

Cassels Brock & Blackwell

BARRISTERS & SOLICITORS • TRADE MARK AGENTS

Scotia Plaza, Suite 2100, 40 King Street West, Toronto, Canada M5H 3C2
Telephone (416) 869-5300 Facsimile (416) 360-8877

WRITER'S DIRECT LINE (416) 869-5399

OUR FILE NO 7947-555

By Courier

Thursday, February 27, 1997

Mr. Vernon A. Williams
Secretary of the Board
Surface Transportation Board
1201 Constitution Avenue N.W.
Room 2311
Washington, D.C. 20423

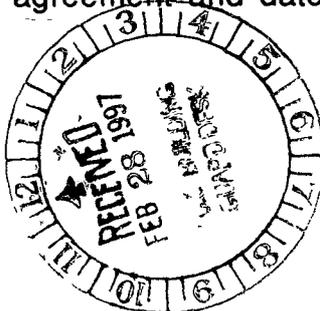


Dear Sir:

Re: G.S.M. & Associates Leasing Inc.

Enclosed for filing please find two copies of a Security Agreement dated as of February 28, 1997 addressed by G.S.M. & Associates Leasing Inc. ("GSM") with an address at 421 - 7th Avenue S.W., Suite 3200, Calgary, Alberta, Canada, T2P 4K9 in favour of each of Bank of Montreal ("BOM") with an address at 115 S. LaSalle Street, Director of Transportation Group, 12 Floor, Chicago, Illinois, 60603 and The Bank of Nova Scotia ("BNS") with address at 44 King Street West, Corporate Banking - Ontario, 16th floor, Toronto, Ontario, M5H 1H1. Pursuant to this security agreement, GSM is mortgaging, charging and assigning to both BOM and BNS (collectively, the "Banks"), and granting to the Banks a security interest in (a) two hundred (200) 5,150 cu. ft. through hatch covered hopper cars ("unlined") having the reporting numbers of CN368200-CN368399, inclusive, (b) three hundred (300) 5,200 cu. ft. through hatch covered hopper cars ("unlined") having the reporting numbers of CN368400-CN368699, inclusive, (c) the railway car lease between GSM and Canadian National Railway Company dated November 16, 1996, (d) a backstop agreement among GSM, Banks dated as of February 28, 1997, (e) any and all proceeds in respect of such property and (f) all present and after-acquired undertaking and property arising out of the above-described property. Two copies of a memorandum of security agreement further confirming this brief description are enclosed.

Please record one copy of the security agreement and date stamp the additional enclosed copy



FEB 28 3 59 PM '97

RECEIVED
SURFACE TRANSPORTATION
BOARD

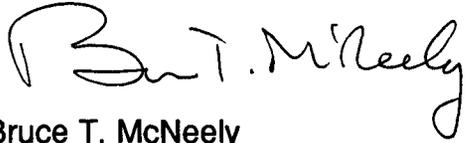
Handwritten notes:
Janet Hayden
Cassels Brock & Blackwell

Cassels Brock & Blackwell

- 2 -

If you have any questions, I would appreciate it if you would contact me today at (416) 869-5399.

Yours very truly,

A handwritten signature in black ink that reads "Bruce T. McNeely". The signature is written in a cursive style with a large, stylized initial "B".

Bruce T. McNeely
Enclosure

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

2/28/97

Cassels Brock & Blackwell
40 King Street West
Scotia Plaza, Ste. 2100
Toronto, Canada M5H3C2

Cassels Brock & Blackwell
40 King Street West
Toronto, CD

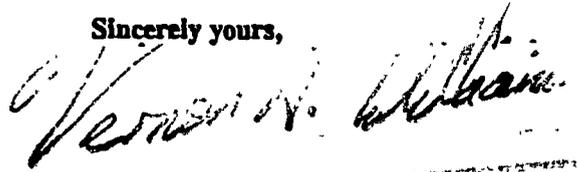
Dear

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 2.28.97 at 4.05 pm, and assigned recordation number(s).

