91-3

Law Offices of

CHAPMAN AND CUTLER

Theodore S Chapman
1877-1943
Henry E Cutler
1879-1959

111 West Monroe Street, Chicago, Illinois 60603
TWX 910-221-2103 Telex 206281
FAX (312) 701-2361
Telephone (312) 845-3000

2 North Central Avenue
Phoenix, Arizona 85004
(602) 256-4060

50 South Main Street
Salt Lake City, Utah 84144
(801) 533-0066

RECORDATION NO 17463 FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

August 2, 1991

Office of the Secretary
Recordations Units
Room 2303
Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

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RECORDATION NO 17463-B FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO 17463-C FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

Attention: Ms. Mildred Lee

Dear Ms. Lee:

Enclosed are two original copies of each of the documents described below, to be recorded pursuant to 49 U.S.C. § 11303.

The first document, Railcar Lease, dated as of July 1, 1991, is a primary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

New No.

Indiana Michigan Power Company
c/o American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

The second document, Security Agreement-Trust Deed, dated as of July 1, 1991, is a primary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

— A

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

Counterpart - T. Kuppler

The third document, Lease Supplement No. 1, dated August 2, 1991, is a secondary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

—B

Indiana Michigan Power Company
c/o American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

The fourth document, Security Agreement Supplement No. 1, dated August 2, 1991, is a secondary document. The names and addresses of the parties to such document are as follows:

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

— C

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

A general description of the equipment covered by each of these documents and intended for use related to interstate commerce is set forth in Schedule 1 attached to this letter and made a part hereof.

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

Railcar Lease, dated as of July 1, 1991, between The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of July 1, 1991 with Chase Manhattan Service Corporation, as Lessor and Indiana Michigan Power Company, an Indiana corporation, as Lessee.

Security Agreement-Trust Deed, dated as of July 1, 1991, from The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under Indiana Michigan Trust No. 91-3, as Debtor, to Wilmington Trust Company, not in its individual capacity, except as specifically set forth herein, but solely as Security Trustee, as Security Trustee.

Law Offices of

CHAPMAN AND CUTLER

Lease Supplement No. 1 dated August 2, 1991, between The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of July 1, 1991 with Chase Manhattan Service Corporation, as Lessor and Indiana Michigan Power Company, an Indiana corporation, as Lessee.

Security Agreement Supplement No. 1, dated August 2, 1991, from The Connecticut National Bank, not in its individual capacity but solely as Owner Trustee under Indiana Michigan Trust No. 91-3, as Debtor, to Wilmington Trust Company, not in its individual capacity, except as specifically set forth herein, but solely as Security Trustee, as Security Trustee.

A filing fee of $60.00 is enclosed. Please return an original of each of the enclosed documents to the undersigned.

Very truly yours,

CHAPMAN AND CUTLER

By: John A. Harris

JAH:ttr
Enclosure

— A

17463 — A

RECORDATION NO _____ FILED 1425

AUG 2 1991 -11 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT-TRUST DEED

Dated as of July 1, 1991

FROM

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner Trustee
under Indiana Michigan Power Trust No. 91-3,

as Debtor

TO

WILMINGTON TRUST COMPANY,

as Security Trustee

(Indiana Michigan Power Trust No. 91-3)

CNB

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SECURITY AGREEMENT-TRUST DEED

SECURITY AGREEMENT-TRUST DEED ("Security Agreement") dated as of July 1, 1991 between THE CONNECTICUT NATIONAL BANK, not individually but solely as Owner Trustee (the "Debtor") under the Trust Agreement dated as of July 1, 1991 (the "Trust Agreement") for the benefit of CHASE MANHATTAN SERVICE CORPORATION, a New York corporation (the "Owner Participant"), Debtor's post office address being 777 Main Street, Hartford, Connecticut 06115, Attention: Corporate Trust Administration, and WILMINGTON TRUST COMPANY, a Delaware banking corporation (the "Security Trustee"), whose post office address is Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

R E C I T A L S:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 1 unless elsewhere defined or the context shall otherwise require.

B. The Debtor and the Security Trustee have entered into a Participation Agreement dated as of July 1, 1991 (the "Participation Agreement") with Indiana Michigan Power Company, an Indiana corporation (the "Lessee"), the Owner Participant and the Note Purchasers listed in Schedule 2 thereto (collectively, the "Note Purchasers"), providing for the commitment of the Note Purchasers to purchase the 9.73% Secured Notes, due 1991-2007 (the "Notes") of the Debtor in an aggregate principal amount not to exceed $4,993,551.66, to be dated the date of issue, to bear interest on the unpaid principal amount thereof at the rate of 9.73% per annum prior to maturity, to be payable in one installment of interest only payable on September 27, 1991 followed by sixty-three (63) consecutive quarterly installments, including principal and/or interest, payable in accordance with the amortization schedule set forth in Annex II hereto, payable on December 27, 1991 and on the twenty-seventh day of each March, June, September and December thereafter to and including June 27, 2007, and to be otherwise substantially in the form of the Note attached hereto as Exhibit A.

C. The proceeds of the Notes are to be applied by the Debtor to finance a portion of the Purchase Price of the Equipment which will be delivered and leased to the Lessee under the Lease referred to in Section 1 hereof.

D. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument to secure the Indebtedness Hereby Secured have been done and performed.

E. Following the execution and delivery of this Security Agreement, the Debtor and the Security Trustee will from time to time, including without limitation on the Closing Date under the Participation Agreement enter into security agreement supplements substantially in the form of Exhibit B attached hereto (individually, "Security Agreement Supplement" and collectively "Security Agreement Supplements") for the purpose of more fully describing the Units of Equipment which are or are to become subject to the lien hereof.

NOW, THEREFORE, the Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Security Trustee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure (i) the payment of the principal of and premium, if any, and interest on the Notes according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured, and (ii) the performance and observance by the Debtor of all the covenants and conditions contained in the Notes, this Security Agreement and the Participation Agreement (insofar as such covenants and conditions are for the benefit of the Note Purchasers or the Security Trustee), hereby grants to the Security Trustee, its successors in trust and assigns, forever, a first priority security interest in, all and singular, the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Collateral"):

DIVISION I

Collateral includes the Units of Equipment from time to time specifically described in a Security Agreement Supplement in substantially the form attached hereto as Exhibit B and made a part hereof (collectively the "Equipment"), constituting the Equipment leased and delivered under the Equipment Lease dated as of July 1, 1991 (the "Lease") between the Debtor, as lessor, and the Lessee, as lessee, together with all accessories, equipment, parts and appurtenances appertaining or attached to the Equipment, whether now owned or hereafter acquired by the Debtor, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to the Equipment, except such thereof as remain the property of the Lessee, together with all the rents, issues, income, profits and avails therefrom and the proceeds thereof, subject, however, to Permitted Encumbrances referred to in Section 1 hereof.

DIVISION II

Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation, but subject always to the exceptions, reservations and limitations contained in the following section entitled "EXCEPTED RIGHTS IN COLLATERAL":

(1) the immediate and continuing right to receive and collect all Rent, including without limitation Stipulated Loss Value payments, Termination Value payments, insurance proceeds, condemnation awards, payments by Sellers in respect of warranty claims, and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto,

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

(3) to take such action upon the occurrence of an Event of Default under the Lease, including the commencement, conduct and consummation of

legal, administrative or other proceedings, as shall be permitted by the Lease or by law, to give all notices of Default under the Lease, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease.

DIVISION III

Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Assignment dated as of August 2, 1991 between the Lessee and the Debtor and any and all other contracts and agreements relating to the Equipment or any rights or interests therein to which the Debtor is now or may hereafter be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under the Assignment referred to above and each and every other such contract and agreement (hereinafter collectively referred to as the "Assigned Agreement");

it being the intent and purpose hereof that, subject always to the exceptions, reservations and limitations contained in the following section entitled "EXCEPTED RIGHTS IN COLLATERAL", the assignment and transfer to the Security Trustee of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Security Trustee shall have the right to collect and receive said Rent, and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

EXCEPTED RIGHTS IN COLLATERAL

There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Security Trustee:

(1) all rights and payments of any indemnity whether paid as Supplemental Rent or otherwise under Sections 6 and 7 of the Participation Agreement and all rights and payments under the Trust Agreement (except Sections 3.12, 4.1, 5.2 and 5.8 which also inure to the benefit of the Noteholders and the Security Trustee) which by the terms of the Participation Agreement or the Trust Agreement are payable to or inure to the benefit of the Debtor or the Owner Participant;

(2) any rights, privileges or immunities of the Debtor or the Owner Participant in respect of insurance policies maintained by the Lessee pursuant to Section 16 of the Lease, together with any insurance proceeds payable under general public liability policies so maintained which by the terms of such policies or the terms of the Lease are payable directly to or inure to the benefit of the Debtor or the Owner Participant;

(3) all rights of the Debtor and the Owner Participant under Section 20 of the Lease, including the right to receive repayments of advances made by the Debtor or the Owner Participant;

(4) whether or not an Event of Default under this Security Agreement has occurred and is continuing, the right at all times to receive all notices, certificates, opinions of counsel and other documents and information to be furnished to the Debtor or the Owner Participant under any of the Operative Agreements;

(5) any fees, disbursements or expenses payable to the Debtor in its individual capacity whether paid as Supplemental Rent or otherwise;

(6) all rights of the Owner Participant under the Tax Indemnification Agreement dated as of July 1, 1991 (the "Tax Indemnification Agreement") between the Owner Participant and the Lessee, and all rights to receive any payments whatsoever under the Tax Indemnity Agreement whether paid as Supplemental Rent or otherwise;

(7) so long as no Event of Default under the Lease or under this Security Agreement shall have occurred and be continuing, all rights of the Debtor, together with the Security Trustee, as lessor under the Lease, including the right to enter into, execute and deliver amendments, modifications, waivers or consents in respect of any provision of the Lease;

(8) whether or not an Event of Default under this Security Agreement has occurred and is continuing, the right, together with the Security Trustee, to give all notices of Default under the Lease;

(9) so long as no Event of Default under this Security Agreement has occurred and is continuing (other than Security Agreement Event of Default resulting solely from an Event of Default under the Lease), the right, together with the Security Trustee, to enter into, execute and deliver amendments, modifications, waivers or consents (i) in respect of Sections 10, 16 or 25 of the Lease, and (ii) in respect of that portion of any scheduled Fixed Rent, Stipulated Loss Value and Termination Value payments which, as of any date of payment thereof, exceed the amount of principal and accrued interest then due and owing on the Notes; and

(10) all rights of the Debtor and the Owner Participant under the Lease or the Trust Agreement to demand, collect, sue for or otherwise obtain all amounts from the Lessee or the Owner Participant, respectively, due the Debtor or the Owner Participant on account of any Excepted Rights in Collateral provided that the rights excepted and reserved by this paragraph (10) shall not be deemed to include the exercise of any remedies provided for in Section 19 of the Lease, except that the Debtor and the Owner Participant may proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants and terms of Excepted Rights in Collateral or to recover damages for the breach thereof.

TO HAVE AND TO HOLD the Collateral unto the Security Trustee, its successors and assigns, forever, IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all present and future holders of the Notes without preference, priority or distinction of any Note over any other Note by reason of priority at the time of issue, sale, negotiation, date of maturity thereof or otherwise for any cause whatsoever; provided always, however, that these presents are upon the express condition that if (i) the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured, and (ii) the Debtor shall observe, keep and perform all the terms and conditions, covenants and agreements contained herein and in the Participation Agreement (insofar as such covenants and agreements are for the benefit of the Note Purchasers or the Security Trustee) and the Notes, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise, this Security Agreement shall, subject to Section 12.4, remain in full force and effect.

SECTION 1. DEFINITIONS.

The defined terms used in this Security Agreement shall have the respective meanings indicated in Annex I attached hereto unless otherwise defined or the context shall otherwise require.

SECTION 2. REGISTRATION OF NOTES.

Section 2.1. Registration and Execution. The Notes shall be signed on behalf of the Debtor by any person who, at the date of the actual execution of such Note, shall be a proper officer of the Debtor. Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto shall be entitled to the benefits of this Security Agreement or be valid or obligatory for any purpose. Such certificate by the Security Trustee upon any Note executed by the Debtor shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Security Agreement. The authentication by the Security Trustee of any Note issued hereunder shall not be construed as a representation or warranty by the Security Trustee as to the validity or security of this Security Agreement or of such Note, and the Security Trustee shall in no respect be liable or answerable for the use made of such Note or the proceeds thereof. The Security Trustee shall, upon presentation to it of Notes duly executed on behalf of the Debtor, authenticate such Notes upon the written request of the Debtor so to do and shall thereupon deliver such Notes to or upon the written order of the Debtor.

Section 2.2. Payment of the Notes. (a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal corporate trust office of the Security Trustee, in lawful money of the United States of America. Payment of principal and interest on the Notes shall be made only upon presentment or surrender of the Notes to the Security Trustee for notation thereon of the amount of such payment. Final payment of any Note shall be made only against surrender of such Note to the Security Trustee at the principal office of the Security Trustee. Any payment or prepayment of amounts due on the Notes in accordance with the terms thereof and hereof which is due on a date which is not a Business Day shall be payable on the next succeeding Business Day.

(b) Notwithstanding the foregoing provisions of paragraph (a) of this Section 2.2, if any Note is held by any Note Purchaser, any Affiliate of any Note Purchaser, or any other institutional investor, or a nominee of any thereof, the Security Trustee shall, if so requested in writing by such holder (and Section 5 of the Participation Agreement shall constitute such written request in the case of the Note Purchasers), make payment of interest on such Notes and shall make payments or prepayments (except in the case of a payment or prepayment which will discharge all indebtedness of the Debtor evidenced by such Note) of the principal thereof, and any premium, by check, duly mailed, by first-class mail, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 2.3 hereof and such holder (or the person for whom such holder is a nominee) will, before selling, transferring or otherwise disposing of such Note, make a notation on such Note of the date to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof and will present such Note to the Security Trustee for transfer and notation as provided in Sections 2.4 and 2.5 hereof. All payments so made shall be valid and effective to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Security Trustee is authorized to act in accordance with the foregoing provisions and shall not be liable or responsible to any such holder or to the Debtor or to any other person for any act or omission on the part of the Debtor or such holder in connection therewith.

(c) So long as any Note is held by the Note Purchasers or a nominee thereof, the Security Trustee will, upon written notice from any Note Purchaser or its nominee given not less than 20 days prior to the payment or prepayment of the Notes (and the instructions set forth in Schedule 2 to the Participation Agreement shall constitute such notice with respect to the Note Purchasers) cause all subsequent payments and prepayments of the principal of, and interest and premium, if any, on the Notes held by such Note Purchaser or its nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer in immediately available Federal Reserve funds to such bank, on each such date such payment or prepayment is due, provided that such bank has facilities for the receipt of a wire transfer. The Security Trustee will transmit any such wire transfer, together with any and all amounts received by the Security Trustee and payable to the Owner Trustee or the Owner Participant, as the case may be, pursuant to the terms hereof from its offices not later than 1:00 P.M., Wilmington, Delaware time, on each such date payment or prepayment is due, provided that the Security Trustee has received Federal Reserve or other funds current and immediately available on such date prior to 11:00 A.M., Wilmington, Delaware time on such date. In the event that by reason of its negligence the Security Trustee does not transmit any such payment or prepayment to such holder, the Owner Trustee or the Owner Participant in immediately available funds on such date (or, if such date is not a Business Day, on the next succeeding Business Day) by 1:00 P.M., Wilmington, Delaware time, the Security Trustee shall pay interest on such payment or prepayment at the Late Rate.

Section 2.3. Registered Notes; The Register. The Notes shall be issuable only as fully registered Notes in the form attached hereto as Exhibit A. The Debtor shall cause to be kept at the principal office of the Security Trustee a register for the registration and transfer of the Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

Section 2.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes. (a) The holder of any Note may transfer such Note upon the surrender thereof at the principal office of the Security Trustee. Thereupon, the Debtor shall execute in the name

of the transferee a new Note or Notes and in aggregate principal amount equal to the original principal amount of the Note so surrendered, and the Security Trustee shall authenticate and deliver such new Note or Notes to such transferee.

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

(c) Unless specifically required by law, no notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 2.4, and the holder of any Note issued as provided in this Section 2.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(d) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor and to the Security Trustee such security or indemnity as may be required by them to save each of them harmless from all risks, and the applicant shall also furnish to the Debtor and to the Security Trustee evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor and to the Security Trustee such security or indemnity as they may require to save them harmless, and shall evidence to the satisfaction of the Debtor and the Security Trustee the mutilation, destruction, loss or theft of such Note and the ownership thereof. If any Note Purchaser, any affiliate of any Note Purchaser, or any other institutional investor, or a nominee of any thereof is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such holder setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no security or indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such holder to indemnify the Debtor and the Security Trustee (including their attorneys' fees) for any claims or actions against them resulting from the issuance of such new Note.

Section 2.5. The New Notes. (a) Each new Note (herein, in this Section 2.5, called a "New Note") issued pursuant to Section 2.4(a) or (d) hereof in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 2.5, called an "Old Note") shall be dated the date of such Old Note. The Security Trustee shall mark on each New Note (i) the date to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original

principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 2.4(a) or (d) hereof, the Debtor may require the payment from the transferring Noteholder of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 2.4(a) or (d) hereof in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

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

Section 2.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Security Trustee for cancellation or, if surrendered to the Security Trustee, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement. The Security Trustee shall deliver a certificate to the Debtor specifying any cancellation of Notes which has been made, and all such cancelled Notes shall be delivered to or disposed of as directed by the Debtor.

Section 2.7. Security Trustee as Agent. The Security Trustee is hereby appointed the agent of the Debtor for the payment, registration, transfer and exchange of Notes. Subject to the provisions of Section 2.2 hereof, Notes may be presented for payment at, and notices or demands with respect to the Notes or this Security Agreement may be served or made at, the principal corporate trust office of the Security Trustee.

Section 2.8. Ownership. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and neither the Debtor nor the Security Trustee shall be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor and the Security Trustee may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

SECTION 3. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees for the benefit of the Security Trustee and the holders of the Notes as follows:

Section 3.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of its covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of its covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement.

Section 3.2. Authorization under Trust Agreement, Discharge of Liens. The Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Security Trustee for the uses and purposes herein set forth. The Debtor agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provisions of Section 9 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral which result from claims against the Debtor in its individual capacity and not related to the transactions contemplated by the Operative Agreements, the ownership of the Equipment or the administration of the Trust Estate. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

Section 3.3. Further Assurances. The Debtor will, at no expense to the Security Trustee, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired, and requested in writing by the Security Trustee. Without limiting the foregoing but in furtherance of the security interest herein granted in the Rent and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will notify the Lessee of the assignment hereunder and direct the Lessee to make all payments of such Rent and other sums due and to become due under the Lease other than those relating to Excepted Rights in Collateral directly to the Security Trustee or as the Security Trustee may direct in writing.

Section 3.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor and which is not owned by the Lessee pursuant to the terms of the Lease shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Security Trustee, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 3.3 hereof.

Section 3.5. Recordation and Filing. The Debtor will at the written request of the Security Trustee and at the Lessee's expense cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, the Assigned Agreements and all supplements thereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Security Trustee in such manner and in such place as may be requested in writing by the Security Trustee in order to fully preserve and protect the rights of the Security Trustee hereunder.

Section 3.6. Actions of the Debtor in Respect of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under the Lease, except in respect of Excepted Rights in Collateral (but with respect thereto only upon the terms and conditions expressly permitted in clause (8) of the section of the granting clauses of this Security Agreement entitled "EXCEPTED RIGHTS IN COLLATERAL"), or, except as specifically permitted as set forth in the definition of "Excepted Rights in Collateral," terminate, modify or accept a surrender of, or offer or agree to any termination, waiver, modification or surrender of, the Lease or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or

(b) receive or collect or permit the receipt or collection of any Rent payment under the Lease prior to the date for the payment thereof provided for by the Lease except in respect of Excepted Rights in Collateral, or assign, transfer or hypothecate (other than to the Security Trustee hereunder) any Rent payment then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) except as specifically permitted by Section 3.12 in the Trust Agreement to a successor trustee, sell, mortgage, transfer, assign or hypothecate (other than to the Security Trustee hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

Nothing contained in this Section 3.6 shall be deemed to modify, amend, waive, limit or otherwise affect Section 3.6(d) of the Participation Agreement.

