by KCL) as Borrower shall from time to time specify in writing.

(j) "Event of Default" shall have the meaning specified in Section 17 hereof.

(k) "GAAP" shall have the meaning specified in Section 23 (g) hereof.

(l) "Governmental Action" shall mean all authorizations, consents, approvals, waivers, filings and declarations of any Governmental Authority, including, without limitation, those environmental and operating permits required for the ownership, lease, use and operation of the Equipment.

(m) "Governmental Authority" shall mean any foreign, Federal, state, county, municipal or other governmental authority, agency, board or court.

(n) "Guarantor" shall mean any guarantor of the Secured Obligations.

(o) "Item of Equipment" shall mean each item of the Equipment.

(p) "Installment(s)" shall mean the periodic payments due to repay the Note, and, where the context hereof requires, all such additional amounts as may from time to time be payable under any provision of the Loan Documents.

(q) "Late Payment Rate" shall mean an annual interest rate equal to the lesser of 18% or the maximum interest rate permitted by Applicable Law.

(r) "Liability" shall have the meaning set forth in Section 19 hereof.

(s) "Loan Documents" shall mean, collectively, this Agreement, the Note, the Acceptance Certificate, the Collateral Schedule and all other documents contemplated hereby and thereby and to be delivered in connection herewith and therewith.

(t) "Lien" shall mean all mortgages, pledges, security interests, liens, encumbrances, claims or other charges of any kind whatsoever, except the security interest of KCL created by this Agreement.

(u) "Loss or Damage" shall have the meaning set forth in Section 12 hereof.

(v) "Note" shall mean that certain Promissory Note in the original principal amount of \$180,993.84 dated November ____, 1996, together with any extensions, modifications, renewals, refinancings or other restructurings thereof.

(w) "Secured Obligations" means any of the following obligations, whether direct or indirect, absolute or contingent, matured or unmatured, originally contracted with KCL or another party, and now or hereafter owing to or acquired in any manner partially or totally by KCL or in which KCL may have acquired a participation, contracted by Borrower alone or jointly or severally: any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred or executed by Borrower to, in favor of, or with KCL (including, without limitation, those as are set forth or contained in, referred to, evidenced by, or executed with reference to the Loan Documents any letter of credit agreements, advance agreements, indemnity agreements, guaranties, lines of credit, mortgage deeds, security agreements, assignments, pledge agreements, hypothecation agreements, instruments, and acceptance financing agreements), and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor; and any and all claims of whatever kind of KCL against Borrower, now existing or hereafter arising, including, without limitation, any arising out of or in any way connected with warranties made by Borrower to KCL in connection with any instrument purchased by KCL; and any and all of KCL's fees, costs and expenses related to the foregoing.

(x) "Supplier" shall mean the manufacturer or the vendor of the Equipment, as set forth on each Equipment Schedule.

(y) "Term" shall mean the term of the Note.

(z) "UCC" shall have the meaning set forth in Section 17(b) hereof.

3. Delivery and Acceptance. Concurrently with execution of the Collateral Schedule hereunder, Borrower shall execute and deliver to KCL a Certificate of Acceptance for the Equipment described on such Collateral Schedule. Such Certificate of Acceptance shall constitute Borrower's acknowledgment that such Equipment (a) was received by Borrower, (b) is satisfactory to Borrower in all respects, (c) is suitable for Borrower's purposes, (d) is in good order, repair and condition, (e) has been installed and operates properly, and (f) is subject to all of the terms and conditions of the Loan

Documents. Borrower's execution and delivery of a Certificate of Acceptance shall be conclusive evidence as between KCL and Borrower that the Items of Equipment described therein are in all of the foregoing respects satisfactory to Borrower, and Borrower shall not assert any claim of any nature whatsoever against KCL based on any of the foregoing matters; provided, however, that nothing contained herein shall in any way bar, reduce or defeat any claim that Borrower may have against the Supplier or any other person (other than KCL).

4. **Payments.** Borrower shall pay the Note on the terms set forth therein. All Installments shall be payable when due whether or not Borrower has received any additional notice that such Installments are due. All Installments shall be paid to KCL at P.O. Box 1865, Albany, New York 12201-1865, or as otherwise directed by KCL in writing.