20559

Sincerely yours,

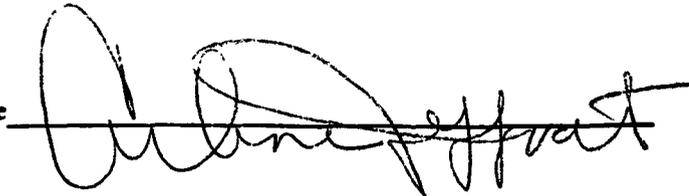


Vernon A. Williams
Secretary

Enclosure(s)

\$ 74.00 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



SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "*Security Agreement*"), dated as of February 28th 1997, is made by G.S.M. & ASSOCIATES LEASING INC., a corporation organized under the laws of the Province of Alberta (the "*Debtor*") in favour of BANK OF MONTREAL and THE BANK OF NOVA SCOTIA, each a chartered bank of Canada (the "*Secured Parties*").

RECITALS

WHEREAS Debtor and Secured Parties are entering into a loan agreement dated as of February 19, 1997 pursuant to which Secured Parties have agreed, on and subject to the terms and conditions therein stated, to provide a \$36,780,000 credit facility to Debtor, available to it by way of loans and bankers acceptances (such Loan Agreement as the same may from time to time be amended, restated, modified, extended or renewed being hereinafter referred to as the "*Loan Agreement*"); and

WHEREAS in furtherance of the Loan Agreement the Debtor will from time to time be executed and delivering to the Secured Parties and/or each of them various additional documents and agreements relating to and/or securing the obligations of the Debtor incurred pursuant to the Loan Agreement (all of such instruments and documents together with the Loan Agreement, being hereinafter referred to as the "*Loan Documents*");

WHEREAS, the Secured Parties have required, *inter alia*, as a condition precedent to their entering into the Loan Agreement and incurring the obligations thereunder, that the Debtor secure the Secured Obligations pursuant hereto.

NOW THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Capitalized terms used herein but not otherwise defined shall have the meanings set forth above. All terms used in this Security Agreement that are defined in the Uniform Commercial Code in effect in the State of Illinois (the "*UCC*") and which are not otherwise defined herein shall have the meanings set forth therein.

2. Grant of Security Interest in the Collateral. To secure the prompt payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Secured Obligations (as defined in Section 3 hereof), Debtor hereby grants to the Secured Parties a continuing security interest in, and a right to set off against, any and all right, title and interest of Debtor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "*Collateral*"):

- (a) All equipment, including, without limitation, all vehicles, machinery, tools, furniture, furnishings, office equipment and trade fixtures;
- (b) All accounts and receivables and all goods represented by or securing accounts and receivables, including, without limitation, all rents and tenant payments, if any;

- (c) All inventory, including, without limitation, all raw materials, all work in process and all goods held by the Debtor for sale or lease, including without limitation, the Cars;
- (d) All contract rights, including, without limitation, all rights under management agreements, tax sharing agreements, lease agreements, backstop and/or put agreements and all rights to payment of money, tax refunds and insurance proceeds;
- (e) All other general intangibles;
- (f) All deposit accounts;
- (g) All instruments, documents, chattel paper, securities, policies and certificates of insurance, deposits, cash or other goods;
- (h) All books, records, files, computer software and other writings or evidence of the Debtor's business;
- (i) All proprietary information, designs, processes, inventions, licenses, know-how and trade secrets, all letters patent of the United States or any other country, now existing or hereafter arising, and all improvement patents, reissues, reexaminations, patents of addition, renewals and extensions thereof, all applications for letters patent of the United States or any other country, now existing or hereafter arising, and all provisionals, divisions, continuations and continuations-in-part and substitutes thereof, all trademarks, trade names, service marks, logos and other source or business identifier, now existing or hereafter acquired, together with the good will of the business symbolized by said marks, registrations and recordings thereof, and all applications in connection therewith, whether in the United States patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all renewals thereof, all copyrights, now existing or hereafter created or acquired, all registrations and recordings thereof, and all applications and registrations in connection therewith, whether in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any country or political subdivision thereof, or otherwise, and all renewals thereof, and all actions for infringement concerning any of the foregoing, including the right to sue for and recover and retain all damages and profits arising from past infringements (collectively, the "*Intellectual Property*");
- (j) All other personal property of any kind or type whatsoever owned by the Debtor;
- (k) All accessions and additions to, and substitutions and replacements of, any and all of the foregoing, whether now existing or hereafter arising; and
- (l) All proceeds and products of the foregoing and all insurance relating to the foregoing Collateral and all proceeds thereof (including, without limitation, insurance proceeds payable on account of business interruption), whether now existing or hereafter arising.

3. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for all of the following, whether now existing or hereafter incurred (the "Secured Obligations"):

- (a) The prompt and strict performance and observance by the Debtor of all agreements, warranties, representations, covenants, conditions and obligations of the Debtor under the Loan Documents or under this Security Agreement; and
- (b) The prompt payment, as and when due and payable, of all amounts, other indebtedness, liabilities and obligations of any kind or nature, now existing or hereafter arising, owing from the Debtor to either Secured Parties, including by way of guarantee or indemnity, whether now existing or hereafter incurred, matured or unmatured, direct, indirect or contingent including any extensions.

4. Representations and Warranties. The Debtor hereby represents and warrants to the Secured Parties, that so long as any Secured Obligations are outstanding or either of the Secured Parties has any commitment to extend credit to the Debtor (i) the Debtor's chief executive office and chief place of business are (and for the prior four months have been) located at 421-7th Avenue S.W. Suite 3200, Calgary, Alberta, Canada T2P 4K9, (ii) the Debtor keeps its books and records at such location and (iii) in the event that the Debtor shall conduct business in the United States, the Debtor's chief executive office in the United States will be located at 5010 Fair Elms, Western Springs, Illinois, which is in the County of Cook.

5. Covenants. The Debtor covenants that, so long as any Secured Obligations are outstanding or either of the Secured Parties has any commitment to extend credit to the Debtor, the Debtor shall comply with all of the covenants contained in the Loan Documents.

6. Advances by Secured Parties. On failure of the Debtor to perform any of the covenants and agreements contained herein or in the other Loan Documents, the Secured Parties may, at their sole option and in their sole discretion, perform the same and in so doing may expend such sums as the Secured Parties may reasonably deem advisable in the performance thereof. All such sums and amounts so expended shall be repayable by the Debtor immediately without notice or demand and shall constitute additional Secured Obligations. No such performance of any covenant or agreement by the Secured Parties on behalf of the Debtor, and no such advance or expenditure therefor, shall relieve the Debtor of any default under the terms of this Security Agreement or the other Loan Documents. The Secured Parties may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim.

7. Events of Default. The Debtor shall be in default under this Security Agreement upon the occurrence of any of the following events ("Events of Default"):

- (a) Performance of Obligations: The Debtor defaults in payment or performance of any of the Secured Obligations;
- (b) Breach of Agreement: The Debtor breaches any term, provision, warranty, representation or covenant under this Security Agreement or any other agreement between the Debtor and the Secured Parties, all as in effect or as hereafter entered into or amended;

- (c) Cease to Carry on Business: The Debtor ceases or threatens to cease to carry on business;
- (d) Bankruptcy, Insolvency: The dissolution, termination of existence, insolvency, bankruptcy or business failure of the Debtor, or upon the application for or the appointment of a receiver or receiver manager of any part of the property of the Debtor, or the commencement by or against the Debtor of any proceeding under any bankruptcy, arrangement, reorganization, dissolution, liquidation, insolvency or similar law for the relief of or otherwise affecting creditors of the Debtor, or by or against any guarantor or surety for the Debtor, or upon the issuance of any writ of execution, warrant, attachment, sequestration, levy, third party demand or garnishment or similar process against the Debtor, or any part of the Collateral;
- (e) Commit Act of Bankruptcy: The Debtor commits or threatens to commit an act of bankruptcy;
- (f) Dissolution, Winding Up: The institution by or against the Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of the Debtor;
- (g) Sale in Bulk: The Debtor makes or proposes to make any sale of its assets in bulk;
- (h) Charge Against Collateral: If any right of distress is levied or is threatened to be levied against the Collateral or if any security interest, mortgage, lien, claim, charge or any other encumbrance affecting the Collateral becomes enforceable against the Collateral or any part thereof;
- (i) Destruction of Collateral: Any material portion of the Collateral is damaged or destroyed; and
- (j) Other Default: The Debtor defaults under any agreement with respect to any indebtedness or other obligation to any person other than the Secured Parties if such default has resulted in, or may result, with notice or lapse of time or both, in the acceleration of any such indebtedness or obligation or the right of such person to realize upon any Collateral.

8. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during continuation thereof, the Secured Parties shall have, in addition to the rights and remedies provided herein or in the other Loan Documents or by law (including, but not limited to, the rights and remedies set forth in the Uniform Commercial Code of the jurisdiction applicable to the affected Collateral) the rights and remedies of a secured party under 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 the Secured Parties may, with or without judicial process or the aid and assistance of others, and to the extent permitted by applicable law (i) enter on any premises on which any of the Collateral may be located and, without resistance or interference by the Debtor, take possession of the Collateral, (ii) dispose of any Collateral on any such premises, (iii) require the Debtor to assemble and make available to the Secured Parties at the expense of the Debtor any Collateral at any place and time designated by the Secured Parties which is reasonably convenient to both parties, (iv) remove any Collateral from

any such premises for the purpose of effecting sale or other disposition thereof, (v) enforce, demand, collect and receipt for all amounts due or to become due with respect to the Collateral, and/or (vi) without demand and without advertisement, notice, hearing or process of law (except as provided below), all of which the Debtor hereby waives to the fullest extent permitted by law, at any place and time or times, sell and deliver any or all Collateral 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 the Secured Parties deem advisable, in its sole discretion (subject to any and all mandatory legal requirements). In addition to all other sums due the Secured Parties with respect to the Secured Obligations, the Debtor shall pay the Secured Parties all reasonable costs and expenses incurred by the Secured Parties, including, but not limited to, reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of the Secured Obligations, or in the prosecution or defence of any action or proceeding by or against the Secured Parties or the Debtor concerning any matter arising out of or connected with this Security Agreement, any Collateral or the Secured Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the Bankruptcy waived hereunder. The Debtor agrees that any notice personally served on or mailed, postage prepaid, to the Debtor at its address as shown herein at least 10 days before the time of sale or other event giving rise to the requirement of such notice shall be adequate. The Secured Parties shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. To the extent permitted by law, the Secured Parties may be a purchaser at any such sale. Subject to the provisions of applicable law, the Secured Parties may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed, or the Secured Parties may further postpone such sale by announcement made at such time and place.

(b) Nonexclusive Nature of Remedies. Failure by the Secured Parties to exercise any right, remedy or option under this Security Agreement or any other Loan Document or as provided by law, or any delay by the Secured Parties in exercising the same, shall not operate as a waiver of any such right, remedy or option. No waiver hereunder shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent permitted by law. Neither the Secured Parties nor any party acting as attorney for the Secured Parties, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct hereunder. The rights and remedies of the Secured Parties under this Security Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Parties may have.

9. Power of Attorney. In addition to other powers of attorney contained herein, the Debtor hereby designates and appoints the Secured Parties and each of their designees or agents, as attorney-in-fact of the Debtor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuance of an Event of Default, subject to other provisions hereof:

- (i) demand, collect, settle, compromise, adjust, give discharges and releases, all as the Secured Parties may determine;
- (ii) commence and prosecute any actions at any court for the purposes of collecting any Collateral and enforcing any other right in respect thereof;
- (iii) defend, settle or compromise any action brought and, in connection therewith, give such discharge or release as the Secured Parties may deem appropriate;

- (iv) receive and open mail addressed to the Debtor and endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to the Collateral of the Debtor on behalf of and in the name of the Debtor, or securing, or relating to such Collateral;
- (v) sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any Collateral or the goods or services which have given rise thereto, as fully and completely as though the Secured Parties were the absolute owner thereof for all purposes;
- (vi) adjust and settle claims under any insurance policy relating thereto;
- (vii) execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, security agreements, affidavits, notices and other agreements, instruments and documents that the Secured Parties may determine necessary in order to perfect and maintain the security interests and liens granted in this Security Agreement and in order to fully consummate all of the transactions contemplated therein;
- (viii) institute any foreclosure proceedings that the Secured Parties may deem appropriate; and
- (ix) do and perform all such other acts and things as the Secured Parties may deem to be necessary, proper or convenient in connection with the Collateral.