Section 3.7. Power of Attorney in Respect of the Lease. The Debtor does hereby irrevocably constitute and appoint the Security Trustee, its true and lawful attorney with full power of substitution, for it and in its name, place and stead to, upon the occurrence of an Event of Default under the Lease and while the same is continuing, ask, demand, collect, receive and receipt for any and all Rent and other sums which are assigned under the granting clauses hereof (it being understood and agreed that any Rent or other sums included within the definition of Excepted Rights in Collateral are not so assigned) and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and to sue for, compound and give acquittance for, to settle, adjust or compromise any claim for any and all such Rent and other sums (other than Rent and other sums included within the definition of Excepted Rights in Collateral) as fully as the Debtor could itself do, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Security Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Security Trustee in and to such Rent and other sums and the security intended to be afforded hereby.

Section 3.8. Notice of Default. The Debtor further covenants and agrees that it will give the Security Trustee prompt written notice of any event or condition constituting an Event of Default under the Lease if a Responsible Officer of the Debtor has actual knowledge of such event or condition.

Section 3.9. Revised Schedules Prior to Adjustment of Rentals and Stipulated Loss Value and Termination Value Payments. At least ten (10) days prior to any adjustments of the Fixed Rent, Stipulated Loss Values and Termination Value pursuant to Section 6(e) of the Lease, the Debtor shall furnish to each holder of a Note and to the Security Trustee revised schedules of the Fixed Rent, Stipulated Loss Values and Termination Value, as so adjusted in such form as is provided to the Debtor by the Owner Participant. Promptly following any settlement of Stipulated Loss Value or Termination Value by the Lessee pursuant to Sections 15 or 27 of the Lease, the Debtor shall furnish to each holder of the Notes and to the Security Trustee revised schedules of the Fixed Rent in such form as is provided to the Debtor by the Lessee.

SECTION 4. POSSESSION, USE AND RELEASE OF PROPERTY.

Section 4.1. Possession of Equipment. So long as no Security Agreement Event of Default shall have occurred and be continuing, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always, that the possession, enjoyment, control and use thereof shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease or by any sublessee under a sublease permitted by Section 13 of the Lease shall not constitute a violation of this Section 4.1.

Section 4.2. Release of Equipment—Casualty Occurrence. So long as no Default or Event of Default under the Lease shall have occurred and be continuing, the Security Trustee shall execute a release in respect of the Equipment when instructed in writing by the Lessee for settlement pursuant to Section 15 of the Lease by written notice and upon receipt from the Lessee of all sums payable for the Equipment in compliance with Section 15 of the Lease. Any such written notice from the Lessee shall be accompanied by an Officer's Certificate of the Lessee setting forth the basis for such request and stating that the Lessee has complied with the applicable provisions of the Lease, together with such additional evidence of such compliance as the Security Trustee shall request. The Security Trustee agrees to execute such instruments as the Debtor shall reasonably request to evidence such release and consents to all appropriate filings to confirm such release of public record.

Section 4.3. Release of Equipment—Early Termination. So long as no Default or Event of Default under this Security Agreement shall have occurred and be continuing, the Security Trustee shall execute a release in respect of the Equipment when instructed in writing by the Lessee for settlement pursuant to Section 27 of the Lease upon receipt of: (i) written notice of termination pursuant to Section 27 of the Lease, and (ii) settlement by the Lessee for the Equipment in compliance with Section 27 of the Lease and Section 6.2 of this Security Agreement. Such release shall be executed only upon written request of the Lessee accompanied by an Officer's Certificate of the Lessee setting forth a basis for such request and stating that the Lessee has complied with the applicable provisions of the Lease, together with such additional evidence of such compliance as the Security Trustee shall request. The Security Trustee agrees to execute such instruments as the Debtor shall reasonably request to evidence such release and consents to all appropriate filings to confirm such release of public record.

Section 4.4. Release of Equipment—Consent of Noteholders. The Debtor may sell or otherwise dispose of the Equipment then subject to the security interest of this Security Agreement and the Security Trustee shall release the same from the security interest hereof, to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of all the Indebtedness Hereby Secured.

Section 4.5. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Security Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of the Equipment be under obligation to ascertain or inquire into the condition upon which any such sale is hereby authorized.

SECTION 5. APPLICATION OF ASSIGNED RENT AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURITY TRUSTEE.

Section 5.1. Application of Moneys. As more fully set forth in the granting clauses hereof, the Debtor has hereby granted to the Security Trustee a security interest in Rent (other than Supplemental Rent constituting Excepted Rights in Collateral) due and to become due under the Lease in respect of the Equipment as security for the Notes. So long as no Event of Default under this Security Agreement has occurred and is continuing:

(a) **Interim Rent.** The amounts from time to time received by the Security Trustee which constitute payment of Interim Rent under the Lease shall be applied first, to the ratable payment of the interest on the Notes which are due and payable on the due date of the Interim Rent and second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor immediately upon the receipt thereof.

(b) **Fixed Rent.** The amounts from time to time received by the Security Trustee which constitute payment of the installments of Fixed Rent under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of Fixed Rent which are received by the Security Trustee, and second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor immediately upon the receipt thereof.

(c) **Supplemental Rent.** The amounts, if any, from time to time received by the Security Trustee which constitute payments of Supplemental Rent (other than payments of Stipulated Loss Value, Termination Value and any such amounts which under the terms of the Lease are payable directly to the Security Trustee, the Note Purchasers or any other holder of the Notes) shall be paid to or upon the order of the Debtor.

(d) **Stipulated Loss Value Payments.** The amounts from time to time received by the Security Trustee which constitute payment by the Lessee of the Stipulated Loss Value of the Equipment pursuant to Section 15 of the Lease shall be applied by the Security Trustee as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to subparagraph (d)(ii) to the extent such interest is not paid by the payment of Fixed Rent due on such date;

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

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

The "Loan Value" in respect of any Unit of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price of such Unit of Equipment for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Units of Equipment then subject to the Lease (including the Purchase Price of such Unit of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 5.1(d) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 5.1(d)).

(e) **Termination Value Payments.** The amounts from time to time received by the Security Trustee which constitute payment by the Lessee of the Termination Value of any Item or Items of Equipment pursuant to Section 27 of the Lease shall be applied by the Security Trustee as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on that portion of the outstanding Notes to be prepaid pursuant to the following subparagraph to the extent such interest is not paid by the payment of Fixed Rent due on such date;

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

(iii) Third, to the payment of the Make Whole Premium due on that portion of the Notes to be prepaid pursuant to clause (ii) above in connection with the termination of the Lease under Section 27 thereof; and

(iv) Fourth, the balance, if any, of such amounts held by the Security Trustee after making the payments provided for by the preceding subparagraphs (i), (ii) and (iii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding clauses (i), (ii) and (iii).

(f) **Insurance Proceeds.** The amounts received by the Security Trustee in accordance with the terms of Section 15 of the Lease from time to time which constitute proceeds of insurance on account of or for any loss or damage in respect of the Equipment maintained pursuant to Section 16 of the Lease, shall be held by the Security Trustee as a part of the Collateral and shall be applied by the Security Trustee from time to time to any one or more of the following purposes:

(i) if the Equipment which was lost, damaged or destroyed is to be repaired or replaced, the insurance proceeds shall, so long as no Default or Event of Default under the Lease has occurred and is continuing be released to the Lessee to reimburse the Lessee for expenditures made for such repair, restoration or replacement of the Equipment upon receipt by the Security Trustee of an Officer's Certificate of the Lessee pursuant to Section 15 of the Lease; or

(ii) if the Lease is terminated with respect to any Item or Items of Equipment in accordance with the provisions of Section 15 thereof and the Lessee has paid the Stipulated Loss Value of the subject Equipment, the insurance proceeds shall be released to the Lessee pursuant to Section 15 of the Lease.

(g) **Condemnation Awards.** So long as no Default or Event of Default shall have occurred and be continuing hereunder, any amounts received by or payable to the Security Trustee from time to time which constitute the award, compensation or damages payable for the condemnation or taking of any of the Items of Equipment for any public or quasi-public use (less the actual costs, fees and expenses incurred in the collection thereof) shall be released to or upon the order of the Debtor.

Section 5.2. Multiple Notes. If more than one Note is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

Section 5.3. Default. If an Event of Default under this Security Agreement has occurred and is continuing, all amounts received by the Security Trustee pursuant to Division II of the granting clauses hereof (other than any amounts received in respect of Excepted Rights in Collateral) or the Assigned Agreements shall be applied in the manner provided for in Section 7 hereof in respect of proceeds and avails of the Collateral;

provided, however, that so long as no Security Agreement Event of Default (other than any such Event of Default resulting solely from an Event of Default under the Lease) shall have occurred and be continuing for a period of 180 days after the receipt of such amounts by the Security Trustee and the Security Trustee shall not have proceeded to exercise any remedy under the Lease, such amounts shall be distributed in accordance with the provisions of Section 5.1(b) hereof.

Any amounts held by the Security Trustee pursuant to this Section 5.3 shall be invested by the Security Trustee from time to time in Permitted Investments (as hereinafter defined) selected by the Security Trustee. Unless otherwise expressly provided in this Security Agreement, any income realized as a result of any such investment, net of the Security Trustee's reasonable fees and expenses in making such investment, shall be held and applied by the Security Trustee in the same manner as the principal amount of such investment is to be applied and any losses, net of earnings against the principal amount invested. The Security Trustee shall not be liable for any loss resulting from any investment required to be made by it under this Security Agreement other than by reason of its willful misconduct or negligence, and any such investment may be sold (without regard to its maturity) by the Security Trustee without instructions whenever the Security Trustee reasonably believes such sale is necessary to make a distribution required by this Security Agreement. Permitted Investments shall mean notes or securities maturing in one year or less issued by the U.S. Government or any agency thereof and in such event backed by the "full faith and credit" of the U.S. Government.

SECTION 6. PREPAYMENT OF NOTES; NOTICES.

Section 6.1. Prepayments. Neither any prepayment of any Notes nor any purchase by the Debtor of any Notes may be made except to the extent and in the manner expressly permitted by this Security Agreement. Every prepayment of Notes required to be made pursuant to Section 5 or Section 7 shall be made in accordance with the provisions of this Section 6.

Section 6.2. Prepayment Pursuant to Section 27 of the Lease. On or after September 27, 1996, all or a portion of the outstanding Notes shall be prepaid by the Lessor in connection with a termination of the Lease by the Lessee pursuant to Section 27 of the Lease by payment of an amount equal to that portion of the unpaid principal amount of Notes outstanding to be prepaid as calculated pursuant to and in accordance with Section 5.1(e) hereof, together with all accrued interest thereon to the date of prepayment, plus a premium equal to the Make Whole Premium on that portion of the Notes to be prepaid, plus all other amounts then due to the holders of Notes hereunder or under the Participation Agreement.

Section 6.3. Notice of Prepayment; Partial Prepayment; Deposit of Moneys. (a) In the case of any prepayment of the Notes, notice thereof in writing to the holders of the Notes to be prepaid shall be sent by the Security Trustee as agent and attorney-in-fact of the Debtor by United States certified mail, postage prepaid, to the holder of each Note to be prepaid at its address set forth in the Register, at least thirty days prior to the date fixed for prepayment provided written notice to the Security Trustee of such prepayment has been received by the Security Trustee at least 45 days prior to the date fixed for prepayment; provided that no such notice shall be required of the Debtor in connection with any prepayment of the Notes pursuant to Section 5.1(a), (b) or (d) or Section 7.3 hereof. Any notice so mailed shall be conclusively presumed to have

been given to such holder whether or not such holder actually receives such notice. Such notice shall specify the date fixed for prepayment, the provision hereof under which such prepayment is being effected and that on the date fixed for prepayment there will become due and payable upon each Note or portion thereof so to be prepaid, at the place where the principal of the Notes to be prepaid is payable, the specified amount of principal thereof, together with the accrued interest to such date, with such premium, including the Make Whole Premium, if any, as is payable thereon and after such date interest thereon shall cease to accrue.

(b) In the event of any partial prepayment of the Notes, the aggregate principal amount of the Notes to be prepaid shall be prorated by the Security Trustee among the holders thereof in proportion to the unpaid principal amount of such Notes held by them, and the Security Trustee shall designate the portions of the Notes of each such holder to be prepaid.

(c) On or prior to the date fixed for any prepayment of Notes, the moneys required for such prepayment shall be deposited with the Security Trustee by the Debtor. Interest on any Note designated for prepayment or on any portion of the principal amount of any Note designated for prepayment shall cease upon the date fixed for prepayment unless default shall be made in the payment of the amount payable upon the prepayment thereof.

Section 6.4. Amortization Schedules. On the date of the partial prepayment of any Note, the Debtor shall deliver to the Security Trustee two copies of an amortization schedule with respect to such Note in such form as is provided to the Debtor by the Owner Participant setting forth the amount of the installment payments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such installment payment. The Security Trustee shall deliver, or send by first-class mail, postage prepaid, one such copy of the applicable schedule to the holder of such Note.

SECTION 7. DEFAULTS AND REMEDIES.

Section 7.1. Events of Default. Any of the following occurrences or acts shall constitute a "Security Agreement Event of Default" or an "Event of Default" under this Security Agreement:

(a) Default in payment of an installment of the principal of, premium, if any, or interest on, any Note when and as the same shall become due and payable and any such default shall continue unremedied for five Business days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease, other than an Event of Default in respect of, but solely in respect of Excepted Rights in Collateral;

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement, and such Default shall continue unremedied for 30 days after delivery of written notice thereof from the Security Trustee to the Debtor;

(d) Default on the part of the Debtor or the Owner Participant in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor or the Owner Participant under any of the other Operative Agreements, and such default shall continue unremedied for 30 days after delivery of written notice thereof from the Security Trustee to the Debtor and the Owner Participant;

(e) Any representation or warranty on the part of the Debtor or the Owner Participant made herein or in any of the other Operative Agreements or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or any of the other Operative Agreements or the transactions contemplated herein or therein, shall prove to have been false or misleading in any material respect when made and such representation or warranty shall not have been corrected within 30 days after the earlier of (y) written notice thereof from the Security Trustee to the Debtor or the Owner Participant and (z) the date on which a Responsible Officer of the Debtor or the Owner Participant shall have actual knowledge of such inaccuracy or incorrectness;

(f) Any Lessor's Lien (other than Permitted Encumbrances) shall be asserted against or levied or imposed upon the Collateral which is prior to or on a parity with the security interest granted hereunder, and such Lessor's Lien shall not be discharged or removed within 5 Business Days after written notice from the Security Trustee or the holder of any Note to the Debtor, the Owner Participant and the Lessee demanding such discharge or removal thereof;

(g) This Security Agreement shall cease to be in full force and effect for any reason whatsoever, including, without limitation, a determination by any governmental body or court that such agreement is invalid, void or unenforceable or the Debtor shall contest or deny in writing the validity or enforceability of any of its obligations under this Security Agreement or, except with respect to Permitted Encumbrances, the lien of this Security Agreement shall cease to constitute a first priority perfected lien of the Security Trustee for the benefit of the holders of the Notes on the Collateral;

(h) Debtor becomes insolvent or fails generally to pay its debts as such debts become due, or causes or suffers an order for relief to be entered against it under applicable Federal or state bankruptcy law, or makes an appointment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Debtor or for the major part of its property;

(i) A custodian, trustee or receiver is appointed for Debtor or for the major part of its property and is not discharged within 60 days after such appointment; or

(j) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief of any bankruptcy law or similar law for the relief of debtors, are instituted by or against Debtor and, if instituted against Debtor, are consented to or are not dismissed within 60 days after such institution.

Section 7.2. Security Trustee's Rights. The Debtor agrees that when any Event of Default under this Security Agreement has occurred and is continuing, the Security Trustee shall, without limitation of all other rights and remedies available at law or in equity, have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of New York (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may declare the Lease to be in default and may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and may exercise all such rights and remedies either in the name of the Security Trustee or in the name of the Debtor for the use and benefit of the Security Trustee;

(b) The Security Trustee may, and upon the written request of the holders of at least 51% in principal amount of the Notes then outstanding shall, by notice in writing to the Debtor, declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(c) Subject always to the then existing rights, if any, of the Lessee under the Lease, provided the same is not then in default, the Security Trustee personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Lessee or the Debtor with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold and may otherwise exercise any and all of the rights and powers of the Debtor in respect thereof;

(d) Subject always to the then existing rights, if any, of the Lessee under the Lease, provided the same is not then in default, the Security Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and the Owner Participant once at least 15 Business Days prior to the date of such sale, and any other notice which may be required by law if said notice is insufficient, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Security Trustee may determine, and at any place (whether or not it be the location of the Collateral or any part thereof)

designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Security Trustee or the holder or holders of any Notes, or of any interest therein, may bid and become the purchaser at any such sale provided, that the neither the Debtor nor the Owner Participant may bid and become the purchaser of the Collateral at such sale; and

(e) Subject always to the then existing rights, if any, of the Lessee under the Lease, provided the same is not then in default, the Security Trustee may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or, subject to the provisions of Section 9 hereof, for the recovery of judgment for the Indebtedness Hereby Secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

So long as no Security Agreement Event of Default has occurred and is continuing (other than an Event of Default resulting from an Event of Default under the Lease), it is understood and agreed that the Security Trustee shall not be entitled to proceed to foreclose the lien of this Security Agreement unless it shall, to the extent that it is then entitled to do so hereunder and under the Lease, and is not then stayed or prevented from doing so by operation of law or otherwise, have proceeded (to the extent it has not already done so) to exercise one or more of the following remedies: (i) the remedies referred to in Sections 19(a), (b) or (c) of the Lease, (ii) proceeding by appropriate court action to enforce the terms of the Lease requiring payment by the Lessee of amounts owed under the Lease or to recover damages for the nonpayment thereof, (iii) the execution of amendments to the Lease which alter or modify the payments due by the Lessee thereunder, or (iv) any other significant remedy under the Lease similar to those remedies set forth in clauses (i) through (iii) above (as it shall determine in its good faith discretion) and for the avoidance of doubt, it is expressly understood and agreed that, subject to the next sentence, the above described inability of the Security Trustee to exercise any right or remedy under the Lease shall in no event and under no circumstance prevent the Security Trustee from exercising all of its rights, powers and remedies under this Security Agreement. The Security Trustee agrees that to the extent it is stayed or otherwise prevented from exercising the remedies described above against the Lessee, it will not foreclose the lien of this Security Agreement during the period beginning with the first day it is so prevented from proceeding against the Lessee and ending at the first to occur of (x) 60 days thereafter, or (y) the date it is no longer prevented from proceeding against the Lessee.

Section 7.3. Certain Rights of the Debtor and Owner Participant. The Security Trustee shall give the holders of the Notes, the Debtor and the Owner Participant prompt written notice of any Security Agreement Event of Default of which the Security Trustee has knowledge and shall give the holders of the Notes, the Debtor and the Owner Participant not less than ten days prior written notice (the "Enforcement Notice") of the date (the "Enforcement Date") on which the Security Trustee will exercise any remedy or remedies pursuant to Section 7.2 hereof. If a Security Agreement Event of

Default shall have occurred and be continuing the Debtor or the Owner Participant shall have the following rights hereunder:

(a) **Right to Cure.** In the event that as a result of the occurrence of an Event of Default in respect to the payment of Basic Rent under the Lease, the Security Trustee shall have insufficient funds to pay any installment of principal and interest on any Note on the day it becomes due and payable then, so long as no Security Agreement Event of Default shall have occurred and be continuing (other than any such Default resulting from such failure), the Debtor or the Owner Participant may, but shall not be obligated to, pay to the Security Trustee prior to the Enforcement Date, an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, and, unless the Lessee has failed for any reason to pay when due the immediately preceding four payments of Basic Rent on the Basic Rent Payment Dates, or the Debtor or the Owner Participant has cured eight previous Events of Default in respect of the payment of Basic Rent under the Lease, such payment by such Debtor or Owner Participant shall be deemed to cure any Event of Default which would otherwise have arisen on account of the non-payment by the Lessee of such installment of Basic Rent under the Lease.