5. **Location; Inspection.** The Equipment shall be delivered to the Equipment Location and shall not be removed therefrom without KCL's prior written consent. Borrower shall maintain possession and control of the Equipment at all times. KCL shall have the right to enter upon the Equipment Location and inspect the Equipment at any reasonable time. Borrower will promptly give written notice to KCL of any change in the identity or location of any Item of Equipment which might require new filings or other action to assure continued perfection of the security interest of KCL granted hereby. The Borrower owns, and will continue to own, all Equipment Locations except as otherwise indicated on Schedule 1.

6. **Use; Alterations.** Borrower shall use the Equipment only in the course of its business for commercial purposes (and shall not permanently discontinue use of the Equipment), and in compliance with Applicable Law and the requirements of any applicable insurance policies, and only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. Borrower shall comply with all Applicable Law with respect to the Equipment. Borrower shall immediately notify KCL in writing of any existing, pending or threatened investigation, inquiry, claim or action by any Governmental Authority in connection with any Applicable Law or Governmental Action which could adversely affect the value of the Equipment or the perfection or priority of the security interest of KCL in the Collateral. Borrower shall not make any material alterations, additions, modifications or improvements to the Equipment without KCL's prior written consent; provided that Borrower, at its own expense, shall make such alterations, additions or modifications or improvements to the Equipment as may be required from time to time to meet the requirements of Applicable Law or Governmental Action. All such alterations, additions, modifications or improvements immediately, and without further acts, shall be deemed to constitute Items of Equipment and fully be subject to the security interest granted to KCL hereunder.

7. **Repairs and Maintenance.** Borrower, at Borrower's own cost and expense, shall (a) keep the Equipment in good repair, operating condition and working order and in compliance with the manufacturer's specifications, and (b) enter into and keep in full force and effect during the Term hereof a maintenance agreement with the manufacturer of the Equipment, or a manufacturer-approved maintenance organization, to maintain, service and repair the Equipment so as to keep the Equipment in as good operating condition and working order (ordinary wear and tear excepted) as it was when it first became subject to this Agreement and in compliance with the manufacturer's specifications. Upon KCL's request, Borrower shall furnish KCL with an executed copy of any such maintenance agreement. An alternate source of maintenance may be used by Borrower with KCL's prior written consent. Borrower, at its own cost and expense and within a reasonable period of time, shall replace any part of any Item of Equipment that becomes worn out, lost, stolen, destroyed, or otherwise rendered permanently unfit or unavailable for use with a replacement part of the same manufacture, value, remaining useful life and utility as the replaced part immediately preceding the replacement (assuming that such replaced part is in the condition required by this Agreement). Such replacement part shall be free and clear of all Liens. Upon installation, attachment or incorporation in, on or into such Item of Equipment, such replacement part immediately, and without further acts, shall be deemed to constitute an Item of Equipment and fully be subject to the security interest granted to KCL hereunder. Notwithstanding the foregoing, this paragraph shall not apply to any Loss or Damage of any Item of Equipment. If KCL repossesses the Equipment pursuant to its rights under this Agreement and at that time, in the opinion of KCL, any Item

of Equipment fails to meet the standards set forth above, Borrower agrees to pay on demand all costs and expenses incurred in connection with repairing or restoring such Item of Equipment so as to meet such standards and/or assembling and delivering such Item of Equipment.

8. Equipment Upgrades/Attachments. In addition to the requirements of Section 8 hereof, Borrower, at its own expense, may from time to time add or install upgrades or attachments to the Equipment; provided, that such upgrades or attachments are readily removable without causing material damage to the Equipment, and do not materially adversely affect the fair market value of the Equipment. Any such upgrades or attachments shall be owned by Borrower, shall become subject to the security interest created by this Agreement and shall be kept free and clear of all Liens so long as attached to the Equipment.