This power of attorney is coupled with an interest and is irrevocable until the Secured Obligations have been fully satisfied and the obligations relating thereto terminated.

10. **Application of Proceeds.** Upon the occurrence and during the continuance of an Event of Default, any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by the Secured Parties in cash or its equivalent, unless the Secured Parties agree otherwise, will be applied in reduction of the Secured Obligations, and the Debtor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Secured Parties shall have the continuing and exclusive right to apply and reapply any and all such payments and proceeds in the Secured Parties' sole discretion, notwithstanding any entry to the contrary upon any of their books and records. The Debtor shall remain liable to the Secured Parties for any deficiency. The Secured Parties shall be liable to Debtor for any excess. If the time of the receipt of any such proceeds any claim included within the Secured Obligations is contingent or unliquidated the Secured Parties may hold the proceeds thereof as additional collateral security for the Secured Obligations unless and until any such liability has expired or been terminated.

11. **Costs of Counsel.** If at any time hereafter, whether upon the occurrence of an Event of Default or not, the Secured Parties employ counsel to prepare or consider amendments, waivers or consents with respect to this Security Agreement, or to take action or make a response in or with respect to any legal or arbitral proceeding relating to this Security Agreement or relating to the Collateral, or to protect the Collateral or exercise any rights or remedies under this Security Agreement or with respect to the Collateral, then the Debtor agrees to promptly pay upon demand

any and all such reasonable costs and expenses of the Secured Parties, all of which costs and expenses shall constitute Secured Obligations hereunder.

12. Continuing Agreement. This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any Secured Obligation is outstanding or either of the Secured Parties has any commitment to extend credit to the Debtor. Upon such termination of this Security Agreement, the Secured Parties shall, upon the request and at the expense of the Debtor, forthwith release all of its liens and security interests hereunder. Notwithstanding the foregoing all releases and indemnities provided hereunder shall survive termination of this Security Agreement.

13. Amendments; Waivers; Modifications. This Security Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except in a writing signed by the Secured Parties.

14. Successors in Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall be binding upon the Debtor, its successors and assigns and shall inure, together with the rights and remedies of the Secured Parties and their successors and assigns; provided, however, that the Debtor may not assign its rights or delegate its duties hereunder without the prior written consent of the Secured Parties. To the fullest extent permitted by law, the Debtor hereby releases the Secured Parties, and their successors and assigns, from any liability for any act or omission relating to this Security Agreement or the Collateral, except for any liability arising from the gross negligence or willful misconduct of the Secured Parties, or their officers, employees or agents.

15. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Security Agreement to produce or account for more than one such counterpart.

16. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Security Agreement.

17. Governing Law; Submission to Jurisdiction; Venue.

(a) THIS SECURITY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS. Any legal action or proceeding with respect to this Security Agreement may be brought in the courts of the State of Illinois in Cook County, or of the United States for the Northern District of Illinois, and, by execution and delivery of this Security Agreement, the Debtor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. The Debtor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at its address set out above in accordance with Section 20 of the Backstop Agreement, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the Secured Parties to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against any Debtor in any other jurisdiction. The Debtor acknowledges that the Secured Parties need not execute this Security Agreement.

I HEREBY CERTIFY that on the 26th day of February, 1997 at the City of Toronto, in the Province of Ontario, G. Scott Merrifield who is personally known to me, appeared before me and acknowledged to me that he is the President of G.S.M. & ASSOCIATES LEASING INC., and that he is the person who subscribed his name to the annexed security agreement as President of the said G.S.M. & ASSOCIATES LEASING INC., and that he was first duly authorized to subscribe his name as aforesaid.

IN TESTIMONY whereof I have hereto set my hand and Seal of Office at Toronto, Ontario, this 26th day of February, 1997.



A Notary Public in and for the Province of Ontario