In the event of the occurrence of an Event of Default resulting from the failure of the Lessee to perform or observe any covenant, condition or agreement to be performed or observed under the Lease, then, so long as no Security Agreement Event of Default shall have occurred and be continuing (other than any such Default resulting from such failure), the Debtor or the Owner Participant may, but shall not be obligated to, perform or observe any such covenant, condition or agreement on behalf of the Lessee prior to the Enforcement Date and the Security Trustee agrees to accept such performance or observance by the Debtor or the Owner Participant as constituting performance or observance of the relevant covenant, condition or agreement by the Lessee.

Except as hereinafter in this Section 7.3(a) provided, neither the Debtor nor the Owner Participant exercising the right to remedy any such Event of Default shall obtain any lien, charge or encumbrance of any kind on the Equipment or any Rent payable under the Lease for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor or the Owner Participant against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Security Trustee in and to the Collateral. Upon such payment by the Debtor or the Owner Participant of the amount of principal and interest then due and payable on the Notes, the Debtor or the Owner Participant shall be subrogated to the rights of the Security Trustee and the holders of the Notes in respect of the Basic Rent which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default or Security Agreement Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Security Trustee of such Basic Rent, the Debtor or the Owner Participant shall be entitled to receive such Basic Rent and such interest upon receipt thereof by the Security Trustee; provided that (i) in the

Default shall have occurred and be continuing the Debtor or the Owner Participant shall have the following rights hereunder:

(a) **Right to Cure.** In the event that as a result of the occurrence of an Event of Default in respect to the payment of Basic Rent under the Lease, the Security Trustee shall have insufficient funds to pay any installment of principal and interest on any Note on the day it becomes due and payable then, so long as no Security Agreement Event of Default shall have occurred and be continuing (other than any such Default resulting from such failure), the Debtor or the Owner Participant may, but shall not be obligated to, pay to the Security Trustee prior to the Enforcement Date, an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, and, unless the Lessee has failed for any reason to pay when due the immediately preceding four payments of Basic Rent on the Basic Rent Payment Dates, or the Debtor or the Owner Participant has cured eight previous Events of Default in respect of the payment of Basic Rent under the Lease, such payment by such Debtor or Owner Participant shall be deemed to cure any Event of Default which would otherwise have arisen on account of the non-payment by the Lessee of such installment of Basic Rent under the Lease.

In the event of the occurrence of an Event of Default resulting from the failure of the Lessee to perform or observe any covenant, condition or agreement to be performed or observed under the Lease, then, so long as no Security Agreement Event of Default shall have occurred and be continuing (other than any such Default resulting from such failure), the Debtor or the Owner Participant may, but shall not be obligated to, perform or observe any such covenant, condition or agreement on behalf of the Lessee prior to the Enforcement Date and the Security Trustee agrees to accept such performance or observance by the Debtor or the Owner Participant as constituting performance or observance of the relevant covenant, condition or agreement by the Lessee.

Except as hereinafter in this Section 7.3(a) provided, neither the Debtor nor the Owner Participant exercising the right to remedy any such Event of Default shall obtain any lien, charge or encumbrance of any kind on the Equipment or any Rent payable under the Lease for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor or the Owner Participant against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Security Trustee in and to the Collateral. Upon such payment by the Debtor or the Owner Participant of the amount of principal and interest then due and payable on the Notes, the Debtor or the Owner Participant shall be subrogated to the rights of the Security Trustee and the holders of the Notes in respect of the Basic Rent which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default or Security Agreement Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Security Trustee of such Basic Rent, the Debtor or the Owner Participant shall be entitled to receive such Basic Rent and such interest upon receipt thereof by the Security Trustee; provided that (i) in the

event the principal and interest on the Notes shall have become due and payable pursuant to Section 7.2(b) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinate to the rights of the Security Trustee and the holders of the Notes in respect of such payment of Basic Rent and such interest on such overdue Basic Rent prior to receipt by the Debtor or the Owner Participant of any amount pursuant to such subrogation, and (ii) the Debtor or the Owner Participant shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

(b) **Option to Prepay Notes.** Whether or not the Debtor shall then have the right to cure an Event of Default under the Lease pursuant to Section 7.3(a) above, if either: (i) the unpaid principal amount of the Notes has been declared to be immediately due and payable pursuant to Section 7.2(b), (ii) prior to August 2, 1996 an Event of Default under the Lease shall have occurred and be continuing for a period of 180 days and no other Security Agreement Event of Default shall have occurred and be continuing and the Security Trustee shall have proceeded to exercise any remedy under the Lease; (iii) after August 2, 1996 an Event of Default under the Lease shall have occurred and be continuing for a period of 180 days and no other Security Agreement Event of Default shall have occurred and be continuing, (iv) the Security Trustee shall have given an Enforcement Notice to the Debtor and the Owner Participant of its intent to institute foreclosure proceedings under this Security Agreement, or (v) the Security Trustee shall have given an Enforcement Notice to the Debtor and the Owner Participant of its intent to sell the Equipment pursuant to Section 19(c) of the Lease, the Debtor or the Owner Participant may, in any such case, at its option prepay all of the Notes then outstanding, by payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment and an amount equal to the Make Whole Premium. The holders of the Notes agree that they will, upon receipt from the Owner Participant or the Debtor, as the case may be, of an amount equal to the aggregate unpaid principal amount of all Notes, together with accrued interest thereon to the date of payment, the applicable Make Whole Premium and all other Indebtedness Hereby Secured, forthwith sell, assign, transfer and convey to the Owner Participant (without recourse or warranty of any kind), all of the right, title and interest of the holders in and to this Security Agreement, the Lease and the Notes. If the Owner Participant shall so request, each holder will comply with all the provisions of Section 2.4 hereof to enable new Notes to be issued to the Owner Participant in such denominations as the Owner Participant shall request. All charges and expenses required pursuant to Section 2.5 hereof in connection with the issuance of any such new Note or Notes shall be borne by the Owner Participant.

Section 7.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon and all other sums required to be paid by the Debtor pursuant to this Security Agreement, shall at once become and be immediately due and payable; also, in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note or Notes and any claims for

interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes so turned in, including principal and interest thereof, out of the net proceeds of such sale.

Section 7.5. Waiver by Debtor. To the extent now or at any time hereafter enforceable under applicable law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained or any decree, judgment or order of any court of competent jurisdiction, nor after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Security Trustee, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

Section 7.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any of the Lessee under the Lease).

Section 7.7. Application of Sale Proceeds. The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper fees, expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Security Trustee, or the holder or holders of the Notes, to the extent such costs, expenses, liability and advances have not been paid by the Lessee pursuant to Section 2.6 of the Participation Agreement, and to the payment of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first, to the unpaid interest thereof and second, to unpaid principal thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid;

(c) Third, to the payment of any other amounts then due and payable to the holders of the Notes or the Security Trustee under any of the Operative Agreements; and

(d) Fourth, to the payment of the surplus, if any, to the Debtor for the account of the Owner Participant, or upon notice from the Debtor to the Security Trustee, directly to the Owner Participant in accordance with such notice.

Section 7.8. Discontinuance of Remedies. Holders of at least 51% in principal amount of the Notes then outstanding, may upon written notice to the Security Trustee, direct the Security Trustee to discontinue any enforcement proceedings commenced by the Security Trustee. Without limiting the foregoing, the holders of at least 51% in principal amount of the Notes then outstanding, may upon written notice to the Security Trustee (which shall in turn notify the Debtor and the Lessee), rescind an acceleration of the maturity of the Notes, and direct that the payment schedule on the Notes shall be that which existed immediately prior to such acceleration, if (i) all Events of Default, other than the non-payment of any portion of the Notes which has become due and payable solely by reason of the acceleration of the Notes, have been cured or waived, and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. In case the Security Trustee shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, then and in every such case the Debtor, the Security Trustee and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

Section 7.9. Cumulative Remedies. No delay or omission of the Security Trustee or the holder of any Note to exercise any right or power arising from any default, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Security Trustee or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided therein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, Collateral or guaranty for the payment of the Indebtedness Hereby Secured operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Security Trustee or holder of any of the Notes be required to first look to, enforce or exhaust such other additional security, Collateral or guaranties.

Section 7.10. Recourse Liability of Owner Participant. If (a) the Trust Estate (as defined in the Trust Agreement) becomes a debtor subject to the reorganization provisions of the Bankruptcy Reform Act of 1978 or any successor provision, (b) pursuant to such reorganization provisions the Owner Participant is required, by reason of the Owner Participant being held to have recourse liability to the Debtor or the trustee of the debtor directly or indirectly, to make payment on account of any amount payable as principal or interest on the Notes, and (c) any holder of the Notes actually receives any Excess Amount which reflects any payment by the Owner Participant on account of (b) above, then such holder of the Notes shall promptly refund to the Owner Participant such

Excess Amount. For purposes of this Section 7.10, "Excess Amount" means the amount by which such payment exceeds the amount which would have been received by such holder of the Notes if the Owner Participant had not become subject to the recourse liability referred to in (b) above. Nothing contained in this Section 7.10 shall prevent any holder of the Notes from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Participant under this Security Agreement or any other Operative Agreement to the extent herein or therein provided, for which the Owner Participant has agreed by the terms of the Operative Agreements to accept personal responsibility.

SECTION 8. THE SECURITY TRUSTEE.

The Security Trustee in its individual capacity accepts the trusts hereunder and in its capacity as Security Trustee agree to perform the same, but only upon the terms and conditions hereof, including the following, to all of which the Debtor and the respective holders of the Notes at any time outstanding by their acceptance thereof agree:

Section 8.1. Duties of Security Trustee. The Security Trustee undertakes (a) except while an Event of Default under this Security Agreement shall have occurred and be continuing, to perform such duties and only such duties as are specifically set forth in this Security Agreement, and (b) while an Event of Default under this Security Agreement shall have occurred and be continuing, to exercise such of the rights and powers as are vested in it by this Security Agreement and to use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Security Trustee upon receipt of instruments furnished to the Security Trustee pursuant to the provisions of this Security Agreement, shall examine the same to determine whether or not such instruments conform to the requirements of this Security Agreement.

Section 8.2. Security Trustee's Liability. No provision of this Security Agreement shall be construed to relieve the Security Trustee from liability for its own negligent action, negligent failure to act, or its own wilful misconduct, except that:

(a) unless an Event of Default under this Security Agreement shall have occurred and be continuing, the Security Trustee shall not be liable except for the performance of such duties as are specifically set forth in this Security Agreement and no implied covenants or obligations shall be read into this Security Agreement against the Security Trustee but the duties and obligations of the Security Trustee shall be determined solely by the express provisions of this Security Agreement;

(b) in the absence of bad faith on the part of the Security Trustee, the Security Trustee may rely upon the authenticity of, and the truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon, any resolution, Officer's Certificate, Opinion of Counsel, request, notice, consent, waiver, order, signature guaranty, notarial seal, stamp, acknowledgment, verification, appraisal, report, stock certificate or other paper or document believed by the Security Trustee to be genuine and to have been signed, affixed or presented by the proper party or parties;

(c) in the absence of bad faith on the part of the Security Trustee, whenever the Security Trustee, or any of its agents, representatives, experts or counsel, shall consider it necessary or desirable that any matter be proved or established, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate; provided, however, that the Security Trustee, or such agent, representative, expert or counsel, may require but shall not be under any duty or obligation to require such further and additional evidence and make such further investigation as it or they may consider reasonable;

(d) the Security Trustee may consult with counsel and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(e) the Security Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction or request of the holders of the Notes;

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

(g) whether or not an Event of Default under this Security Agreement shall have occurred, the Security Trustee shall not be under any obligation to take any action under this Security Agreement which may tend to involve it in any expense or liability, the payment of which within a reasonable time is not, in its reasonable opinion, assured to it by the security afforded to it by the terms of this Security Agreement, unless and until it is requested in writing so to do by one or more holders of the Notes outstanding hereunder and furnished, from time to time as it may require, with reasonable security and indemnity; and

(h) whether or not an Event of Default under this Security Agreement shall have occurred, whenever it is provided in this Security Agreement that the Security Trustee consents to any act or omission by any person or that the Security Trustee exercise its discretion in any manner, the Security Trustee may (but need not) seek the written acquiescence of the holders of at least 66-2/3% in principal amount of the Notes then outstanding and, unless written evidence of such acquiescence has been received by the Security Trustee, it shall be fully justified in refusing so to consent or so to exercise its discretion; provided, however, holders of 66-2/3% in principal amount of the Notes from time to time outstanding shall have the right, upon furnishing to the Security Trustee such indemnification as the Security Trustee shall reasonably request, by an instrument in writing delivered to the Security Trustee, to determine which of the remedies herein set forth shall be adopted and to direct the time, method and place of conducting all proceedings to be taken under the provisions of this Security Agreement for the enforcement thereof or of the Notes, but the Security Trustee shall have the right to decline to follow any such direction if the Security Trustee shall

be advised by counsel that the action or proceedings so directed may not lawfully be taken or would be unjustly prejudicial to the holders of the Notes not parties to such direction.

Section 8.3. No Responsibility of Security Trustee for Recitals. The recitals and statements contained herein and in the Notes (except for the Security Trustee's certificate of authentication endorsed on the Notes) shall be taken as the recitals and statements of the Debtor, and the Security Trustee assumes no responsibility for the correctness of the same, nor shall the Security Trustee have any responsibility for or any liability with respect to any disclosure, warranty, representation or concealment or failure to disclose in connection with the offering, solicitation, sale or distribution of the Notes by the Debtor or by any other person.

The Security Trustee makes no representation as to the validity or sufficiency of this Security Agreement, or of the Notes secured hereby, the security hereby or thereby afforded, the title of the Debtor to the Collateral or the description thereof, or the filing or recording or registering of this Security Agreement or any other document.

The Security Trustee shall not be concerned with or accountable to anyone for the use or application of any deposited moneys which shall be released or withdrawn in accordance with the provisions of this Security Agreement or of any property or securities or the proceeds thereof which shall be released from the security interest hereof in accordance with the provisions of this Security Agreement. The Security Trustee shall release no funds pursuant to the Operative Agreements unless said funds have been received by the Security Trustee pursuant to said Operative Agreements.

Section 8.4. Certain Limitations on Security Trustee's Rights to Compensation and Indemnification. The Security Trustee agrees that it shall have no right against the Debtor, the Owner Participant, the Note Purchasers or any other holder of the Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liabilities which it may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Lessee under Section 2.6 of the Participation Agreement for such payment and indemnification and that it shall have no lien on or security interest in the Collateral as security for such compensation, expenses, disbursements and indemnification except to the extent provided for in Sections 7.7(a) and 8.2(h) hereof.

Section 8.5. Status of Moneys Received. All moneys received by the Security Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Security Trustee under such general conditions as may be prescribed by law in the Security Trustee's general banking department, and the Security Trustee shall be under no liability for interest on any moneys received by it hereunder.

Section 8.6. Security Trustee May Hold Notes. The Security Trustee and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation, or the Security Trustee may act as depositary or otherwise in respect to other securities of the Debtor or any affiliated corporation, all with the same rights which it would have if not the Security Trustee.

Section 8.7. Resignation of Security Trustee. The Security Trustee may resign and be discharged from the trusts created hereby by delivering notice thereof, by first-class mail, postage prepaid, to the Debtor and all holders of the Notes at the time outstanding, specifying a date (not earlier than 60 days after the date of such notice) when such resignation shall take effect.

Such resignation shall take effect on the day specified in such notice, unless previously a successor Security Trustee shall have been appointed as provided in Section 8.9 in which event such resignation shall take effect immediately upon the appointment of such successor Security Trustee.

Section 8.8. Removal of Security Trustee. The Security Trustee may be removed at any time, for or without cause, by an instrument or instruments in writing executed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding and delivered to the Security Trustee with a copy to the Debtor, specifying the removal and the date when it shall take effect.

Section 8.9. Appointment of Successor Security Trustee. In case at any time the Security Trustee shall resign or be removed or become incapable of acting, a successor Security Trustee may be appointed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding, by an instrument or instruments in writing executed by such holders and filed with such successor Security Trustee.

Until a successor Security Trustee shall be so appointed by the holders of the Notes, the Debtor (upon receipt of written instructions by the Owner Participant to do so) shall appoint a successor Security Trustee to fill such vacancy, by an instrument in writing executed by the Debtor under the Trust Agreement and delivered to the successor Security Trustee. If all or substantially all of the Collateral shall be in the possession of one or more receivers, trustees, liquidators or assignees for the benefit of creditors, then such receivers, trustees, custodians, liquidators or assignees may, by an instrument in writing delivered to the successor Security Trustee, appoint a successor Security Trustee. Promptly after any such appointment, the Debtor, or any such receivers, trustees, custodians, liquidators or assignees, as the case may be, shall give notice thereof by first-class mail, postage prepaid, to each holder of Notes at the time outstanding.

Any successor Security Trustee so appointed by the Debtor, or such receivers, trustees, custodians, liquidators or assignees shall immediately and without further act be superseded by a successor Security Trustee appointed by the holders of a majority in aggregate principal amount of the Notes then outstanding.

If a successor Security Trustee shall not be appointed pursuant to this Section within 60 days after a vacancy shall have occurred in the office of the Security Trustee, the holder of any Note or such retiring Security Trustee (unless the retiring Security Trustee is being removed) may apply to any court of competent jurisdiction to appoint a successor Security Trustee, and such court may thereupon, after such notice, if any, as it may consider proper, appoint a successor Security Trustee.

Section 8.10. Succession of Successor Security Trustee. Any successor Security Trustee appointed hereunder shall execute, acknowledge and deliver to the Debtor and the predecessor Security Trustee, an instrument accepting such appointment, and thereupon such successor Security Trustee, without any further act, deed, conveyance

or transfer, shall become vested with a security interest in the Collateral, and with all the rights, powers, trusts, duties any, obligations of the predecessor Security Trustee in the trust hereunder, with like effect as if originally named as Security Trustee herein.

Upon the request of any successor Security Trustee, however, the Debtor and the predecessor Security Trustee shall execute and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Security Trustee a security interest in the Collateral and all such rights, powers, trusts, duties and obligations of the predecessor Security Trustee hereunder, and the predecessor Security Trustee shall also assign and deliver to the successor Security Trustee any property subject to the security interest of this Security Agreement which may then be in its possession.

Any Security Trustee which has resigned or been removed shall nevertheless continue to retain the benefit of the priority with respect to the proceeds of the Collateral afforded to it by Section 7.7(a) hereof.

Section 8.11. Eligibility of Security Trustee. The Security Trustee shall be a state or national bank or trust company in good standing organized under the laws of the United States of America or any State thereof, having capital, surplus and undivided profits aggregating at least $150,000,000, if there be such a bank or trust company willing and able to accept such trust upon reasonable and customary terms.

In case the Security Trustee shall cease to be eligible in accordance with the provisions of this Section, the Security Trustee shall resign immediately in the manner and with the effect specified in Section 8.7 hereof.

Section 8.12. Successor Security Trustee by Merger. Any corporation into which the Security Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Security Trustee shall be a party, or any state or national bank or trust company in any manner succeeding to the corporate trust business of the Security Trustee as a whole or substantially as a whole, if eligible as provided in Section 8.11, shall be the successor of the Security Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything to the contrary contained herein notwithstanding.

Section 8.13. Co-Trustees. At any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Debtor and the Security Trustee jointly shall have the power and shall execute and deliver all instruments, to appoint one or more persons approved by the Security Trustee, to act as co-trustee, or co-trustees, of all or any part of the Collateral, and to vest in such person or persons, in such capacity, such title to the Collateral or any part thereof, and such rights, powers, duties, trusts or obligations as the Debtor and the Security Trustee may consider necessary or desirable. If the Debtor shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default under this Security Agreement shall have occurred and be continuing, the Security Trustee alone shall have power to make such appointment.