9. Lease and Assignment. (a) WITHOUT KCL'S PRIOR WRITTEN CONSENT, BORROWER SHALL NOT (i) ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF, THE EQUIPMENT OR ANY INTEREST THEREIN, OR ASSIGN OR DELEGATE ITS RIGHTS OR OBLIGATIONS UNDER THE LOAN DOCUMENTS, OR (ii) LEASE OR LEND THE EQUIPMENT TO, OR PERMIT THE EQUIPMENT TO BE USED BY, ANYONE OTHER THAN BORROWER OR BORROWER'S QUALIFIED EMPLOYEES.

(b) KCL, at any time with or without notice to Borrower, may sell, transfer, grant participations in, assign and/or grant a security interest in any or all of KCL's right, title and interest in and to the Loan Documents, or in KCL's interest in any Item of Equipment. In any such event, any such purchaser, transferee, assignee or secured party shall have and may exercise all of KCL's rights hereunder or thereunder, and BORROWER SHALL NOT ASSERT AGAINST ANY SUCH PURCHASER, TRANSFEREE, ASSIGNEE OR SECURED PARTY ANY DEFENSE, COUNTERCLAIM OR OFFSET THAT BORROWER MAY HAVE AGAINST KCL. Borrower agrees that upon written notice to Borrower of any such sale, transfer, assignment and/or security interest, Borrower shall acknowledge receipt thereof in writing and shall comply with the reasonable directions and demands of such purchaser, transferee, assignee or secured party.

(c) Subject to the foregoing, all covenants and agreements contained herein shall be binding upon, and inure to the benefit of, KCL and its successors and permitted assigns and Borrower and its successors and permitted assigns.

10. Loss of or Damage to Equipment. In the event of Loss or Damage to any Item of Equipment, Borrower promptly shall notify KCL thereof and, at the option of KCL, as specified in a notice from KCL to Borrower, Borrower shall within thirty (30) days following such Loss or Damage: (1) place such Item of Equipment in good condition and repair, in accordance with the terms hereof; (2) replace such Item of Equipment with replacement equipment (acceptable to KCL) in as good condition and repair, and with the same or better fair market value as such replaced Item of Equipment immediately preceding the Loss or Damage (assuming that such replaced Item of Equipment is the condition required by this Agreement), which replacement equipment shall be free and clear of all Liens; or (3) pay to KCL any unpaid Installments and other charges due prior to the payment date specified in such notice plus an amount, with respect to an Item of Equipment, equal to the pro rata portion of the Installments attributable to such Item of Equipment under the Loan Documents after discounting such Installments to present worth as of the payment date specified in such notice on the basis of a per annum rate of discount equal to five percent (5%) from the respective dates upon which such Installments would have been paid but for the operation of this clause, together with interest on such amount at the Late Payment Rate from the payment date specified in such notice to the date of actual payment.

Upon KCL's receipt of the payment required under clause (3) above, KCL shall release its security interest in such Item of Equipment. If Borrower replaces the Item of Equipment pursuant to clause (2) above, such replacement shall be deemed to constitute an Item of Equipment and be fully subject to this Agreement and the security interest granted to KCL hereunder, as if originally pledged hereunder. If Borrower fails to either restore or replace the Item of Equipment pursuant to clauses (1) or (2) above, respectively, Borrower shall make the payment under clause (3) above.

11. Insurance. (a) Borrower, at Borrower's own cost and expense, shall maintain (1) insurance against all risks of physical loss or damage to the Equipment (including theft and collision for Equipment consisting of motor vehicles) in an amount not less than the full replacement value thereof and (2) comprehensive public liability insurance including blanket contractual liability for personal and bodily injury and property damage in an amount satisfactory to KCL.

(b) All insurance policies required hereunder shall (1) require 30 days' prior written notice to KCL of cancellation or material change in coverage (any such cancellation or change, as applicable, not being effective until the thirtieth (30th) day after the giving of such notice); (2) name KCL as sole loss payee under the property insurance policies; (3) not require contributions from other policies held by KCL; (4) waive any right of subrogation against KCL; (5) in respect of any liability of KCL, except for the insurers' salvage rights in the event of a Loss or Damage, waive the right of such insurers to set-off, to counterclaim or to any other deduction, whether by attachment or otherwise, to the extent of any monies due KCL under such policies; (6) not require that KCL pay or be liable for any premiums with respect to such insurance covered thereby; (7) be in full force and effect throughout any geographical areas at any time traversed by any Item of Equipment; and (8) contain breach of warranty provisions providing that, in respect of the interests of KCL in such policies, the insurance shall not be invalidated by any action or inaction of Borrower or any other person (other than KCL) and shall insure KCL regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Borrower or by any other person (other than KCL). Prior to funding the Note, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section, Borrower shall deliver to KCL a duplicate original of all policies (or in the case of blanket policies, certificates thereof issued by the insurers thereunder) for the insurance maintained pursuant to this Section.

(c) Proceeds of insurance with respect to physical loss or damage to the Equipment shall be applied, at the option of Lender, to repair or replace the Equipment or to reduce or satisfy (as applicable) the Secured Obligations.

12. Taxes. Borrower shall pay when due any and all taxes, fees, levies, imposts, duties, assessments and public and private charges levied or assessed on or with respect to the Equipment, on the use thereof, or on this Agreement or any of the other Loan Documents.

13. KCL's Right to Perform for Borrower. If Borrower fails to perform or comply with any of its obligations contained in the Loan Documents, KCL may (but shall not be obligated to do so) itself perform or comply with such obligations, and the amount of the reasonable costs and expenses of KCL incurred in connection with such performance or compliance, together with interest on such amount from the date paid by KCL until the date repaid by Borrower to KCL, at the Late Payment Rate, shall be payable by Borrower to KCL upon demand. No such performance or compliance by KCL shall be deemed a waiver of the rights and remedies of KCL or any successor or assignee of KCL against Borrower hereunder or be deemed to cure any default of Borrower hereunder. All such sums and amounts so expended by KCL shall be repayable by the Borrower immediately without notice or demand, shall constitute additional Secured Obligations and shall bear interest from the date said amounts are expended at the Late Payment Rate.

14. Delinquent Payments; Interest. If Borrower fails to pay any of the Installments when the same becomes due, Borrower shall pay to KCL a late charge equal to five percent (5%) of such delinquent amount. Such late charge shall be payable by Borrower upon demand by KCL and shall be deemed part of the Secured Obligations. In no event shall such late charge exceed the maximum amounts permitted under Applicable Law.

15. Personal Property; Liens; Warranty of Title. KCL and Borrower hereby agree that the Equipment is, and shall at all times remain, personal property notwithstanding the fact that any Item of Equipment may now be, or hereafter become, in any manner affixed or attached to real property or any improvements thereon. Borrower shall at all times keep the Equipment free and clear from all Liens, and the Borrower shall obtain and deliver to KCL (to be recorded at the Borrower's expense) from each

person having a Lien on any Equipment Location waivers of any Lien which such person might have or hereafter obtain or claim with respect to the Equipment. Borrower shall (i) give KCL immediate written notice of any Lien on the Collateral, (ii) promptly, at Borrower's sole cost and expense, take such action as may be necessary to discharge any such Lien, and (iii) indemnify and hold KCL, on an after-tax basis, harmless from and against any loss or damage caused by any such Lien. Borrower warrants that it has good, valid and marketable title to the Equipment, and that (i) the security interest in the Collateral granted to KCL hereunder, when properly perfected by filing, shall constitute a valid and perfected first priority security interest in the Collateral and, (ii) the Collateral is not subject to, and Borrower will not grant or permit to exist, any Liens or claims on or against the Collateral, whether senior, superior, junior, subordinate or equal to the security interest granted to KCL hereby, or otherwise.