SECTION 9. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement to the contrary notwithstanding, neither the Security Trustee, the holder of any Note nor the successors or assigns of any of said persons, shall have any claim, remedy or right to proceed against the Debtor in its individual capacity or the Owner Participant or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor or the Owner Participant, whether by virtue or any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, for the payment of any deficiency or any other sum owing on account of indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever in this Security Agreement or the Notes, from any source other than the Collateral, including the Rent (other than Excepted Rights in Collateral). The Security Trustee by the execution of this Security Agreement and the holders of the Notes by acceptance thereof, waive and release any personal liability of the Debtor and the Owner Participant in their individual capacities and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor or the Owner Participant for and on account of such indebtedness or such liability, and the Security Trustee and the holders of the Notes agree to look solely to the Collateral, including the Rent (other than Excepted Rights in Collateral) for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the holders of the Notes or the Security Trustee to accelerate the maturity of the Notes upon an Event of Default under this Security Agreement; to bring suit and obtain a judgment against the Debtor on the Notes for purposes of realizing upon the Collateral or to exercise all rights and remedies provided under this Security Agreement or otherwise realize upon the Collateral; provided further that nothing contained in this Section 9 shall be construed to limit the liability of The Connecticut National Bank, in its individual capacity for any breach of any representations or warranties set forth in Section 3.1 of the Participation Agreement or to limit the liability of the Owner Participant for any breach of any representations or warranties set forth in Sections 3.4, 3.5(b), 3.6(a)(i) or 3.6(b)(ii) of the Participation Agreement or limit the liability of The Connecticut National Bank or the Owner Participant for gross negligence or wilful misconduct or for a breach of the agreements contained in Section 8 of the Participation Agreement, it being understood and agreed that the liability of The Connecticut National Bank and the Owner Participant in any such event shall be limited to the extent of actual damages resulting from such breach suffered by the party making a claim with respect thereto.

SECTION 10. SUPPLEMENTAL SECURITY AGREEMENTS; WAIVERS.

Section 10.1. Supplemental Agreements Without Noteholders' Consent. The Debtor and the Security Trustee from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

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

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be

subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

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

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

Section 10.2. Waivers and Consents by Noteholders; Supplemental Agreements with Noteholders' Consent. Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (b) the Debtor and the Security Trustee may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of the interest and premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Security Trustee, without the consent of the holders of all of the Notes at the time outstanding.

Section 10.3. Notice of Supplemental Security Agreements. Promptly after the execution by the Debtor and the Security Trustee of any supplemental agreement pursuant to the provisions of Section 10.1 or 10.2 hereof, the Security Trustee shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first-class, postage prepaid, to each holder of the Notes at its address set forth in the Register. Any failure of the Security Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 10.4. Opinion of Counsel Conclusive as to Supplemental Security Agreements. The Security Trustee is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Security Trustee may receive an Opinion of Counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 10 complies with the requirements of this Section 10.

SECTION 11. INDEMNIFICATION OF SECURITY TRUSTEE AND NOTEHOLDERS.

The Debtor hereby agrees, whether or not any of the transactions contemplated hereby or in the Participation Agreement and the Lease shall be consummated, to assume liability for, and does hereby indemnify, protect, save and keep harmless the Noteholders and the Security Trustee in its individual and trust capacities, and their respective successors, assigns, agents and servants, from and against any and all liabilities (including strict tort liability), obligations, losses, damages, penalties, taxes (excluding any taxes, fees or other charges on, based on, or measured by, any fees or compensation received by the Security Trustee for services rendered in connection with the transactions contemplated hereby; any taxes, fees or other charges imposed on or for the account of any Noteholder on, based on, or measured by, its gross or net receipts or its gross or net income; any doing business or similar taxes; any transfer taxes; any withholding taxes related to the payment of principal or interest on the Notes to any Noteholder; or any taxes described in clause (i) through (vi) of Section 6(a) of the Participation Agreement), claims, actions, suits, costs, expenses or disbursements (including reasonable legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Trust Estate, the Noteholders or the Security Trustee (whether or not also indemnified against by any other person under any other document) in any way relating to or arising out of this Security Agreement, the Trust Agreement, the Notes, the Lease or the Participation Agreement or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, financing, servicing, maintenance, repair, replacement, insuring, improvement, transfer of title, purchase, erection, installation, testing, acceptance or rejection, ownership, delivery, nondelivery, lease, sublease, transportation, storage, possession, use, operation, condition, sale, return or other disposition of the Equipment (including, without limitation, latent and other defects, whether or not discoverable by the Debtor or the Lessee, and any claims for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of the Debtor or the Security Trustee hereunder except only in the case of willful misconduct or gross negligence of the Security Trustee in the performance of its duties hereunder or the breach of any of its representations and warranties set forth herein or in Section 3 of the Participation Agreement; provided that the Security Trustee shall not make any claim under this Section 11 for any claim or expense indemnified against by the Lessee under the Participation Agreement without first making demand on the Lessee for payment of such claim or expense.

SECTION 12. MISCELLANEOUS.

Section 12.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement

contained by or on behalf of the Debtor or by or on behalf of the Security Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

Section 12.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid, provided that nothing contained in this Section 12.2 shall be construed to amend or modify the immunities of the Debtor or the Owner Participant in their respective personal or individual capacities provided for in Section 9 hereof, or to amend or modify any limitations or restrictions of the Security Trustee or the holder of any Note or their respective successors or assigns under said Section 9.

Section 12.3. Communications. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, without limitation, by overnight express mail and courier service, (b) five (5) days after the date on which it shall have been mailed by United States mail, certified or registered, postage prepaid, return receipt requested, or, (c) in the case of notice by such a telecommunications devise, upon confirmation or receipt by such device with confirmation delivered by overnight express mail, in each case addressed to each party hereto at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

If to the Debtor:	The Connecticut National Bank, not individually but solely as Owner Trustee under Indiana Michigan Power Trust No. 91-3 777 Main Street Hartford, Connecticut 06115 Attention: Corporate Trust Administration
with a copy to:	Chase Manhattan Service Corporation c/o Chase Manhattan Bank, N.A. Global Leasing 1 Chase Manhattan Plaza New York, New York 10081 Attention: Mr. Anthony De Marco
If to the Security Trustee:	Wilmington Trust Company, as Security Trustee Rodney Square North Wilmington, Delaware 19890 Attention: Corporate Trust Administration

If to the Note Purchasers:	To their respective addresses listed on Schedule 2 to the Participation Agreement
If to the Lessee:	Indiana Michigan Power Company c/o American Electric Power Service Corporation 1 Riverside Plaza Columbus, Ohio 43215 Attention: Vice President - Finance

or to the Lessee at such other address as the Lessee may designate by notice duly given in accordance with this Section to the Debtor and the Security Trustee.

Section 12.4. Discharge of Lien. Upon presentation of satisfactory evidence that all Indebtedness Hereby Secured has been fully paid or discharged and all other amounts then due all holders of the Notes and the Security Trustee under this Security Agreement or under the Participation Agreement or the Lease, the Security Trustee shall execute and deliver to, and as directed in writing by, the Owner Trustee an appropriate instrument releasing the Equipment and all other items constituting Collateral from the lien of this Security Agreement, and this Security Agreement shall terminate.

Section 12.5. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

Section 12.6. Governing Law. The provisions of this Security Agreement setting forth the rights, duties, obligations and responsibilities of the Security Trustee hereunder shall be governed by and construed in accordance with the laws of the State of Delaware, so long as Wilmington Trust Company shall serve as Security Trustee hereunder. In all other respects, and if Wilmington Trust Company shall cease to serve as Security Trustee hereunder, this Security Agreement shall be governed by and construed in accordance with the laws of the State of New York, except as otherwise required by mandatory provisions of law.

Section 12.7. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and Wilmington Trust Company, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its authorized officers, all as of the day and year first above written.

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Owner Trustee under Indiana Michigan
Power Trust No. 91-3

By _____
Its Trust Officer

DEBTOR

WILMINGTON TRUST COMPANY

By _____
Its Authorized Officer

SECURITY TRUSTEE

STATE OF Connecticut)
) ss Hartford
COUNTY OF Hartford)

W. R. MUNROE this 2nd day of August, 1991, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a ~~Trust Officer~~ of The Connecticut National Bank, 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.

Barbara D. Hager
Notary Public

(SEAL)

BARBARA G. HAGER
NOTARY PUBLIC
MY COMMISSION EXPIRES MAR. 31, 1996

My commission expires _____

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 1991, before me personally appeared, _____, to me personally known, who being by me duly sworn, says that he is a _____ of Wilmington Trust Company, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution and foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

(SEAL)

My commission expires: _____

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner Trustee under
Indiana Michigan Power Trust No. 91-3

9.73% SECURED NOTE, DUE 1991-2007

INDIANA MICHIGAN POWER TRUST NO. 91-3

No. R- , 19_

$

FOR VALUE RECEIVED, the undersigned, The Connecticut National Bank, not individually but solely as Owner Trustee (the "Owner Trustee") under that certain Trust Agreement dated as of July 1, 1991 (the "Trust Agreement") for the benefit of Chase Manhattan Service Corporation, a New York corporation (the "Owner Participant"), promises to pay to

or registered assigns,
the principal sum of

DOLLARS ($)
together with interest from the date hereof until maturity at the rate of 9.73% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) in installments as follows:

(a) one installment of interest only for the period from and including the date of this Note to but not including September 27, 1991, payable on September 27, 1991; followed by

(b) sixty-two (62) installments of principal and/or interest, each in the amount set forth in Schedule I attached hereto, each such installment payable on December 27, 1991 and on the twenty-seventh day of each March, June, September and December thereafter to and including March 27, 2007; followed by

(c) a final installment on June 27, 2007 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date.

The Owner Trustee further promises to pay interest at the Late Rate on each overdue installment of principal and (to the extent legally enforceable) upon each overdue installment of interest in each case from and after the maturity of each such installment until paid.

All payments of principal of and interest on this Note shall be made at the principal office of the Security Trustee, in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Owner Trustee's 9.73% Secured Notes, (herein called the "Notes") in an aggregate principal amount not exceeding $4,993,551.66 which are (i) issued under and pursuant to the Participation Agreement dated as of July 1, 1991 (the "Participation Agreement") among the Debtor, the Owner Participant, Indiana Michigan Power Company, Wilmington Trust Company (the "Security Trustee") and the institutional investors named in Schedule 2 thereto and (ii) equally and ratably secured by that certain Security Agreement-Trust Deed dated as of July 1, 1991 (the "Security Agreement") between the Owner Trustee and Wilmington Trust Company, as security trustee (the "Security Trustee"). Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral, the nature and extent of the security and rights of the Security Trustee, the holder or holders of the Notes and of the Owner Trustee in respect thereof.

This Note and said other Notes may be declared due prior to its expressed maturity date and certain prepayments (which are required to be applied ratably on all outstanding Notes) are required to be made thereon and optional prepayments may be made thereon, all in the events, on the terms and in the manner provided for in the Security Agreement.

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

On and subject to the conditions contained in the Security Agreement, this Note is transferable by the registered holder hereof in person or by its duly authorized attorney on the Register (as defined in the Security Agreement) to be kept for that purpose at said principal office of the Security Trustee. On and subject to the conditions contained in the Security Agreement, this Note is exchangeable for Notes of other denominations. The Owner Trustee and the Security Trustee may deem and treat the person in whose name this Note is registered on said Register as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment and for all other purposes, and neither the Owner Trustee nor the Security Trustee shall be affected by any notice to the contrary.

This Note shall not be valid until the certificate of authentication hereon shall have been signed by the Security Trustee.

This Note and the Security Agreement are governed by the laws of the State of New York.

Anything in this Note to the contrary notwithstanding, neither the Security Trustee nor any holder hereof, nor their respective successors or assigns shall have any claim, remedy or right to proceed against the Debtor in its individual corporate capacity or the Owner Participant or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer, or director of the Debtor or the Owner

Participant, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by this Note or any sum owing under the Security Agreement from any source other than the Collateral (as defined in the Security Agreement). The Security Trustee and the holder of this Note by its acceptance hereof waive and release any personal liability of the Debtor in its individual corporate capacity or the Owner Participant, and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor or the Owner Participant for and on account of such indebtedness or other sums or such liability, and the Security Trustee and the holder of this Note agree to look solely to the Collateral for the payment of said indebtedness or other sums or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the right of the Security Trustee to accelerate the maturity of this Note upon an Event of Default under the Security Agreement, to bring suit and obtain a judgment against the Debtor on this Note for purposes of realizing upon the Collateral or to exercise all rights and remedies provided under the Security Agreement or otherwise realize upon the Collateral; provided further that nothing contained herein shall be construed to limit the liability of The Connecticut National Bank, in its individual capacity for any breach of any representations or warranties set forth in Section 3.1 of the Participation Agreement or to limit the liability of the Owner Participant for any breach of any representations or warranties set forth in Sections 3.4, 3.5(b), 3.6(a)(i) or 3.6(b)(ii) of the Participation Agreement or limit the liability of The Connecticut National Bank or the Owner Participant for gross negligence or wilful misconduct or for a breach of the agreements contained in Section 8 of the Participation Agreement, it being understood and agreed that the liability of The Connecticut National Bank and the Owner Participant in any such event shall be limited to the extent of actual damages resulting from such breach suffered by the party making a claim with respect thereto.

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Owner Trustee under Indiana Michigan
Power Trust No. 91-3

By_____
Its_____

NOTICE:

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY BE OFFERED OR SOLD ONLY IF REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR IF AN EXEMPTION FROM SUCH REGISTRATIONS IS AVAILABLE.

FORM OF SECURITY TRUSTEE'S CERTIFICATE

This is one of the Notes designated herein, referred to in the within-mentioned Security Agreement.

_____, 19___.

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Security Trustee

By_____
Its Authorized Officer

SECURITY AGREEMENT SUPPLEMENT ____

SECURITY AGREEMENT SUPPLEMENT ____, dated _____, 19___, between The Connecticut National Bank, not individually but solely as owner trustee (the "Debtor") under the Trust Agreement dated as of July 1, 1991, (the "Trust Agreement") for the benefit of Chase Manhattan Service Corporation, a New York corporation (the Owner Participant"), and Wilmington Trust Company, as security trustee (the "Security Trustee") under the Security Agreement-Trust Deed dated as of July 1, 1991 from the Debtor to the Security Trustee (the "Security Agreement").

W I T N E S S E T H :

WHEREAS, the Security Agreement provides for the execution and delivery from time to time of Security Agreement Supplements substantially in the form hereof each of which shall particularly describe the Equipment (such term and other defined terms in the Security Agreement being herein used with the same meaning) included in the Collateral and subject to the security interest of the Security Agreement;

NOW, THEREFORE, TO SECURE THE PAYMENT when and as due and payable of the principal of and the premium, if any, and interest on the Notes, and to secure the payment of all other indebtedness which the Security Agreement by its terms secures and compliance with all the terms of the Security Agreement and of such Notes, the Debtor does hereby create and grant to the Security Trustee and to its successors and assigns a security interest in the following properties:

(a) all the units of property and equipment described in Schedule A annexed hereto;

(b) all accessories, equipment, parts and appurtenances appertaining or attached to any units of property and equipment described in said Schedule A, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to the Equipment, except such thereof as remain the property of the Lessee under the Lease; and

(c) all rents, issues, income, profits and proceeds arising from or in connection with any of the foregoing, subject always to the exceptions, reservations and limitations contained in the section entitled "EXCEPTED RIGHTS IN COLLATERAL" of the Security Agreement.

SAVINGS AND EXCEPTING, however, from the properties in which a security interest is hereby created and granted, all property saved and excepted from the coverage of the granting clauses of the Security Agreement by the section entitled "EXCEPTED RIGHTS IN COLLATERAL" immediately following the granting clauses thereof.

THE DEBTOR hereby binds itself, its successors and assigns, to warrant and forever defend to the Security Trustee and its successors and assigns the security interest hereby created and granted.

This Supplement shall be construed as supplemental to the Security Agreement and shall form a part of it and the Security Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

This Supplement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

This Supplement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the Debtor and the Security Trustee have caused this Supplement to be executed, as of the day and year first above written.

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Owner Trustee under Indiana Michigan
Power Trust No. 91-3

By_____
Its_____

DEBTOR

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Security Trustee

By_____
Its Authorized Officer

SECURITY TRUSTEE

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 1991, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a _____ of The Connecticut National Bank, 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.

_____
Notary Public

(SEAL)

My commission expires _____

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 1991, before me personally appeared, _____, to me personally known, who being by me duly sworn, says that he is a _____ of Wilmington Trust Company, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution and foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

(SEAL)

My commission expires: _____

DESCRIPTION OF EQUIPMENT

SCHEDULE A
(to Security Agreement Supplement No.____)

DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3
Annex 1

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(Not a part of the Agreement)

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DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3

General Provisions

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

Defined Terms

"AAR" shall mean the Association of American Railroads or any successor thereto.

"Acceptance Date" for each Item of Equipment means the date on which Lessee has accepted such Item for lease under the Lease, as evidenced by Lessee's execution and delivery of a Lease Supplement for such Item dated such date.

"Acquisition Agreement" shall have the meaning specified in the Recitals of the Participation Agreement.

"Affiliate" shall mean any person, firm or corporation who or which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, another person, firm or corporation. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, firm or corporation, whether though the ownership of voting securities, by contract or otherwise.

"After-Tax Basis" means (i) with respect to any payment to be received by Lessor or the Owner Participant, the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all taxes (net of any current credits or deductions or other tax benefits arising therefrom) with respect to such payments payable by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such taxes are payable or such tax benefits are received in the year of receipt or accrual), the sum of such payments shall be equal to the original payment to be received, and (ii) with respect to any payment to be made by Lessor, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any credits or other tax benefits received by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such credits or benefits are received in the year of payment) resulting from the making of such payment, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made.

"**Appraisal Procedure**" shall have the meaning specified in Section 25(c) of the Lease.

"**Assigned Agreements**" shall mean the Lease and all of the other agreements referred to in Division III of the Granting Clauses of the Security Agreement.

"**Bankruptcy Code**" shall mean the Bankruptcy Code as amended from time to time, 11 U.S.C. ¶ 101 et seq.

"**Basic Term**" shall have the meaning specified in Section 4 of the Lease.

"**Basic Term Commencement Date**" shall have the meaning specified in Section 4 of the Lease.

"**Beneficial Interest**" shall mean the interest of the Owner Participant under the Trust Agreement.

"**Bill of Sale**" shall mean the Bill of Sale dated the Closing Date from the Seller to the Owner Trustee pursuant to which the Seller shall convey title to the Equipment to the Owner Trustee.

"**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the states of New York, Connecticut, Indiana or Delaware are authorized or required to be closed.

"**Closing Date**" shall have the meaning specified in Section 2.3 of the Participation Agreement.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" shall have the meaning specified in the Granting Clauses of the Security Agreement.

"**Default**" under the Lease shall mean any event which would constitute an Event of Default under the Lease if any requirement in connection therewith for the giving of notice or the lapse of time, or both, had been satisfied.

"**Default**" under the Security Agreement shall mean any event which would constitute an Event of Default under the Security Agreement if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"**Employee benefit plan**" has the meaning specified in Section 3 of ERISA.

"**Enforcement Date**" shall have the meaning specified in Section 7.3 of the Security Agreement.

"**Equipment**" shall mean collectively those items of railroad rolling stock described in the Lease Supplement delivered on the Closing Date, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are the property of the Owner Trustee pursuant to

the terms of the Lease, and "Item" or "Item of Equipment" shall mean individually a railcar.

"**Equipment Lease**" - See "Lease."

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor law.

"**Event of Default**" under the Lease is defined in Section 18 thereof.

"**Event of Default**" under the Security Agreement is defined in Section 7.1 thereof.

"**Event of Loss**" with respect to any Item of Equipment means the loss of such Item of Equipment or any substantial part thereof or of the use thereof due to theft or disappearance for a period in excess of 180 days during the Lease Term, or existing at the expiration or earlier termination of the Lease Term, or the destruction, damage beyond repair, or rendition of such Item of Equipment or any substantial part thereof permanently unfit for normal use for any reason whatsoever, or the condemnation, confiscation, seizure, or requisition of use or title to such Item of Equipment or any substantial part thereof by any governmental authority under the power of eminent domain or otherwise for a period in excess of 180 days.

"**Excepted Rights in Collateral**" shall have the meaning specified in the Security Agreement.

"**Fair Market Sales Value**" shall mean with respect to the Equipment or any Item thereof, the fair market sales value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"**Fair Market Rental Value**" shall mean with respect to the Equipment or any Item thereof, the fair market rental value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"**Final Determination**", with respect to a Loss, shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all allowable appeals have been exhausted by all parties to the action) or, in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in a net operating loss carry forward or a business credit carry forward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under Section 7121 of the Code or any other settlement agreement entered into in connection with any administrative or judicial proceeding (including any settlement of a proposed adjustment entered into by Owner Participant in accordance with Section 7(a) of the Tax Indemnification Agreement) or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

"**Fixed Rent**" shall mean all rent payable pursuant to Section 6(b) of the Lease for the Basic Term and all Rent payable pursuant to Section 25(a) of the Lease for the Renewal Term, if any.

"**Guidelines**" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which are treated as leases pursuant to Section 168(f)(8) of the Code) are leases for Federal income tax purposes.

"**ICC**" means the Interstate Commerce Commission or any successor thereto.

"**Indemnified Parties**" shall mean the Participants, the Owner Trustee (in its individual or trust capacities), the Trust Estate and the Security Trustee (in its individual or trust capacities), and successors, assigns, agents, servants, officers and employees of each of the foregoing.

"**Independent Tax Counsel**" means independent tax counsel selected by Owner Participant and reasonably acceptable to Lessee.

"**Interchange Rules**" shall have the meaning specified in Section 10 of the Lease.

"**Interest**" shall mean the Beneficial Interest or a Note, individually, and "**Interests**" shall mean the Beneficial Interest and the Notes, collectively.

"**Interim Rent**" shall mean for the Equipment, the aggregate amounts payable for such Equipment pursuant to Section 6(a) of the Lease during the Interim Term.

"**Interim Rent Payment Date**" shall mean September 27, 1991.

"**Interim Term**" shall have the meaning specified in Section 4 of the Lease.

"**Investment Grade Quality**", when used with respect to any class of securities, means (i) if such securities are rated by Moody's Investors Service, Inc., Standard & Poor's Corporation or any successor of either that issues nationally accepted securities ratings, the rating is at least "Baa" (or such other rating which at the time is the equivalent thereof) by Moody's Investors Service, Inc., or "BBB" (or such other rating which at the time is the equivalent thereof) by Standard & Poor's Corporation, or (ii) if such securities are not rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation, they are of a credit quality equivalent to the ratings specified in clause (i) above.

"**IRS**" shall mean the Internal Revenue Service or any successor agency.

"**Late Rate**" shall mean interest at the annual rate equal to the greater of (a) the Prime Rate plus 1%, and (b) 10.73%.

"**Lease**" or "**Equipment Lease**" shall mean the Railcar Lease dated as of July 1, 1991 between the Lessor, as lessor, and the Lessee, as lessee as amended or supplemented from time to time.

"**Lease Supplement**" shall mean a Lease Supplement, substantially in the form of Exhibit B to the Lease, entered into between the Owner Trustee and the Lessee pursuant to Section 3 of the Lease, and shall include any supplement, amendment or

restatement thereof. Each Lease Supplement shall contain a description of the Equipment, shall confirm that the Equipment has been accepted by the Lessee and shall set forth a summary of the Purchase Price of the Equipment. Each reference to "the Lease" shall include the Lease and the Lease Supplements.

"**Lease Term**" shall mean the Interim Term, the Basic Term and each Renewal Term.

"**Lessee**" shall mean Indiana Michigan Power Company, an Indiana corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof.

"**Lessee Agreements**" shall mean the Operative Agreements to which the Lessee is a party.

"**Lessor**" shall mean the Owner Trustee, as lessor under the Lease.

"**Lessor's Liens**" shall mean Liens arising as a result of (i) claims against Lessor, in its individual capacity or as Owner Trustee or Owner Participant not related to the transactions contemplated by the Participation Agreement, (ii) acts of Lessor in its individual capacity or as Owner Trustee, and in the case of Lessor arising out of its gross negligence or willful misconduct either not related to the transactions contemplated by the Participation Agreement or expressly prohibited under the Lease or under the Participation Agreement, (iii) "taxes, fees or other charges" as defined in Section 6(a) of the Participation Agreement imposed against Lessor, in its individual capacity or as Owner Trustee, Owner Participant, the Trust or the Trust Estate which are not indemnified against by Lessee pursuant to Section 6 of the Participation Agreement or (iv) claims against Lessor arising out of the voluntary transfer by Lessor or Owner Participant of its interest in the Equipment other than a transfer of the Equipment pursuant to Sections 15, 25 or 27 and other than a transfer pursuant to the exercise of the remedies set forth in Section 19 of the Lease.

"**Lien**" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"**Loss**" shall have the meaning given in Section 4 of the Tax Indemnification Agreement.

"**Make Whole Premium**" shall mean, with respect to the termination of the Lease pursuant to Section 27 of the Lease and the prepayment of the Notes under Section 5.1(e) and 7.3 of the Security Agreement, the excess of (a) the present value of the principal and interest payments on and in respect of the Notes being prepaid or paid, as the case may be, that would otherwise become due and payable (without giving effect to such prepayment or payment) (including the final payment on the maturity date of Notes), all determined by discounting such payments and prepayments quarterly at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of the Notes then to be paid or prepaid. To the extent that the Treasury Rate at the time of such payment is equal to or higher than, 9.73%, the Make Whole Premium is zero.

"**Net Economic Return**" means Owner Participant's expected net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) resulting

from the transactions described in and contemplated by the Operative Agreements, based on the Interim Rent and Fixed Rent during the Interim Term and Basic Term originally set forth on Exhibit C to the Lease and based on the assumptions set forth in Section 2 of the Tax Indemnification Agreement; provided, however, that in determining the amount of any increase or decrease in Fixed Rent or other amount or amounts required to preserve Owner Participant's Net Economic Return, it is intended that Owner Participant's net after-tax yield, net after-tax cash flow and originally expected aggregate book earnings over the five-year period next succeeding the date of determination shall each be maintained (or, where one such component must be enhanced in order to preserve the other components, enhanced). Net Economic Return shall not mean or include Owner Participant's return on equity or return on assets.

"**Note**" shall mean any of, and "**Notes**" shall mean all of, the then outstanding Notes, and "**outstanding**", when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor and secured by the Security Agreement, except:

(a) Notes theretofore cancelled by the Security Trustee or delivered to the Security Trustee for cancellation;

(b) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Security Trustee; provided, that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Section 6.3 of the Security Agreement provided, or provision satisfactory to the Security Trustee shall have been made for giving such notice; and

(c) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2.4 of the Security Agreement.

"**Noteholder**" shall mean the holder of any Note issued and outstanding under the Security Agreement.

"**Note Purchasers**" shall mean the Note Purchasers named in Schedule 2 to the Participation Agreement and their respective successors and assigns, including successive holders of the Notes.

"**Officer's Certificate**" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of such corporation, in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee, or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, Secretary or Assistant Secretary, or any other officer or assistant officer customarily performing the functions similar to those performed by the Persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"**Operative Agreements**" shall mean and include the Participation Agreement, the Bill of Sale, the Acquisition Agreements, the Trust Agreement, the Lease,

the Lease Supplement, the Notes outstanding at the time of reference, the Security Agreement, the Security Agreement Supplement and the Tax Indemnity Agreement.

"**Owner Participant**" shall mean Chase Manhattan Service Corporation, a New York corporation, and its successors and permitted assigns of its Beneficial Interest.

"**Owner Participant Agreements**" shall mean the Operative Agreements to which the Owner Participant is a party.

"**Owner Trustee**" shall mean The Connecticut National Bank not in its individual capacity but solely in its capacity as trustee under the Trust Agreement and its successors in trust thereunder.

"**Owner Trustee Agreements**" shall mean the Operative Agreements to which The Connecticut National Bank, either in its individual or trust capacity, is a party.

"**Participants**" shall mean the Note Purchasers and the Owner Participant.

"**Participation Agreement**" shall mean the Participation Agreement dated as of July 1, 1991, among the Lessee, the Participants, the Owner Trustee and the Security Trustee.

"**Permitted Contest**" shall mean a good-faith contest which will be conducted in a manner so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease, are required to be paid or discharged by the Lessee or the Lessor, as the case may be, but for such contest.

"**Permitted Encumbrances**" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested by a Permitted Contest; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not more than 30 days past due or the amount or validity of which is being contested by a Permitted Contest; (iv) the Lien and security interest granted to the Security Trustee under and pursuant to the Security Agreement; and (v) the rights of any sublessee or assignee pursuant to Section 13 of the Lease in respect of the Equipment.

"**Person**" shall mean an individual, partnership, corporation, firm, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"**Pricing Assumptions**" shall mean the assumptions set forth in Annex 2 to the Lease.

"**Prime Rate**" shall mean for any day the rate announced by The Chase Manhattan Bank, N.A., from time to time at its principal office in New York, New York, as its prime rate for domestic (United States) commercial loans in effect on such day (such Prime Rate is not necessarily intended to be the lowest rate of interest charged by The Chase Manhattan Bank, N.A. in connection with the extensions of credit).

"Purchase Price" shall mean with respect to the Equipment $6,508,560.00.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association.

"Register" shall mean the register caused to be kept by the Owner Trustee at the principal office of the Security Trustee for the purpose of recording the registration and transfer of the Notes.

"Regulations" shall mean the income tax regulations issued, published or promulgated under the Code.

"Renewal Term" shall mean any term in respect of which the Lessee shall have exercised its option to renew the Lease pursuant to Section 25(a) hereof.

"Rent" shall mean Interim Rent, Fixed Rent and Supplemental Rent.

"Rent Payment Dates" shall mean for each Item of Equipment (i) for the Basic Term thereof, December 27, 1991 and the twenty-seventh day of each March, June, September and December thereafter throughout, to and including September 27, 2011, and (ii) for each Renewal Term thereof, each date on which a payment of Fixed Rent is due and payable for such Item as provided in Section 25(a) of the Lease.

"Responsible Officer" of the Owner Trustee shall mean any Officer in the Corporate Trust Administration department of the Owner Trustee.

"Responsible Officer" of the Security Trustee shall mean the President, any Vice President, Trust Officer, Corporate Trust Officer or any other Officer of the Corporate Trust Administration of the Security Trustee.

"Secured Indebtedness" shall mean the outstanding Notes and all principal thereof (and premium, if any) and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Owner Trustee under the terms of the outstanding Notes or the Security Agreement.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Security Agreement" shall mean the Security Agreement - Trust Deed dated as of July 1, 1991 between the Owner Trustee, as debtor, and the Security Trustee, as secured party, as amended or supplemented from time to time.

"Security Agreement Supplement" shall mean the Security Agreement Supplement, substantially in the form of Exhibit B to the Security Agreement, entered into between the Debtor and the Security Trustee on the Closing Date, covering the Equipment.

"Security Trustee" shall mean Wilmington Trust Company and its successors in trust not in its individual capacity but solely as security trustee under the Security Agreement.

"**Seller**" shall mean Bethlehem Steel Corporation.

The term "**separate account**" shall have the meaning specified in Section 3 of ERISA.

"**Stipulated Loss Value**" of an Item as of any Rent Payment Date shall mean the amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Stipulated Loss Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Stipulated Loss Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"**Subsidiary**" shall mean any corporation, trust or association of which more than 50% (by number of votes) of the Voting Stock at the time outstanding shall at the time be owned, directly or indirectly, by the Lessee or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by the Lessee and any one or more such Subsidiaries.

"**Supplemental Rent**" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement, including, but not limited to, Stipulated Loss Value and Termination Value payments, payment of the Make Whole Premium under Section 27 of the Lease, and amounts, if any, payable, under Section 2.6 of the Participation Agreement (to the extent such payment does not give rise to a rental adjustment under Section 6(e) of the Lease) by the Lessee.

"**Tax Assumptions**" shall have the meaning given in Section 2 of the Tax Indemnification Agreement.

"**Tax Indemnification Agreement**" shall mean the Tax Indemnification Agreement dated as of July 1, 1991 between the Lessee and Owner Participant.

"**Term**" shall mean the Lease Term.

"**Termination Value**" of the Equipment as of the Rent Payment Date next following the date on which the Equipment shall have been leased under the provisions of the Lease and all Rent Payment Dates thereafter shall mean with respect to the Equipment an amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Termination Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Termination Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"**Transaction Costs**" shall have the meaning set forth in Section 2.6 of the Participation Agreement.

"**Treasury Rate**" shall mean at any time with respect to the Notes being prepaid the sum of (i) .50%, plus (ii) the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of the Notes shall appear therein, the weekly average yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"**Trust**" shall have the meaning specified in the Trust Agreement.

"**Trust Agreement**" shall mean the Trust Agreement dated as of July 1, 1991 between the Owner Participant and The Connecticut National Bank.

"**Trust Estate**" shall mean all the estate, right, title and interest of the Owner Trustee in, to and under the Equipment and the Operative Agreements including, without limitation, all funds advanced to the Owner Trustee by the Owner Participant, all proceeds from the sale of the Notes, all installments and other payments of Rent, insurance proceeds, Stipulated Loss Values, Termination Values, condemnation awards, purchase price and sale proceeds, and all other proceeds of any kind for or with respect to the Equipment and the Operative Agreements excluding any and all payments payable or made to the Owner Trustee in its individual capacity or to the Owner Participant for its own account and excluding all Excepted Rights in Collateral.

"**Voting Stock**" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions).

"**Weighted Average Life to Maturity**" with respect to the Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the remaining scheduled principal payments on such Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (1) multiplying (A) the amount of each then scheduled required principal payment (including payment at final maturity), by (B) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date of such required payment is due, and (2) totalling all the products obtained in (1).

AMORTIZATION SCHEDULE

(Payments Required to Amortize $1,000,000 Principal Amount of 9.73% Secured Notes Issued by Debtor)

Date		Draw Down	Debt Service	Interest	Principal	Balance
Aug 2 1991		1000000.00				1000000.00
Sep 27 1991	1		14865.28	14865.28	0.00	1000000.00
Dec 27 1991	2		24325.00	24325.00	0.00	1000000.00
Mar 27 1992	3		24325.00	24325.00	0.00	1000000.00
Jun 27 1992	4		24325.00	24325.00	0.00	1000000.00
Sep 27 1992	5		24325.00	24325.00	0.00	1000000.00
Dec 27 1992	6		24325.00	24325.00	0.00	1000000.00
Mar 27 1993	7		24325.00	24325.00	0.00	1000000.00
Jun 27 1993	8		24325.00	24325.00	0.00	1000000.00
Sep 27 1993	9		24325.00	24325.00	0.00	1000000.00
Dec 27 1993	10		24325.00	24325.00	0.00	1000000.00
Mar 27 1994	11		24325.00	24325.00	0.00	1000000.00
Jun 27 1994	12		24325.00	24325.00	0.00	1000000.00
Sep 27 1994	13		24325.00	24325.00	0.00	1000000.00
Dec 27 1994	14		24325.00	24325.00	0.00	1000000.00
Mar 27 1995	15		24325.00	24325.00	0.00	1000000.00
Jun 27 1995	16		24325.00	24325.00	0.00	1000000.00
Sep 27 1995	17		24325.00	24325.00	0.00	1000000.00
Dec 27 1995	18		24325.00	24325.00	0.00	1000000.00
Mar 27 1996	19		24325.00	24325.00	0.00	1000000.00
Jun 27 1996	20		24325.00	24325.00	0.00	1000000.00
Sep 27 1996	21		24325.00	24325.00	0.00	1000000.00
Dec 27 1996	22		24325.00	24325.00	0.00	1000000.00
Mar 27 1997	23		24325.00	24325.00	0.00	1000000.00
Jun 27 1997	24		24325.00	24325.00	0.00	1000000.00
Sep 27 1997	25		24325.00	24325.00	0.00	1000000.00
Dec 27 1997	26		24325.00	24325.00	0.00	1000000.00
Mar 27 1998	27		24325.00	24325.00	0.00	1000000.00
Jun 27 1998	28		24325.00	24325.00	0.00	1000000.00
Sep 27 1998	29		24325.00	24325.00	0.00	1000000.00
Dec 27 1998	30		24325.00	24325.00	0.00	1000000.00
Mar 27 1999	31		24325.00	24325.00	0.00	1000000.00
Jun 27 1999	32		24325.00	24325.00	0.00	1000000.00
Sep 27 1999	33		24325.00	24325.00	0.00	1000000.00
Dec 27 1999	34		24325.00	24325.00	0.00	1000000.00
Mar 27 2000	35		24325.00	24325.00	0.00	1000000.00
Jun 27 2000	36		24325.00	24325.00	0.00	1000000.00
Sep 27 2000	37		24325.00	24325.00	0.00	1000000.00
Dec 27 2000	38		24325.00	24325.00	0.00	1000000.00
Mar 27 2001	39		24325.00	24325.00	0.00	1000000.00
Jun 27 2001	40		24325.00	24325.00	0.00	1000000.00
Sep 27 2001	41		24325.00	24325.00	0.00	1000000.00
Dec 27 2001	42		24325.00	24325.00	0.00	1000000.00
Mar 27 2002	43		40475.05	24325.00	16150.05	983849.95
Jun 27 2002	44		42549.51	23932.15	18617.36	965232.59
Sep 27 2002	45		57163.15	23479.28	33683.86	931548.72
Dec 27 2002	46		57163.15	22659.92	34503.22	897045.50
Mar 27 2003	47		65173.33	21820.63	43352.70	853692.80
Jun 27 2003	48		40581.12	20766.08	19815.04	833877.76
Sep 27 2003	49		56185.57	20284.08	35901.50	797976.26
Dec 27 2003	50		56185.57	19410.77	36774.80	761201.46

ANNEX II

Date		Draw Down	Debt Service	Interest	Principal	Balance
ar 27 2004	51		64738.85	18516.23	46222.63	714978.84
un 27 2004	52		38439.40	17391.86	21047.54	693931.30
ep 27 2004	53		68204.27	16879.88	51324.39	642606.90
ec 27 2004	54		71581.48	15631.41	55950.06	586656.84
ar 27 2005	55		71581.48	14270.43	57311.05	529345.79
un 27 2005	56		71581.48	12876.34	58705.14	470640.65
ep 27 2005	57		71581.48	11448.33	60133.14	410507.51
ec 27 2005	58		71581.48	9985.60	61595.88	348911.63
ar 27 2006	59		71581.48	8487.28	63094.20	285817.43
un 27 2006	60		71581.48	6952.51	64628.97	221188.47
ep 27 2006	61		71581.48	5380.41	66201.07	154987.40
ec 27 2006	62		71581.48	3770.07	67811.41	87175.99
ar 27 2007	63		71581.48	2120.56	69460.92	17715.07
un 27 2007	64		18145.99	430.92	17715.07	0.00
ep 27 2007	65		0.00	0.00	0.00	0.00
ec 27 2007	66		0.00	0.00	0.00	0.00
ar 27 2008	67		0.00	0.00	0.00	0.00
un 27 2008	68		0.00	0.00	0.00	0.00
ep 27 2008	69		0.00	0.00	0.00	0.00
ec 27 2008	70		0.00	0.00	0.00	0.00
ar 27 2009	71		0.00	0.00	0.00	0.00
un 27 2009	72		0.00	0.00	0.00	0.00
ep 27 2009	73		0.00	0.00	0.00	0.00
ec 27 2009	74		0.00	0.00	0.00	0.00
ar 27 2010	75		0.00	0.00	0.00	0.00
un 27 2010	76		0.00	0.00	0.00	0.00
ep 27 2010	77		0.00	0.00	0.00	0.00
ec 27 2010	78		0.00	0.00	0.00	0.00
ar 27 2011	79		0.00	0.00	0.00	0.00
un 27 2011	80		0.00	0.00	0.00	0.00
ep 27 2011	81		0.00	0.00	0.00	0.00

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RECORDATION NO _____ FILED 1425
AUG 2 1991 -11 15 AM
INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT-TRUST DEED

Dated as of July 1, 1991

FROM

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner Trustee
under Indiana Michigan Power Trust No. 91-3,

as Debtor

TO

WILMINGTON TRUST COMPANY,

as Security Trustee

(Indiana Michigan Power Trust No. 91-3)

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SECURITY AGREEMENT-TRUST DEED

SECURITY AGREEMENT-TRUST DEED ("Security Agreement") dated as of July 1, 1991 between THE CONNECTICUT NATIONAL BANK, not individually but solely as Owner Trustee (the "Debtor") under the Trust Agreement dated as of July 1, 1991 (the "Trust Agreement") for the benefit of CHASE MANHATTAN SERVICE CORPORATION, a New York corporation (the "Owner Participant"), Debtor's post office address being 777 Main Street, Hartford, Connecticut 06115, Attention: Corporate Trust Administration, and WILMINGTON TRUST COMPANY, a Delaware banking corporation (the "Security Trustee"), whose post office address is Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

R E C I T A L S:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 1 unless elsewhere defined or the context shall otherwise require.