16. Events of Default; Remedies. (a) As used herein, the term "Event of Default" shall mean any of the following events: (1) Borrower fails to pay any Installment within five (5) days after the same becomes due and payable; (2) Borrower breaches any of its other obligations under any of the Loan Documents and fails to cure the same within thirty (30) days after written notice thereof; (3) any dissolution, termination of existence, merger, consolidation, change in controlling ownership of Borrower or Guarantor, or if Borrower or Guarantor is a natural person, the death or incompetence of Borrower or Guarantor; (4) Borrower or any Guarantor fails to pay its debts generally as they become due or becomes insolvent or makes an assignment for the benefit of its creditors; (5) a receiver, trustee, conservator or liquidator of Borrower or any Guarantor or of all or a substantial part of Borrower's or such Guarantor's assets is appointed with or without the application or consent of Borrower or such Guarantor, respectively; (6) a petition is filed by or against Borrower or any Guarantor under any bankruptcy, insolvency or similar legislation; (7) Borrower or any Guarantor violates or fails to perform any provision of either the Loan Documents or any other loan, lease or credit agreement or any acquisition or purchase agreement with KCL or any other party; (8) Borrower violates or fails to perform any covenant or representation made by Borrower in the Loan Documents; (9) any representation or warranty made herein or in any of the Loan Documents, certificates, financial statements or other statements furnished to KCL shall prove to be false or misleading in any material respect as of the date on which the same was made; (10) there is a material adverse change in Borrower's or any Guarantor's financial condition; (11) Borrower shall fail to satisfy any final judgment rendered against the Borrower by any court of competent jurisdiction where the judgment is material in amount as to the Borrower or materially impairs the financial or business condition of the Borrower; (12) any of the liens created or granted hereby, or intended to be granted or created hereby, to KCL shall fail to be valid, first priority perfected liens subject to no prior or equal lien; or (13) the receipt by KCL of a notice to creditors with regard to a bulk transfer by the Borrower pursuant to Article 6 of the Uniform Commercial Code; or (14) an additional Lien attaches to the Equipment or the Equipment becomes subject to risk of seizure or forfeiture.

(b) Upon the occurrence of an Event of Default, KCL, at its option, may declare any or all of the Secured Obligations, including, without limitation, the Note, to be immediately due and payable, without demand or notice to Borrower or any Guarantor. The obligations and liabilities accelerated thereby shall bear interest (both before and after any judgment) until paid in full at the Late Payment Rate. Should there occur a Default and if a voluntary or involuntary petition under the United States Bankruptcy Code is filed by or against Borrower while such Default remains uncured, the Secured Obligations automatically shall be accelerated and due and payable and interest thereon at the Late Payment Rate automatically shall apply as of the date of the first occurrence of the Default, without any notice, demand or action of any type on the part of KCL (including any action evidencing the acceleration or imposition of the Late Payment Rate). The fact that KCL has, prior to the filing of the voluntary or involuntary petition under the United States Bankruptcy Code, acted in a manner which is inconsistent with the acceleration and imposition of the Late Payment Rate shall not constitute a waiver of this provision or estop KCL from asserting or enforcing KCL's rights hereunder.

Furthermore, upon the occurrence of an Event of Default, KCL shall have, in addition to the rights and remedies provided herein, in the other Loan Documents or by law, the rights and remedies of a secured party under the Uniform Commercial Code under the laws of the State of New York (the "UCC") (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further KCL may do

any one or more of the following as KCL in its sole discretion may elect, with or without judicial process or the aid and assistance of others: (i) enter and remain on any premises on which any of the Equipment may be located and, without resistance or interference by the Borrower, without liability to KCL by reason of such entry or taking possession, take possession of the Equipment, (ii) prepare for sale and sell or otherwise dispose of any Equipment on any such premises, (iii) require the Borrower to assemble and make available to KCL at Borrower's expense any Equipment at any place and time designated by KCL, (iv) remove any Equipment from any such premises for the purpose of effecting sale or other disposition thereof, (v) without demand and without advertisement, notice, hearing or process of law, all of which the Borrower hereby waives, at any place and time or times, sell and deliver any or all Equipment held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as KCL deems advisable, in its sole discretion, or (vi) lease all or any portion of the Equipment on such terms and conditions as KCL in its sole discretion may determine. In addition to all other sums due KCL hereunder, the Borrower shall pay KCL all reasonable costs and expenses incurred by KCL, including reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of Secured Obligations, or in the prosecution or defense of any action or proceeding by or against KCL or the Borrower concerning any matter arising out of or connected with the Loan Documents, the Collateral or the Secured Obligations, including without limitation any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code.

Borrower's waivers regarding disposition of the Equipment. If an Event of Default occurs, Borrower hereby waives any right to notice of sale and further waives any defenses, rights, offsets or claims against KCL because of the manner or method of sale or disposition of any Items of Equipment. To the extent the rights of notice cannot be legally waived hereunder, the Borrower agrees that any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Borrower in accordance with the notice provisions hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice. KCL shall not be obligated to make any sale or other disposition of the Equipment regardless of notice having been given. KCL may be the purchaser at any such sale. The Borrower hereby waives all of its rights of redemption from any such sale. KCL may postpone or cause the postponement of the sale of all or any portion of the Equipment by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was scheduled. None of KCL's rights or remedies hereunder are intended to be exclusive of, but each shall be cumulative and in addition to, any other right or remedy referred to hereunder or otherwise available to KCL or its assigns at law or in equity, and may be pursued singly, successively or concurrently at the sole discretion of Lender and may be exercised as often as occasion therefor shall occur. The failure to exercise, or any delay in the exercise of, any right or remedy shall in no event be construed as a waiver, release or exhaustion of any such remedies. No express or implied waiver by KCL of any Event of Default shall constitute a waiver of any other Event of Default or a waiver of any of KCL's rights upon the reoccurrence of any such Event of Default.

(c) The Borrower hereby authorizes KCL, upon the occurrence and during the continuation of any Event of Default hereunder, at KCL's option to adjust, compromise and settle any losses under any insurance afforded, and the Borrower does hereby irrevocably constitute KCL and each of its designees, as its attorneys-in-fact, with full power and authority, upon the occurrence and during the continuation of any Event of Default hereunder, to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Equipment or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance; but unless KCL elects to adjust, compromise or settle losses as aforesaid, such insurance proceeds shall be subject to the lien and security interest of KCL hereunder.

(d) Upon the occurrence, and during the continuance, of an Event of Default hereunder, any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by KCL in cash or its equivalent, will be applied first to costs of collection and, thereafter, in reduction of the Secured Obligations in such order and manner as KCL may direct in its sole discretion, and the Borrower irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that KCL shall have the continuing and exclusive right to apply any and all such payments

and proceeds in KCL's sole discretion, notwithstanding any entry to the contrary upon any of its books and records. The Borrower shall remain liable to KCL for any deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Borrower or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(e) To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Collateral, or by a guarantee, endorsement or property of any other person, then KCL also shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence of a default hereunder, and KCL shall have the right, in its sole discretion, to determine which rights, liens, security interests or remedies KCL shall at any time pursue, relinquish, subordinate or modify, without in any way affecting the Secured Obligations or any of KCL's rights under this Agreement.

17. Notices. All notices and other communications hereunder shall be in writing and shall be transmitted by hand, overnight courier or certified mail (return receipt requested), postage prepaid. Such notices and other communications shall be addressed to the respective party at the address set forth above or at such other address as any party may from time to time designate by notice duly given in accordance with this Section. Such notices and other communications shall be effective upon receipt.

18. General Indemnification. Borrower shall pay, and shall indemnify and hold KCL harmless on an after-tax basis from and against, any and all liabilities, causes of action, claims, suits, penalties, damages, losses, costs or expenses (including attorneys' fees), obligations, liabilities, demands and judgments, and Liens, of any nature whatsoever (collectively, a "Liability") arising out of or in any way related to: (a) the Loan Documents or any other written agreement entered into in connection with the transactions contemplated hereby and thereby or any amendment, waiver or modification of any of the foregoing or the enforcement of any of the terms hereof or thereof, (b) a failure to comply fully with any Environmental Law with respect to the Equipment or its operation or use, and (c) Borrower's failure to perform any covenant, or breach of any representation or warranty under the Loan Documents; provided, that the foregoing indemnity shall not extend to the Liabilities to the extent resulting solely from the gross negligence or willful misconduct of KCL. Borrower shall deliver promptly to KCL (i) copies of any documents received from the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning the Equipment or its operation and (ii) copies of any documents submitted by Borrower or any of its subsidiaries to the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning the Equipment or its operation.

19. Severability; Captions. Any provision of this Agreement or any of the Loan Documents 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 shall not invalidate or render unenforceable such provision in any other jurisdiction. Captions are intended for convenience or reference only, and shall not be construed to define, limit or describe the scope or intent of any provisions hereof.