B. The Debtor and the Security Trustee have entered into a Participation Agreement dated as of July 1, 1991 (the "Participation Agreement") with Indiana Michigan Power Company, an Indiana corporation (the "Lessee"), the Owner Participant and the Note Purchasers listed in Schedule 2 thereto (collectively, the "Note Purchasers"), providing for the commitment of the Note Purchasers to purchase the 9.73% Secured Notes, due 1991-2007 (the "Notes") of the Debtor in an aggregate principal amount not to exceed $4,993,551.66, to be dated the date of issue, to bear interest on the unpaid principal amount thereof at the rate of 9.73% per annum prior to maturity, to be payable in one installment of interest only payable on September 27, 1991 followed by sixty-three (63) consecutive quarterly installments, including principal and/or interest, payable in accordance with the amortization schedule set forth in Annex II hereto, payable on December 27, 1991 and on the twenty-seventh day of each March, June, September and December thereafter to and including June 27, 2007, and to be otherwise substantially in the form of the Note attached hereto as Exhibit A.

C. The proceeds of the Notes are to be applied by the Debtor to finance a portion of the Purchase Price of the Equipment which will be delivered and leased to the Lessee under the Lease referred to in Section 1 hereof.

D. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument to secure the Indebtedness Hereby Secured have been done and performed.

E. Following the execution and delivery of this Security Agreement, the Debtor and the Security Trustee will from time to time, including without limitation on the Closing Date under the Participation Agreement enter into security agreement supplements substantially in the form of Exhibit B attached hereto (individually, "Security Agreement Supplement" and collectively "Security Agreement Supplements") for the purpose of more fully describing the Units of Equipment which are or are to become subject to the lien hereof.

NOW, THEREFORE, the Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Security Trustee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure (i) the payment of the principal of and premium, if any, and interest on the Notes according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured, and (ii) the performance and observance by the Debtor of all the covenants and conditions contained in the Notes, this Security Agreement and the Participation Agreement (insofar as such covenants and conditions are for the benefit of the Note Purchasers or the Security Trustee), hereby grants to the Security Trustee, its successors in trust and assigns, forever, a first priority security interest in, all and singular, the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Collateral"):

DIVISION I

Collateral includes the Units of Equipment from time to time specifically described in a Security Agreement Supplement in substantially the form attached hereto as Exhibit B and made a part hereof (collectively the "Equipment"), constituting the Equipment leased and delivered under the Equipment Lease dated as of July 1, 1991 (the "Lease") between the Debtor, as lessor, and the Lessee, as lessee, together with all accessories, equipment, parts and appurtenances appertaining or attached to the Equipment, whether now owned or hereafter acquired by the Debtor, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to the Equipment, except such thereof as remain the property of the Lessee, together with all the rents, issues, income, profits and avails therefrom and the proceeds thereof, subject, however, to Permitted Encumbrances referred to in Section 1 hereof.

DIVISION II

Collateral also includes all right, title, interest, claims and demands of the Debtor as lessor in, to and under the Lease, including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Debtor as lessor under the Lease, including, without limitation, but subject always to the exceptions, reservations and limitations contained in the following section entitled "EXCEPTED RIGHTS IN COLLATERAL":

(1) the immediate and continuing right to receive and collect all Rent, including without limitation Stipulated Loss Value payments, Termination Value payments, insurance proceeds, condemnation awards, payments by Sellers in respect of warranty claims, and other payments, tenders and security now or hereafter payable to or receivable by the lessor under the Lease pursuant thereto,

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

(3) to take such action upon the occurrence of an Event of Default under the Lease, including the commencement, conduct and consummation of

legal, administrative or other proceedings, as shall be permitted by the Lease or by law, to give all notices of Default under the Lease, and to do any and all other things whatsoever which the Debtor or any lessor is or may be entitled to do under the Lease.

DIVISION III

Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Assignment dated as of August 2, 1991 between the Lessee and the Debtor and any and all other contracts and agreements relating to the Equipment or any rights or interests therein to which the Debtor is now or may hereafter be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under the Assignment referred to above and each and every other such contract and agreement (hereinafter collectively referred to as the "Assigned Agreement");

it being the intent and purpose hereof that, subject always to the exceptions, reservations and limitations contained in the following section entitled "EXCEPTED RIGHTS IN COLLATERAL", the assignment and transfer to the Security Trustee of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Security Trustee shall have the right to collect and receive said Rent, and other sums for application in accordance with the provisions of Section 5 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

EXCEPTED RIGHTS IN COLLATERAL

There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the "Excepted Rights in Collateral") and nothing herein or in any other agreement contained shall constitute an assignment of said Excepted Rights in Collateral to the Security Trustee:

(1) all rights and payments of any indemnity whether paid as Supplemental Rent or otherwise under Sections 6 and 7 of the Participation Agreement and all rights and payments under the Trust Agreement (except Sections 3.12, 4.1, 5.2 and 5.8 which also inure to the benefit of the Noteholders and the Security Trustee) which by the terms of the Participation Agreement or the Trust Agreement are payable to or inure to the benefit of the Debtor or the Owner Participant;

(2) any rights, privileges or immunities of the Debtor or the Owner Participant in respect of insurance policies maintained by the Lessee pursuant to Section 16 of the Lease, together with any insurance proceeds payable under general public liability policies so maintained which by the terms of such policies or the terms of the Lease are payable directly to or inure to the benefit of the Debtor or the Owner Participant;

(3) all rights of the Debtor and the Owner Participant under Section 20 of the Lease, including the right to receive repayments of advances made by the Debtor or the Owner Participant;

(4) whether or not an Event of Default under this Security Agreement has occurred and is continuing, the right at all times to receive all notices, certificates, opinions of counsel and other documents and information to be furnished to the Debtor or the Owner Participant under any of the Operative Agreements;

(5) any fees, disbursements or expenses payable to the Debtor in its individual capacity whether paid as Supplemental Rent or otherwise;

(6) all rights of the Owner Participant under the Tax Indemnification Agreement dated as of July 1, 1991 (the "Tax Indemnification Agreement") between the Owner Participant and the Lessee, and all rights to receive any payments whatsoever under the Tax Indemnity Agreement whether paid as Supplemental Rent or otherwise;

(7) so long as no Event of Default under the Lease or under this Security Agreement shall have occurred and be continuing, all rights of the Debtor, together with the Security Trustee, as lessor under the Lease, including the right to enter into, execute and deliver amendments, modifications, waivers or consents in respect of any provision of the Lease;

(8) whether or not an Event of Default under this Security Agreement has occurred and is continuing, the right, together with the Security Trustee, to give all notices of Default under the Lease;

(9) so long as no Event of Default under this Security Agreement has occurred and is continuing (other than Security Agreement Event of Default resulting solely from an Event of Default under the Lease), the right, together with the Security Trustee, to enter into, execute and deliver amendments, modifications, waivers or consents (i) in respect of Sections 10, 16 or 25 of the Lease, and (ii) in respect of that portion of any scheduled Fixed Rent, Stipulated Loss Value and Termination Value payments which, as of any date of payment thereof, exceed the amount of principal and accrued interest then due and owing on the Notes; and

(10) all rights of the Debtor and the Owner Participant under the Lease or the Trust Agreement to demand, collect, sue for or otherwise obtain all amounts from the Lessee or the Owner Participant, respectively, due the Debtor or the Owner Participant on account of any Excepted Rights in Collateral provided that the rights excepted and reserved by this paragraph (10) shall not be deemed to include the exercise of any remedies provided for in Section 19 of the Lease, except that the Debtor and the Owner Participant may proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants and terms of Excepted Rights in Collateral or to recover damages for the breach thereof.

TO HAVE AND TO HOLD the Collateral unto the Security Trustee, its successors and assigns, forever, IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all present and future holders of the Notes without preference, priority or distinction of any Note over any other Note by reason of priority at the time of issue, sale, negotiation, date of maturity thereof or otherwise for any cause whatsoever; provided always, however, that these presents are upon the express condition that if (i) the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured, and (ii) the Debtor shall observe, keep and perform all the terms and conditions, covenants and agreements contained herein and in the Participation Agreement (insofar as such covenants and agreements are for the benefit of the Note Purchasers or the Security Trustee) and the Notes, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise, this Security Agreement shall, subject to Section 12.4, remain in full force and effect.

SECTION 1. DEFINITIONS.

The defined terms used in this Security Agreement shall have the respective meanings indicated in Annex I attached hereto unless otherwise defined or the context shall otherwise require.

SECTION 2. REGISTRATION OF NOTES.

Section 2.1. Registration and Execution. The Notes shall be signed on behalf of the Debtor by any person who, at the date of the actual execution of such Note, shall be a proper officer of the Debtor. Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto shall be entitled to the benefits of this Security Agreement or be valid or obligatory for any purpose. Such certificate by the Security Trustee upon any Note executed by the Debtor shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Security Agreement. The authentication by the Security Trustee of any Note issued hereunder shall not be construed as a representation or warranty by the Security Trustee as to the validity or security of this Security Agreement or of such Note, and the Security Trustee shall in no respect be liable or answerable for the use made of such Note or the proceeds thereof. The Security Trustee shall, upon presentation to it of Notes duly executed on behalf of the Debtor, authenticate such Notes upon the written request of the Debtor so to do and shall thereupon deliver such Notes to or upon the written order of the Debtor.

Section 2.2. Payment of the Notes. (a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal corporate trust office of the Security Trustee, in lawful money of the United States of America. Payment of principal and interest on the Notes shall be made only upon presentment or surrender of the Notes to the Security Trustee for notation thereon of the amount of such payment. Final payment of any Note shall be made only against surrender of such Note to the Security Trustee at the principal office of the Security Trustee. Any payment or prepayment of amounts due on the Notes in accordance with the terms thereof and hereof which is due on a date which is not a Business Day shall be payable on the next succeeding Business Day.

(b) Notwithstanding the foregoing provisions of paragraph (a) of this Section 2.2, if any Note is held by any Note Purchaser, any Affiliate of any Note Purchaser, or any other institutional investor, or a nominee of any thereof, the Security Trustee shall, if so requested in writing by such holder (and Section 5 of the Participation Agreement shall constitute such written request in the case of the Note Purchasers), make payment of interest on such Notes and shall make payments or prepayments (except in the case of a payment or prepayment which will discharge all indebtedness of the Debtor evidenced by such Note) of the principal thereof, and any premium, by check, duly mailed, by first-class mail, postage prepaid, or delivered to such holder at its address appearing on the Register as defined in Section 2.3 hereof and such holder (or the person for whom such holder is a nominee) will, before selling, transferring or otherwise disposing of such Note, make a notation on such Note of the date to which interest has been paid thereon and of the amount of any prepayments made on account of the principal thereof and will present such Note to the Security Trustee for transfer and notation as provided in Sections 2.4 and 2.5 hereof. All payments so made shall be valid and effective to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Security Trustee is authorized to act in accordance with the foregoing provisions and shall not be liable or responsible to any such holder or to the Debtor or to any other person for any act or omission on the part of the Debtor or such holder in connection therewith.

(c) So long as any Note is held by the Note Purchasers or a nominee thereof, the Security Trustee will, upon written notice from any Note Purchaser or its nominee given not less than 20 days prior to the payment or prepayment of the Notes (and the instructions set forth in Schedule 2 to the Participation Agreement shall constitute such notice with respect to the Note Purchasers) cause all subsequent payments and prepayments of the principal of, and interest and premium, if any, on the Notes held by such Note Purchaser or its nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer in immediately available Federal Reserve funds to such bank, on each such date such payment or prepayment is due, provided that such bank has facilities for the receipt of a wire transfer. The Security Trustee will transmit any such wire transfer, together with any and all amounts received by the Security Trustee and payable to the Owner Trustee or the Owner Participant, as the case may be, pursuant to the terms hereof from its offices not later than 1:00 P.M., Wilmington, Delaware time, on each such date payment or prepayment is due, provided that the Security Trustee has received Federal Reserve or other funds current and immediately available on such date prior to 11:00 A.M., Wilmington, Delaware time on such date. In the event that by reason of its negligence the Security Trustee does not transmit any such payment or prepayment to such holder, the Owner Trustee or the Owner Participant in immediately available funds on such date (or, if such date is not a Business Day, on the next succeeding Business Day) by 1:00 P.M., Wilmington, Delaware time, the Security Trustee shall pay interest on such payment or prepayment at the Late Rate.

Section 2.3. Registered Notes; The Register. The Notes shall be issuable only as fully registered Notes in the form attached hereto as Exhibit A. The Debtor shall cause to be kept at the principal office of the Security Trustee a register for the registration and transfer of the Notes (herein called the "Register"). The names and addresses of the holders of the Notes, the transfers of the Notes and the names and addresses of the transferees of all Notes shall be registered in the Register.

Section 2.4. Transfers and Exchanges of Notes; Lost or Mutilated Notes. (a) The holder of any Note may transfer such Note upon the surrender thereof at the principal office of the Security Trustee. Thereupon, the Debtor shall execute in the name

of the transferee a new Note or Notes and in aggregate principal amount equal to the original principal amount of the Note so surrendered, and the Security Trustee shall authenticate and deliver such new Note or Notes to such transferee.

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

(c) Unless specifically required by law, no notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 2.4, and the holder of any Note issued as provided in this Section 2.4 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(d) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor and to the Security Trustee such security or indemnity as may be required by them to save each of them harmless from all risks, and the applicant shall also furnish to the Debtor and to the Security Trustee evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor and to the Security Trustee such security or indemnity as they may require to save them harmless, and shall evidence to the satisfaction of the Debtor and the Security Trustee the mutilation, destruction, loss or theft of such Note and the ownership thereof. If any Note Purchaser, any affiliate of any Note Purchaser, or any other institutional investor, or a nominee of any thereof is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such holder setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no security or indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such holder to indemnify the Debtor and the Security Trustee (including their attorneys' fees) for any claims or actions against them resulting from the issuance of such new Note.

Section 2.5. The New Notes. (a) Each new Note (herein, in this Section 2.5, called a "New Note") issued pursuant to Section 2.4(a) or (d) hereof in exchange for or in substitution or in lieu of an outstanding Note (herein, in this Section 2.5, called an "Old Note") shall be dated the date of such Old Note. The Security Trustee shall mark on each New Note (i) the date to which principal and interest have been paid on such Old Note, (ii) all payments and prepayments of principal previously made on such Old Note which are allocable to such New Note, and (iii) the amount of each installment payment payable on such New Note. Each installment payment payable on such New Note on any date shall bear the same proportion to the installment payment payable on such Old Note on such date as the original principal amount of such New Note bears to the original

principal amount of such Old Note. Interest shall be deemed to have been paid on such New Note to the date on which interest shall have been paid on such Old Note, and all payments and prepayments of principal marked on such New Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a New Note pursuant to Section 2.4(a) or (d) hereof, the Debtor may require the payment from the transferring Noteholder of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All New Notes issued pursuant to Section 2.4(a) or (d) hereof in exchange for or in substitution or in lieu of Old Notes shall be valid obligations of the Debtor evidencing the same debt as the Old Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the Old Notes.

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

Section 2.6. Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Security Trustee for cancellation or, if surrendered to the Security Trustee, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement. The Security Trustee shall deliver a certificate to the Debtor specifying any cancellation of Notes which has been made, and all such cancelled Notes shall be delivered to or disposed of as directed by the Debtor.

Section 2.7. Security Trustee as Agent. The Security Trustee is hereby appointed the agent of the Debtor for the payment, registration, transfer and exchange of Notes. Subject to the provisions of Section 2.2 hereof, Notes may be presented for payment at, and notices or demands with respect to the Notes or this Security Agreement may be served or made at, the principal corporate trust office of the Security Trustee.

Section 2.8. Ownership. The person in whose name any Note shall be registered shall be deemed and treated as the owner thereof for all purposes of this Security Agreement and neither the Debtor nor the Security Trustee shall be affected by any notice to the contrary. Payment of or on account of the principal of, premium, if any, and interest on such Note shall be made only to or upon the order in writing of such registered owner. For the purpose of any request, direction or consent hereunder, the Debtor and the Security Trustee may deem and treat the registered owner of any Note as the owner thereof without production of such Note.

SECTION 3. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees for the benefit of the Security Trustee and the holders of the Notes as follows:

Section 3.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and be governed and restricted by each and all of its covenants and agreements set forth in the Participation Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of its covenants and agreements were fully set out herein and as though any amendment or supplement to the Participation Agreement were fully set out in an amendment or supplement to this Security Agreement.

Section 3.2. Authorization under Trust Agreement, Discharge of Liens. The Debtor has the right, power and authority under the Trust Agreement to grant a security interest in the Collateral to the Security Trustee for the uses and purposes herein set forth. The Debtor agrees that it will, in its individual capacity and at its own cost and expense, without regard to the provisions of Section 9 hereof, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Collateral which result from claims against the Debtor in its individual capacity and not related to the transactions contemplated by the Operative Agreements, the ownership of the Equipment or the administration of the Trust Estate. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file in any public office covering any of the Collateral excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

Section 3.3. Further Assurances. The Debtor will, at no expense to the Security Trustee, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired, and requested in writing by the Security Trustee. Without limiting the foregoing but in furtherance of the security interest herein granted in the Rent and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will notify the Lessee of the assignment hereunder and direct the Lessee to make all payments of such Rent and other sums due and to become due under the Lease other than those relating to Excepted Rights in Collateral directly to the Security Trustee or as the Security Trustee may direct in writing.

Section 3.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor and which is not owned by the Lessee pursuant to the terms of the Lease shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Security Trustee, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 3.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 3.3 hereof.

Section 3.5. Recordation and Filing. The Debtor will at the written request of the Security Trustee and at the Lessee's expense cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, the Assigned Agreements and all supplements thereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Security Trustee in such manner and in such place as may be requested in writing by the Security Trustee in order to fully preserve and protect the rights of the Security Trustee hereunder.

Section 3.6. Actions of the Debtor in Respect of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under the Lease, except in respect of Excepted Rights in Collateral (but with respect thereto only upon the terms and conditions expressly permitted in clause (8) of the section of the granting clauses of this Security Agreement entitled "EXCEPTED RIGHTS IN COLLATERAL"), or, except as specifically permitted as set forth in the definition of "Excepted Rights in Collateral," terminate, modify or accept a surrender of, or offer or agree to any termination, waiver, modification or surrender of, the Lease or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof; or

(b) receive or collect or permit the receipt or collection of any Rent payment under the Lease prior to the date for the payment thereof provided for by the Lease except in respect of Excepted Rights in Collateral, or assign, transfer or hypothecate (other than to the Security Trustee hereunder) any Rent payment then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) except as specifically permitted by Section 3.12 in the Trust Agreement to a successor trustee, sell, mortgage, transfer, assign or hypothecate (other than to the Security Trustee hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

Nothing contained in this Section 3.6 shall be deemed to modify, amend, waive, limit or otherwise affect Section 3.6(d) of the Participation Agreement.