20. Financial and Other Data. During the Term hereof, Borrower shall furnish KCL, as soon as available and in any event within 60 days after the end of each quarterly period (except the last) of each fiscal year, financial statements of Borrower and each Guarantor, in each case internally prepared in accordance with GAAP, and, as soon as available and in any event within 120 days after the last day of each fiscal year, financial statements of Borrower and each Guarantor, in each case prepared in accordance with GAAP and certified by an independent public accountant if customarily available or requested. Borrower shall also furnish such other financial reports, information or data as KCL may reasonably request from time to time.

21. No Affiliation with the Supplier. Borrower hereby represents and warrants to KCL that, except as previously disclosed in writing to KCL, neither Borrower nor any of its officers or directors (if a corporation) or partners (if a partnership) has, directly or indirectly, any financial interest in the Supplier.

22. Representations and Warranties of Borrower. Borrower represents and warrants that:

(a) Borrower is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation; (b) the execution, delivery and performance of this Agreement and all related instruments and documents: (1) have been duly authorized by all necessary corporate action on the part of Borrower, (2) do not require the approval of any stockholder, partner, trustee, or holder of any obligations of Borrower except such as have been duly obtained, and (3) do not and will not contravene any law, governmental rule, regulation or order now binding on Borrower, or the charter or by-laws of Borrower, or contravene the provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Borrower under, any indenture, mortgage, contract or other agreement to which Borrower is a party or by which it or its property is bound; (c) the Loan Documents, when entered into, will constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with the terms thereof; (d) there are no pending actions or proceedings to which Borrower is a party, and there are no other pending or threatened actions or proceedings of which Borrower has knowledge, before any court, arbitrator or administrative agency, which, either individually or in the aggregate, would adversely affect the financial condition of Borrower, or the ability of Borrower to perform its obligations under the Loan Documents; (e) Borrower is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any installments under any lease agreement which, either individually or in the aggregate, would have the same such effect; (f) under the laws of the state(s) in which the Equipment is to be located, the Equipment consists solely of personal property and not fixtures; (g) the financial statements of Borrower (copies of which have been furnished to KCL) have been prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"), and fairly present Borrower's financial condition and the results of its operations as of the date of and for the period covered by such statements, and since the date of such statements there has been no material adverse change in such conditions or operations; (h) the address stated above is the chief place of business and chief executive office, or in the case of individuals, the primary residence, of Borrower; (i) Borrower does not conduct business under a trade, assumed or fictitious name; (j) this Agreement creates a valid first priority security interest in the Collateral securing payment and performance of the Secured Obligations and all filings and other action necessary to perfect such security interest have been taken or shall be promptly taken; (k) Borrower has filed or has caused to have been filed all Federal, state and local tax returns which, to the knowledge of Borrower, are required to be filed, and has paid or caused to have been paid all taxes as shown on such returns or on any assessment received by it, to the extent that such taxes have become due, unless and to the extent only that such taxes, assessments and governmental charges are currently contested in good faith and by appropriate proceedings by Borrower and adequate reserves therefor have been established as required under GAAP. To the extent Borrower believes it advisable to do so, Borrower has set up reserves which are believed by Borrower to be adequate for the payment of additional taxes for years which have not been audited by the respective tax authorities; (l) Borrower is not in violation of any Applicable Law, the violation of which would have a material adverse effect on the conduct of its business, and Borrower has obtained any and all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its properties and the conduct of its business; and (m) none of the proceeds of the loan made by KCL will be used, directly or indirectly, by Borrower for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry, any "margin security" within the meaning of Regulation G (12 CFR Part 207), or "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System (herein called "margin security" and "margin stock") or for any other purpose which might make the transactions contemplated herein a "purpose credit" within the meaning of Regulation G or Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities Exchange Act of 1934 or the Small Business Investment Act of 1958, as amended, or any rules or regulations promulgated under any of such statutes. The Borrower agrees to execute and deliver to KCL such further agreements and assignments or other instruments and to do all such other things as KCL may reasonably deem necessary or appropriate to assure to KCL the perfection and priority of its security interest hereunder. All representations and warranties of the Borrower hereunder shall survive the execution and delivery of the Loan Documents.

23. UCC Filings. BORROWER HEREBY APPOINTS KCL OR ITS ASSIGNEE AS ITS TRUE AND LAWFUL ATTORNEY IN FACT, IRREVOCABLY AND COUPLED WITH AN INTEREST, TO EXECUTE AND FILE ON BEHALF OF BORROWER ALL UCC FINANCING STATEMENTS WHICH IN KCL'S SOLE DISCRETION ARE NECESSARY OR PROPER TO SECURE KCL'S INTEREST IN THE EQUIPMENT IN ALL APPLICABLE JURISDICTIONS. The Borrower further covenants and agrees that it will not change its legal name, be a party to a merger, consolidation or other change in structure or use a trade name in its business without at least 30 days' prior written notice to KCL; and shall execute and deliver to KCL (to be recorded at Borrower's expense) all UCC statements as may be required by KCL in connection with such event.

24. Miscellaneous. Time is of the essence with respect to this Agreement. Any failure of KCL to require strict performance by Borrower or any waiver by KCL of any provision herein shall not be construed as a consent or waiver of any provision of this Agreement. None of the Loan Documents may be amended except by a writing signed by KCL and Borrower. This Agreement will be binding upon KCL only if executed by a duly authorized officer or representative of KCL at KCL's principal place of business as set forth above. This Agreement, and all other Loan Documents shall be executed on Borrower's behalf by Authorized Signers of Borrower. The Borrower hereby waives presentment, notice of dishonor and protest of all instruments included in or evidencing any Secured Obligations, and all other notices and demands whatsoever (except as expressly provided herein). THE LOAN DOCUMENTS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

25. Jury Trial Waiver. KCL AND BORROWER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH KCL OR BORROWER MAY BE PARTIES ARISING OUT OF OR IN ANY WAY PERTAINING TO THE LOAN DOCUMENTS OR SECURED OBLIGATIONS. THIS WAIVER IS MADE KNOWINGLY, WILLINGLY AND VOLUNTARILY BY KCL AND THE BORROWER WHO EACH ACKNOWLEDGE THAT NO REPRESENTATIONS HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT.

26. More than One Borrower. If more than one person or entity executes this Agreement, each of the other Loan Documents, and all addenda or other documents executed in connection herewith or therewith, as "Borrower," the obligations of "Borrower" contained herein and therein shall be deemed joint and several and all references to "Borrower" shall apply both individually and jointly.

27. Entire Agreement. This Agreement, together with the other Loan Documents, collectively constitute the entire understanding or agreement between KCL and Borrower with respect to the financing of the Equipment, and there is no understanding or agreement, oral or written, which is not set forth herein or therein.

28. **Execution in Counterparts** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Lender:

KEYCORP LEASING LTD.

By: Linda L. Huff
Name: _____
Title: **Linda L. Huff**
Vice President
Regional Business Unit Manager

Borrower:

MID-AM EQUIPMENT, INC.

By: Robert J. Schroeder
Name: X ROBERT J. SCHROEDER
Title: X PRESIDENT

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 19th day of NOV, 1996, before me the subscriber personally appeared Robert J. Schroeder, who being by me duly sworn, did depose and say; that he/she resides at 2422 S. LOSAHOS, Mesa AZ 85202; that he/she is a PRESIDENT of MID-AM EQUIPMENT, INC., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

Jennie Cunico
NOTARY PUBLIC

My Commission Expires:

Jennie Cunico, Notary Public
Maricopa County, Arizona
My Commission Expires 3/30/98

COLLATERAL SCHEDULE

Schedule 1

DESCRIPTION OF EQUIPMENT

EQUIPMENT LOCATION:

PIONEER CHLOR ALKALI
800 LAKE MEAD DRIVE
HENDERSON, NEVADA 89015

QUANTITY

7 (SEVEN) CARS

EQUIPMENT DESCRIPTION

**16,750 GALLON 111A100W1 EXTERIOR COILED & INSULATED
CAR NOS.: NECX 1600, NECX 1601, NECX 1602, NECX 1603,
NECX 1604, NECX 1605, NECX 1606**