Section 3.7. Power of Attorney in Respect of the Lease. The Debtor does hereby irrevocably constitute and appoint the Security Trustee, its true and lawful attorney with full power of substitution, for it and in its name, place and stead to, upon the occurrence of an Event of Default under the Lease and while the same is continuing, ask, demand, collect, receive and receipt for any and all Rent and other sums which are assigned under the granting clauses hereof (it being understood and agreed that any Rent or other sums included within the definition of Excepted Rights in Collateral are not so assigned) and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and to sue for, compound and give acquittance for, to settle, adjust or compromise any claim for any and all such Rent and other sums (other than Rent and other sums included within the definition of Excepted Rights in Collateral) as fully as the Debtor could itself do, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Security Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Security Trustee in and to such Rent and other sums and the security intended to be afforded hereby.

Section 3.8. Notice of Default. The Debtor further covenants and agrees that it will give the Security Trustee prompt written notice of any event or condition constituting an Event of Default under the Lease if a Responsible Officer of the Debtor has actual knowledge of such event or condition.

Section 3.9. Revised Schedules Prior to Adjustment of Rentals and Stipulated Loss Value and Termination Value Payments. At least ten (10) days prior to any adjustments of the Fixed Rent, Stipulated Loss Values and Termination Value pursuant to Section 6(e) of the Lease, the Debtor shall furnish to each holder of a Note and to the Security Trustee revised schedules of the Fixed Rent, Stipulated Loss Values and Termination Value, as so adjusted in such form as is provided to the Debtor by the Owner Participant. Promptly following any settlement of Stipulated Loss Value or Termination Value by the Lessee pursuant to Sections 15 or 27 of the Lease, the Debtor shall furnish to each holder of the Notes and to the Security Trustee revised schedules of the Fixed Rent in such form as is provided to the Debtor by the Lessee.

SECTION 4. POSSESSION, USE AND RELEASE OF PROPERTY.

Section 4.1. Possession of Equipment. So long as no Security Agreement Event of Default shall have occurred and be continuing, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always, that the possession, enjoyment, control and use thereof shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease or by any sublessee under a sublease permitted by Section 13 of the Lease shall not constitute a violation of this Section 4.1.

Section 4.2. Release of Equipment—Casualty Occurrence. So long as no Default or Event of Default under the Lease shall have occurred and be continuing, the Security Trustee shall execute a release in respect of the Equipment when instructed in writing by the Lessee for settlement pursuant to Section 15 of the Lease by written notice and upon receipt from the Lessee of all sums payable for the Equipment in compliance with Section 15 of the Lease. Any such written notice from the Lessee shall be accompanied by an Officer's Certificate of the Lessee setting forth the basis for such request and stating that the Lessee has complied with the applicable provisions of the Lease, together with such additional evidence of such compliance as the Security Trustee shall request. The Security Trustee agrees to execute such instruments as the Debtor shall reasonably request to evidence such release and consents to all appropriate filings to confirm such release of public record.

Section 4.3. Release of Equipment—Early Termination. So long as no Default or Event of Default under this Security Agreement shall have occurred and be continuing, the Security Trustee shall execute a release in respect of the Equipment when instructed in writing by the Lessee for settlement pursuant to Section 27 of the Lease upon receipt of: (i) written notice of termination pursuant to Section 27 of the Lease, and (ii) settlement by the Lessee for the Equipment in compliance with Section 27 of the Lease and Section 6.2 of this Security Agreement. Such release shall be executed only upon written request of the Lessee accompanied by an Officer's Certificate of the Lessee setting forth a basis for such request and stating that the Lessee has complied with the applicable provisions of the Lease, together with such additional evidence of such compliance as the Security Trustee shall request. The Security Trustee agrees to execute such instruments as the Debtor shall reasonably request to evidence such release and consents to all appropriate filings to confirm such release of public record.

Section 4.4. Release of Equipment—Consent of Noteholders. The Debtor may sell or otherwise dispose of the Equipment then subject to the security interest of this Security Agreement and the Security Trustee shall release the same from the security interest hereof, to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of all the Indebtedness Hereby Secured.

Section 4.5. Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Security Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of the Equipment be under obligation to ascertain or inquire into the condition upon which any such sale is hereby authorized.

SECTION 5. APPLICATION OF ASSIGNED RENT AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURITY TRUSTEE.

Section 5.1. Application of Moneys. As more fully set forth in the granting clauses hereof, the Debtor has hereby granted to the Security Trustee a security interest in Rent (other than Supplemental Rent constituting Excepted Rights in Collateral) due and to become due under the Lease in respect of the Equipment as security for the Notes. So long as no Event of Default under this Security Agreement has occurred and is continuing:

(a) **Interim Rent.** The amounts from time to time received by the Security Trustee which constitute payment of Interim Rent under the Lease shall be applied first, to the ratable payment of the interest on the Notes which are due and payable on the due date of the Interim Rent and second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor immediately upon the receipt thereof.

(b) **Fixed Rent.** The amounts from time to time received by the Security Trustee which constitute payment of the installments of Fixed Rent under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Notes which have matured or will mature on or before the due date of the installments of Fixed Rent which are received by the Security Trustee, and second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor immediately upon the receipt thereof.

(c) **Supplemental Rent.** The amounts, if any, from time to time received by the Security Trustee which constitute payments of Supplemental Rent (other than payments of Stipulated Loss Value, Termination Value and any such amounts which under the terms of the Lease are payable directly to the Security Trustee, the Note Purchasers or any other holder of the Notes) shall be paid to or upon the order of the Debtor.

(d) **Stipulated Loss Value Payments.** The amounts from time to time received by the Security Trustee which constitute payment by the Lessee of the Stipulated Loss Value of the Equipment pursuant to Section 15 of the Lease shall be applied by the Security Trustee as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on that portion of the Notes to be prepaid pursuant to subparagraph (d)(ii) to the extent such interest is not paid by the payment of Fixed Rent due on such date;

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

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

The "Loan Value" in respect of any Unit of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price of such Unit of Equipment for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Units of Equipment then subject to the Lease (including the Purchase Price of such Unit of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this Section 5.1(d) (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 5.1(d)).

(e) **Termination Value Payments.** The amounts from time to time received by the Security Trustee which constitute payment by the Lessee of the Termination Value of any Item or Items of Equipment pursuant to Section 27 of the Lease shall be applied by the Security Trustee as follows:

(i) First, to the payment of an amount equal to the accrued and unpaid interest on that portion of the outstanding Notes to be prepaid pursuant to the following subparagraph to the extent such interest is not paid by the payment of Fixed Rent due on such date;

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

(iii) Third, to the payment of the Make Whole Premium due on that portion of the Notes to be prepaid pursuant to clause (ii) above in connection with the termination of the Lease under Section 27 thereof; and

(iv) Fourth, the balance, if any, of such amounts held by the Security Trustee after making the payments provided for by the preceding subparagraphs (i), (ii) and (iii) shall be released to or upon the order of the Debtor on the date of payment of the amounts provided in the preceding clauses (i), (ii) and (iii).

(f) **Insurance Proceeds.** The amounts received by the Security Trustee in accordance with the terms of Section 15 of the Lease from time to time which constitute proceeds of insurance on account of or for any loss or damage in respect of the Equipment maintained pursuant to Section 16 of the Lease, shall be held by the Security Trustee as a part of the Collateral and shall be applied by the Security Trustee from time to time to any one or more of the following purposes:

(i) if the Equipment which was lost, damaged or destroyed is to be repaired or replaced, the insurance proceeds shall, so long as no Default or Event of Default under the Lease has occurred and is continuing be released to the Lessee to reimburse the Lessee for expenditures made for such repair, restoration or replacement of the Equipment upon receipt by the Security Trustee of an Officer's Certificate of the Lessee pursuant to Section 15 of the Lease; or

(ii) if the Lease is terminated with respect to any Item or Items of Equipment in accordance with the provisions of Section 15 thereof and the Lessee has paid the Stipulated Loss Value of the subject Equipment, the insurance proceeds shall be released to the Lessee pursuant to Section 15 of the Lease.

(g) **Condemnation Awards.** So long as no Default or Event of Default shall have occurred and be continuing hereunder, any amounts received by or payable to the Security Trustee from time to time which constitute the award, compensation or damages payable for the condemnation or taking of any of the Items of Equipment for any public or quasi-public use (less the actual costs, fees and expenses incurred in the collection thereof) shall be released to or upon the order of the Debtor.

Section 5.2. Multiple Notes. If more than one Note is outstanding at the time any such application is made, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

Section 5.3. Default. If an Event of Default under this Security Agreement has occurred and is continuing, all amounts received by the Security Trustee pursuant to Division II of the granting clauses hereof (other than any amounts received in respect of Excepted Rights in Collateral) or the Assigned Agreements shall be applied in the manner provided for in Section 7 hereof in respect of proceeds and avails of the Collateral;

provided, however, that so long as no Security Agreement Event of Default (other than any such Event of Default resulting solely from an Event of Default under the Lease) shall have occurred and be continuing for a period of 180 days after the receipt of such amounts by the Security Trustee and the Security Trustee shall not have proceeded to exercise any remedy under the Lease, such amounts shall be distributed in accordance with the provisions of Section 5.1(b) hereof.

Any amounts held by the Security Trustee pursuant to this Section 5.3 shall be invested by the Security Trustee from time to time in Permitted Investments (as hereinafter defined) selected by the Security Trustee. Unless otherwise expressly provided in this Security Agreement, any income realized as a result of any such investment, net of the Security Trustee's reasonable fees and expenses in making such investment, shall be held and applied by the Security Trustee in the same manner as the principal amount of such investment is to be applied and any losses, net of earnings against the principal amount invested. The Security Trustee shall not be liable for any loss resulting from any investment required to be made by it under this Security Agreement other than by reason of its willful misconduct or negligence, and any such investment may be sold (without regard to its maturity) by the Security Trustee without instructions whenever the Security Trustee reasonably believes such sale is necessary to make a distribution required by this Security Agreement. Permitted Investments shall mean notes or securities maturing in one year or less issued by the U.S. Government or any agency thereof and in such event backed by the "full faith and credit" of the U.S. Government.

SECTION 6. PREPAYMENT OF NOTES; NOTICES.

Section 6.1. Prepayments. Neither any prepayment of any Notes nor any purchase by the Debtor of any Notes may be made except to the extent and in the manner expressly permitted by this Security Agreement. Every prepayment of Notes required to be made pursuant to Section 5 or Section 7 shall be made in accordance with the provisions of this Section 6.

Section 6.2. Prepayment Pursuant to Section 27 of the Lease. On or after September 27, 1996, all or a portion of the outstanding Notes shall be prepaid by the Lessor in connection with a termination of the Lease by the Lessee pursuant to Section 27 of the Lease by payment of an amount equal to that portion of the unpaid principal amount of Notes outstanding to be prepaid as calculated pursuant to and in accordance with Section 5.1(e) hereof, together with all accrued interest thereon to the date of prepayment, plus a premium equal to the Make Whole Premium on that portion of the Notes to be prepaid, plus all other amounts then due to the holders of Notes hereunder or under the Participation Agreement.

Section 6.3. Notice of Prepayment; Partial Prepayment; Deposit of Moneys. (a) In the case of any prepayment of the Notes, notice thereof in writing to the holders of the Notes to be prepaid shall be sent by the Security Trustee as agent and attorney-in-fact of the Debtor by United States certified mail, postage prepaid, to the holder of each Note to be prepaid at its address set forth in the Register, at least thirty days prior to the date fixed for prepayment provided written notice to the Security Trustee of such prepayment has been received by the Security Trustee at least 45 days prior to the date fixed for prepayment; provided that no such notice shall be required of the Debtor in connection with any prepayment of the Notes pursuant to Section 5.1(a), (b) or (d) or Section 7.3 hereof. Any notice so mailed shall be conclusively presumed to have

been given to such holder whether or not such holder actually receives such notice. Such notice shall specify the date fixed for prepayment, the provision hereof under which such prepayment is being effected and that on the date fixed for prepayment there will become due and payable upon each Note or portion thereof so to be prepaid, at the place where the principal of the Notes to be prepaid is payable, the specified amount of principal thereof, together with the accrued interest to such date, with such premium, including the Make Whole Premium, if any, as is payable thereon and after such date interest thereon shall cease to accrue.

(b) In the event of any partial prepayment of the Notes, the aggregate principal amount of the Notes to be prepaid shall be prorated by the Security Trustee among the holders thereof in proportion to the unpaid principal amount of such Notes held by them, and the Security Trustee shall designate the portions of the Notes of each such holder to be prepaid.

(c) On or prior to the date fixed for any prepayment of Notes, the moneys required for such prepayment shall be deposited with the Security Trustee by the Debtor. Interest on any Note designated for prepayment or on any portion of the principal amount of any Note designated for prepayment shall cease upon the date fixed for prepayment unless default shall be made in the payment of the amount payable upon the prepayment thereof.

Section 6.4. Amortization Schedules. On the date of the partial prepayment of any Note, the Debtor shall deliver to the Security Trustee two copies of an amortization schedule with respect to such Note in such form as is provided to the Debtor by the Owner Participant setting forth the amount of the installment payments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such installment payment. The Security Trustee shall deliver, or send by first-class mail, postage prepaid, one such copy of the applicable schedule to the holder of such Note.

SECTION 7. DEFAULTS AND REMEDIES.

Section 7.1. Events of Default. Any of the following occurrences or acts shall constitute a "Security Agreement Event of Default" or an "Event of Default" under this Security Agreement:

(a) Default in payment of an installment of the principal of, premium, if any, or interest on, any Note when and as the same shall become due and payable and any such default shall continue unremedied for five Business days;

(b) An Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease, other than an Event of Default in respect of, but solely in respect of Excepted Rights in Collateral;

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement, and such Default shall continue unremedied for 30 days after delivery of written notice thereof from the Security Trustee to the Debtor;

(d) Default on the part of the Debtor or the Owner Participant in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor or the Owner Participant under any of the other Operative Agreements, and such default shall continue unremedied for 30 days after delivery of written notice thereof from the Security Trustee to the Debtor and the Owner Participant;

(e) Any representation or warranty on the part of the Debtor or the Owner Participant made herein or in any of the other Operative Agreements or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or any of the other Operative Agreements or the transactions contemplated herein or therein, shall prove to have been false or misleading in any material respect when made and such representation or warranty shall not have been corrected within 30 days after the earlier of (y) written notice thereof from the Security Trustee to the Debtor or the Owner Participant and (z) the date on which a Responsible Officer of the Debtor or the Owner Participant shall have actual knowledge of such inaccuracy or incorrectness;

(f) Any Lessor's Lien (other than Permitted Encumbrances) shall be asserted against or levied or imposed upon the Collateral which is prior to or on a parity with the security interest granted hereunder, and such Lessor's Lien shall not be discharged or removed within 5 Business Days after written notice from the Security Trustee or the holder of any Note to the Debtor, the Owner Participant and the Lessee demanding such discharge or removal thereof;

(g) This Security Agreement shall cease to be in full force and effect for any reason whatsoever, including, without limitation, a determination by any governmental body or court that such agreement is invalid, void or unenforceable or the Debtor shall contest or deny in writing the validity or enforceability of any of its obligations under this Security Agreement or, except with respect to Permitted Encumbrances, the lien of this Security Agreement shall cease to constitute a first priority perfected lien of the Security Trustee for the benefit of the holders of the Notes on the Collateral;

(h) Debtor becomes insolvent or fails generally to pay its debts as such debts become due, or causes or suffers an order for relief to be entered against it under applicable Federal or state bankruptcy law, or makes an appointment for the benefit of creditors or applies for or consents to the appointment of a custodian, trustee or receiver for Debtor or for the major part of its property;

(i) A custodian, trustee or receiver is appointed for Debtor or for the major part of its property and is not discharged within 60 days after such appointment; or

(j) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief of any bankruptcy law or similar law for the relief of debtors, are instituted by or against Debtor and, if instituted against Debtor, are consented to or are not dismissed within 60 days after such institution.

Section 7.2. Security Trustee's Rights. The Debtor agrees that when any Event of Default under this Security Agreement has occurred and is continuing, the Security Trustee shall, without limitation of all other rights and remedies available at law or in equity, have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of New York (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may declare the Lease to be in default and may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and may exercise all such rights and remedies either in the name of the Security Trustee or in the name of the Debtor for the use and benefit of the Security Trustee;

(b) The Security Trustee may, and upon the written request of the holders of at least 51% in principal amount of the Notes then outstanding shall, by notice in writing to the Debtor, declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(c) Subject always to the then existing rights, if any, of the Lessee under the Lease, provided the same is not then in default, the Security Trustee personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Lessee or the Debtor with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold and may otherwise exercise any and all of the rights and powers of the Debtor in respect thereof;

(d) Subject always to the then existing rights, if any, of the Lessee under the Lease, provided the same is not then in default, the Security Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor and the Owner Participant once at least 15 Business Days prior to the date of such sale, and any other notice which may be required by law if said notice is insufficient, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Security Trustee may determine, and at any place (whether or not it be the location of the Collateral or any part thereof)

designated in the notice above referred to; provided, however, that any such sale shall be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Security Trustee or the holder or holders of any Notes, or of any interest therein, may bid and become the purchaser at any such sale provided, that the neither the Debtor nor the Owner Participant may bid and become the purchaser of the Collateral at such sale; and

(e) Subject always to the then existing rights, if any, of the Lessee under the Lease, provided the same is not then in default, the Security Trustee may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or, subject to the provisions of Section 9 hereof, for the recovery of judgment for the Indebtedness Hereby Secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

So long as no Security Agreement Event of Default has occurred and is continuing (other than an Event of Default resulting from an Event of Default under the Lease), it is understood and agreed that the Security Trustee shall not be entitled to proceed to foreclose the lien of this Security Agreement unless it shall, to the extent that it is then entitled to do so hereunder and under the Lease, and is not then stayed or prevented from doing so by operation of law or otherwise, have proceeded (to the extent it has not already done so) to exercise one or more of the following remedies: (i) the remedies referred to in Sections 19(a), (b) or (c) of the Lease, (ii) proceeding by appropriate court action to enforce the terms of the Lease requiring payment by the Lessee of amounts owed under the Lease or to recover damages for the nonpayment thereof, (iii) the execution of amendments to the Lease which alter or modify the payments due by the Lessee thereunder, or (iv) any other significant remedy under the Lease similar to those remedies set forth in clauses (i) through (iii) above (as it shall determine in its good faith discretion) and for the avoidance of doubt, it is expressly understood and agreed that, subject to the next sentence, the above described inability of the Security Trustee to exercise any right or remedy under the Lease shall in no event and under no circumstance prevent the Security Trustee from exercising all of its rights, powers and remedies under this Security Agreement. The Security Trustee agrees that to the extent it is stayed or otherwise prevented from exercising the remedies described above against the Lessee, it will not foreclose the lien of this Security Agreement during the period beginning with the first day it is so prevented from proceeding against the Lessee and ending at the first to occur of (x) 60 days thereafter, or (y) the date it is no longer prevented from proceeding against the Lessee.

Section 7.3. Certain Rights of the Debtor and Owner Participant. The Security Trustee shall give the holders of the Notes, the Debtor and the Owner Participant prompt written notice of any Security Agreement Event of Default of which the Security Trustee has knowledge and shall give the holders of the Notes, the Debtor and the Owner Participant not less than ten days prior written notice (the "Enforcement Notice") of the date (the "Enforcement Date") on which the Security Trustee will exercise any remedy or remedies pursuant to Section 7.2 hereof. If a Security Agreement Event of

Default shall have occurred and be continuing the Debtor or the Owner Participant shall have the following rights hereunder:

(a) **Right to Cure.** In the event that as a result of the occurrence of an Event of Default in respect to the payment of Basic Rent under the Lease, the Security Trustee shall have insufficient funds to pay any installment of principal and interest on any Note on the day it becomes due and payable then, so long as no Security Agreement Event of Default shall have occurred and be continuing (other than any such Default resulting from such failure), the Debtor or the Owner Participant may, but shall not be obligated to, pay to the Security Trustee prior to the Enforcement Date, an amount equal to any principal and interest (including interest, if any, on overdue payments of principal and interest) then due and payable on the Notes, and, unless the Lessee has failed for any reason to pay when due the immediately preceding four payments of Basic Rent on the Basic Rent Payment Dates, or the Debtor or the Owner Participant has cured eight previous Events of Default in respect of the payment of Basic Rent under the Lease, such payment by such Debtor or Owner Participant shall be deemed to cure any Event of Default which would otherwise have arisen on account of the non-payment by the Lessee of such installment of Basic Rent under the Lease.

In the event of the occurrence of an Event of Default resulting from the failure of the Lessee to perform or observe any covenant, condition or agreement to be performed or observed under the Lease, then, so long as no Security Agreement Event of Default shall have occurred and be continuing (other than any such Default resulting from such failure), the Debtor or the Owner Participant may, but shall not be obligated to, perform or observe any such covenant, condition or agreement on behalf of the Lessee prior to the Enforcement Date and the Security Trustee agrees to accept such performance or observance by the Debtor or the Owner Participant as constituting performance or observance of the relevant covenant, condition or agreement by the Lessee.

Except as hereinafter in this Section 7.3(a) provided, neither the Debtor nor the Owner Participant exercising the right to remedy any such Event of Default shall obtain any lien, charge or encumbrance of any kind on the Equipment or any Rent payable under the Lease for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of the Debtor or the Owner Participant against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Security Trustee in and to the Collateral. Upon such payment by the Debtor or the Owner Participant of the amount of principal and interest then due and payable on the Notes, the Debtor or the Owner Participant shall be subrogated to the rights of the Security Trustee and the holders of the Notes in respect of the Basic Rent which was overdue at the time of such payment and interest payable by the Lessee on account of its being overdue, and therefore, if no other Event of Default or Security Agreement Event of Default shall have occurred and be continuing and if all principal and interest payments due on the Notes have been paid at the time of receipt by the Security Trustee of such Basic Rent, the Debtor or the Owner Participant shall be entitled to receive such Basic Rent and such interest upon receipt thereof by the Security Trustee; provided that (i) in the

event the principal and interest on the Notes shall have become due and payable pursuant to Section 7.2(b) hereof, such subrogation shall, until principal of and interest on all Notes shall have been paid in full, be subordinate to the rights of the Security Trustee and the holders of the Notes in respect of such payment of Basic Rent and such interest on such overdue Basic Rent prior to receipt by the Debtor or the Owner Participant of any amount pursuant to such subrogation, and (ii) the Debtor or the Owner Participant shall not be entitled to seek to recover any such payment (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

(b) **Option to Prepay Notes.** Whether or not the Debtor shall then have the right to cure an Event of Default under the Lease pursuant to Section 7.3(a) above, if either: (i) the unpaid principal amount of the Notes has been declared to be immediately due and payable pursuant to Section 7.2(b), (ii) prior to August 2, 1996 an Event of Default under the Lease shall have occurred and be continuing for a period of 180 days and no other Security Agreement Event of Default shall have occurred and be continuing and the Security Trustee shall have proceeded to exercise any remedy under the Lease; (iii) after August 2, 1996 an Event of Default under the Lease shall have occurred and be continuing for a period of 180 days and no other Security Agreement Event of Default shall have occurred and be continuing, (iv) the Security Trustee shall have given an Enforcement Notice to the Debtor and the Owner Participant of its intent to institute foreclosure proceedings under this Security Agreement, or (v) the Security Trustee shall have given an Enforcement Notice to the Debtor and the Owner Participant of its intent to sell the Equipment pursuant to Section 19(c) of the Lease, the Debtor or the Owner Participant may, in any such case, at its option prepay all of the Notes then outstanding, by payment of the entire unpaid principal amount thereof, together with accrued interest thereon to the date of prepayment and an amount equal to the Make Whole Premium. The holders of the Notes agree that they will, upon receipt from the Owner Participant or the Debtor, as the case may be, of an amount equal to the aggregate unpaid principal amount of all Notes, together with accrued interest thereon to the date of payment, the applicable Make Whole Premium and all other Indebtedness Hereby Secured, forthwith sell, assign, transfer and convey to the Owner Participant (without recourse or warranty of any kind), all of the right, title and interest of the holders in and to this Security Agreement, the Lease and the Notes. If the Owner Participant shall so request, each holder will comply with all the provisions of Section 2.4 hereof to enable new Notes to be issued to the Owner Participant in such denominations as the Owner Participant shall request. All charges and expenses required pursuant to Section 2.5 hereof in connection with the issuance of any such new Note or Notes shall be borne by the Owner Participant.

Section 7.4. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon and all other sums required to be paid by the Debtor pursuant to this Security Agreement, shall at once become and be immediately due and payable; also, in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note or Notes and any claims for

interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes so turned in, including principal and interest thereof, out of the net proceeds of such sale.

Section 7.5. Waiver by Debtor. To the extent now or at any time hereafter enforceable under applicable law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained or any decree, judgment or order of any court of competent jurisdiction, nor after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Security Trustee, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

Section 7.6. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any of the Lessee under the Lease).

Section 7.7. Application of Sale Proceeds. The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper fees, expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Security Trustee, or the holder or holders of the Notes, to the extent such costs, expenses, liability and advances have not been paid by the Lessee pursuant to Section 2.6 of the Participation Agreement, and to the payment of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first, to the unpaid interest thereof and second, to unpaid principal thereon; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid;

(c) Third, to the payment of any other amounts then due and payable to the holders of the Notes or the Security Trustee under any of the Operative Agreements; and

(d) Fourth, to the payment of the surplus, if any, to the Debtor for the account of the Owner Participant, or upon notice from the Debtor to the Security Trustee, directly to the Owner Participant in accordance with such notice.

Section 7.8. Discontinuance of Remedies. Holders of at least 51% in principal amount of the Notes then outstanding, may upon written notice to the Security Trustee, direct the Security Trustee to discontinue any enforcement proceedings commenced by the Security Trustee. Without limiting the foregoing, the holders of at least 51% in principal amount of the Notes then outstanding, may upon written notice to the Security Trustee (which shall in turn notify the Debtor and the Lessee), rescind an acceleration of the maturity of the Notes, and direct that the payment schedule on the Notes shall be that which existed immediately prior to such acceleration, if (i) all Events of Default, other than the non-payment of any portion of the Notes which has become due and payable solely by reason of the acceleration of the Notes, have been cured or waived, and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. In case the Security Trustee shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, then and in every such case the Debtor, the Security Trustee and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

Section 7.9. Cumulative Remedies. No delay or omission of the Security Trustee or the holder of any Note to exercise any right or power arising from any default, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Security Trustee or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided therein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, Collateral or guaranty for the payment of the Indebtedness Hereby Secured operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Security Trustee or holder of any of the Notes be required to first look to, enforce or exhaust such other additional security, Collateral or guaranties.

Section 7.10. Recourse Liability of Owner Participant. If (a) the Trust Estate (as defined in the Trust Agreement) becomes a debtor subject to the reorganization provisions of the Bankruptcy Reform Act of 1978 or any successor provision, (b) pursuant to such reorganization provisions the Owner Participant is required, by reason of the Owner Participant being held to have recourse liability to the Debtor or the trustee of the debtor directly or indirectly, to make payment on account of any amount payable as principal or interest on the Notes, and (c) any holder of the Notes actually receives any Excess Amount which reflects any payment by the Owner Participant on account of (b) above, then such holder of the Notes shall promptly refund to the Owner Participant such

Excess Amount. For purposes of this Section 7.10, "Excess Amount" means the amount by which such payment exceeds the amount which would have been received by such holder of the Notes if the Owner Participant had not become subject to the recourse liability referred to in (b) above. Nothing contained in this Section 7.10 shall prevent any holder of the Notes from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Participant under this Security Agreement or any other Operative Agreement to the extent herein or therein provided, for which the Owner Participant has agreed by the terms of the Operative Agreements to accept personal responsibility.

SECTION 8. THE SECURITY TRUSTEE.

The Security Trustee in its individual capacity accepts the trusts hereunder and in its capacity as Security Trustee agree to perform the same, but only upon the terms and conditions hereof, including the following, to all of which the Debtor and the respective holders of the Notes at any time outstanding by their acceptance thereof agree:

Section 8.1. Duties of Security Trustee. The Security Trustee undertakes (a) except while an Event of Default under this Security Agreement shall have occurred and be continuing, to perform such duties and only such duties as are specifically set forth in this Security Agreement, and (b) while an Event of Default under this Security Agreement shall have occurred and be continuing, to exercise such of the rights and powers as are vested in it by this Security Agreement and to use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Security Trustee upon receipt of instruments furnished to the Security Trustee pursuant to the provisions of this Security Agreement, shall examine the same to determine whether or not such instruments conform to the requirements of this Security Agreement.

Section 8.2. Security Trustee's Liability. No provision of this Security Agreement shall be construed to relieve the Security Trustee from liability for its own negligent action, negligent failure to act, or its own wilful misconduct, except that:

(a) unless an Event of Default under this Security Agreement shall have occurred and be continuing, the Security Trustee shall not be liable except for the performance of such duties as are specifically set forth in this Security Agreement and no implied covenants or obligations shall be read into this Security Agreement against the Security Trustee but the duties and obligations of the Security Trustee shall be determined solely by the express provisions of this Security Agreement;

(b) in the absence of bad faith on the part of the Security Trustee, the Security Trustee may rely upon the authenticity of, and the truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon, any resolution, Officer's Certificate, Opinion of Counsel, request, notice, consent, waiver, order, signature guaranty, notarial seal, stamp, acknowledgment, verification, appraisal, report, stock certificate or other paper or document believed by the Security Trustee to be genuine and to have been signed, affixed or presented by the proper party or parties;

(c) in the absence of bad faith on the part of the Security Trustee, whenever the Security Trustee, or any of its agents, representatives, experts or counsel, shall consider it necessary or desirable that any matter be proved or established, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officer's Certificate; provided, however, that the Security Trustee, or such agent, representative, expert or counsel, may require but shall not be under any duty or obligation to require such further and additional evidence and make such further investigation as it or they may consider reasonable;

(d) the Security Trustee may consult with counsel and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(e) the Security Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction or request of the holders of the Notes;

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

(g) whether or not an Event of Default under this Security Agreement shall have occurred, the Security Trustee shall not be under any obligation to take any action under this Security Agreement which may tend to involve it in any expense or liability, the payment of which within a reasonable time is not, in its reasonable opinion, assured to it by the security afforded to it by the terms of this Security Agreement, unless and until it is requested in writing so to do by one or more holders of the Notes outstanding hereunder and furnished, from time to time as it may require, with reasonable security and indemnity; and

(h) whether or not an Event of Default under this Security Agreement shall have occurred, whenever it is provided in this Security Agreement that the Security Trustee consents to any act or omission by any person or that the Security Trustee exercise its discretion in any manner, the Security Trustee may (but need not) seek the written acquiescence of the holders of at least 66-2/3% in principal amount of the Notes then outstanding and, unless written evidence of such acquiescence has been received by the Security Trustee, it shall be fully justified in refusing so to consent or so to exercise its discretion; provided, however, holders of 66-2/3% in principal amount of the Notes from time to time outstanding shall have the right, upon furnishing to the Security Trustee such indemnification as the Security Trustee shall reasonably request, by an instrument in writing delivered to the Security Trustee, to determine which of the remedies herein set forth shall be adopted and to direct the time, method and place of conducting all proceedings to be taken under the provisions of this Security Agreement for the enforcement thereof or of the Notes, but the Security Trustee shall have the right to decline to follow any such direction if the Security Trustee shall

be advised by counsel that the action or proceedings so directed may not lawfully be taken or would be unjustly prejudicial to the holders of the Notes not parties to such direction.

Section 8.3. No Responsibility of Security Trustee for Recitals. The recitals and statements contained herein and in the Notes (except for the Security Trustee's certificate of authentication endorsed on the Notes) shall be taken as the recitals and statements of the Debtor, and the Security Trustee assumes no responsibility for the correctness of the same, nor shall the Security Trustee have any responsibility for or any liability with respect to any disclosure, warranty, representation or concealment or failure to disclose in connection with the offering, solicitation, sale or distribution of the Notes by the Debtor or by any other person.

The Security Trustee makes no representation as to the validity or sufficiency of this Security Agreement, or of the Notes secured hereby, the security hereby or thereby afforded, the title of the Debtor to the Collateral or the description thereof, or the filing or recording or registering of this Security Agreement or any other document.

The Security Trustee shall not be concerned with or accountable to anyone for the use or application of any deposited moneys which shall be released or withdrawn in accordance with the provisions of this Security Agreement or of any property or securities or the proceeds thereof which shall be released from the security interest hereof in accordance with the provisions of this Security Agreement. The Security Trustee shall release no funds pursuant to the Operative Agreements unless said funds have been received by the Security Trustee pursuant to said Operative Agreements.

Section 8.4. Certain Limitations on Security Trustee's Rights to Compensation and Indemnification. The Security Trustee agrees that it shall have no right against the Debtor, the Owner Participant, the Note Purchasers or any other holder of the Note for the payment of compensation for its services hereunder or any expenses or disbursements incurred in connection with the exercise and performance of its powers and duties hereunder or any indemnification against liabilities which it may incur in the exercise and performance of such powers and duties but on the contrary, shall look solely to the Lessee under Section 2.6 of the Participation Agreement for such payment and indemnification and that it shall have no lien on or security interest in the Collateral as security for such compensation, expenses, disbursements and indemnification except to the extent provided for in Sections 7.7(a) and 8.2(h) hereof.

Section 8.5. Status of Moneys Received. All moneys received by the Security Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and may be deposited by the Security Trustee under such general conditions as may be prescribed by law in the Security Trustee's general banking department, and the Security Trustee shall be under no liability for interest on any moneys received by it hereunder.

Section 8.6. Security Trustee May Hold Notes. The Security Trustee and any affiliated corporation may become the owner of any Note secured hereby and be interested in any financial transaction with the Debtor or any affiliated corporation, or the Security Trustee may act as depositary or otherwise in respect to other securities of the Debtor or any affiliated corporation, all with the same rights which it would have if not the Security Trustee.

Section 8.7. Resignation of Security Trustee. The Security Trustee may resign and be discharged from the trusts created hereby by delivering notice thereof, by first-class mail, postage prepaid, to the Debtor and all holders of the Notes at the time outstanding, specifying a date (not earlier than 60 days after the date of such notice) when such resignation shall take effect.

Such resignation shall take effect on the day specified in such notice, unless previously a successor Security Trustee shall have been appointed as provided in Section 8.9 in which event such resignation shall take effect immediately upon the appointment of such successor Security Trustee.

Section 8.8. Removal of Security Trustee. The Security Trustee may be removed at any time, for or without cause, by an instrument or instruments in writing executed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding and delivered to the Security Trustee with a copy to the Debtor, specifying the removal and the date when it shall take effect.

Section 8.9. Appointment of Successor Security Trustee. In case at any time the Security Trustee shall resign or be removed or become incapable of acting, a successor Security Trustee may be appointed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding, by an instrument or instruments in writing executed by such holders and filed with such successor Security Trustee.

Until a successor Security Trustee shall be so appointed by the holders of the Notes, the Debtor (upon receipt of written instructions by the Owner Participant to do so) shall appoint a successor Security Trustee to fill such vacancy, by an instrument in writing executed by the Debtor under the Trust Agreement and delivered to the successor Security Trustee. If all or substantially all of the Collateral shall be in the possession of one or more receivers, trustees, liquidators or assignees for the benefit of creditors, then such receivers, trustees, custodians, liquidators or assignees may, by an instrument in writing delivered to the successor Security Trustee, appoint a successor Security Trustee. Promptly after any such appointment, the Debtor, or any such receivers, trustees, custodians, liquidators or assignees, as the case may be, shall give notice thereof by first-class mail, postage prepaid, to each holder of Notes at the time outstanding.

Any successor Security Trustee so appointed by the Debtor, or such receivers, trustees, custodians, liquidators or assignees shall immediately and without further act be superseded by a successor Security Trustee appointed by the holders of a majority in aggregate principal amount of the Notes then outstanding.

If a successor Security Trustee shall not be appointed pursuant to this Section within 60 days after a vacancy shall have occurred in the office of the Security Trustee, the holder of any Note or such retiring Security Trustee (unless the retiring Security Trustee is being removed) may apply to any court of competent jurisdiction to appoint a successor Security Trustee, and such court may thereupon, after such notice, if any, as it may consider proper, appoint a successor Security Trustee.

Section 8.10. Succession of Successor Security Trustee. Any successor Security Trustee appointed hereunder shall execute, acknowledge and deliver to the Debtor and the predecessor Security Trustee, an instrument accepting such appointment, and thereupon such successor Security Trustee, without any further act, deed, conveyance

or transfer, shall become vested with a security interest in the Collateral, and with all the rights, powers, trusts, duties any, obligations of the predecessor Security Trustee in the trust hereunder, with like effect as if originally named as Security Trustee herein.

Upon the request of any successor Security Trustee, however, the Debtor and the predecessor Security Trustee shall execute and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Security Trustee a security interest in the Collateral and all such rights, powers, trusts, duties and obligations of the predecessor Security Trustee hereunder, and the predecessor Security Trustee shall also assign and deliver to the successor Security Trustee any property subject to the security interest of this Security Agreement which may then be in its possession.

Any Security Trustee which has resigned or been removed shall nevertheless continue to retain the benefit of the priority with respect to the proceeds of the Collateral afforded to it by Section 7.7(a) hereof.

Section 8.11. Eligibility of Security Trustee. The Security Trustee shall be a state or national bank or trust company in good standing organized under the laws of the United States of America or any State thereof, having capital, surplus and undivided profits aggregating at least $150,000,000, if there be such a bank or trust company willing and able to accept such trust upon reasonable and customary terms.

In case the Security Trustee shall cease to be eligible in accordance with the provisions of this Section, the Security Trustee shall resign immediately in the manner and with the effect specified in Section 8.7 hereof.

Section 8.12. Successor Security Trustee by Merger. Any corporation into which the Security Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Security Trustee shall be a party, or any state or national bank or trust company in any manner succeeding to the corporate trust business of the Security Trustee as a whole or substantially as a whole, if eligible as provided in Section 8.11, shall be the successor of the Security Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything to the contrary contained herein notwithstanding.

Section 8.13. Co-Trustees. At any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Debtor and the Security Trustee jointly shall have the power and shall execute and deliver all instruments, to appoint one or more persons approved by the Security Trustee, to act as co-trustee, or co-trustees, of all or any part of the Collateral, and to vest in such person or persons, in such capacity, such title to the Collateral or any part thereof, and such rights, powers, duties, trusts or obligations as the Debtor and the Security Trustee may consider necessary or desirable. If the Debtor shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default under this Security Agreement shall have occurred and be continuing, the Security Trustee alone shall have power to make such appointment.

SECTION 9. LIMITATIONS OF LIABILITY.

Anything in this Security Agreement to the contrary notwithstanding, neither the Security Trustee, the holder of any Note nor the successors or assigns of any of said persons, shall have any claim, remedy or right to proceed against the Debtor in its individual capacity or the Owner Participant or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor or the Owner Participant, whether by virtue or any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, for the payment of any deficiency or any other sum owing on account of indebtedness evidenced by the Notes or for the payment of any liability resulting from the breach of any representation, agreement or warranty of any nature whatsoever in this Security Agreement or the Notes, from any source other than the Collateral, including the Rent (other than Excepted Rights in Collateral). The Security Trustee by the execution of this Security Agreement and the holders of the Notes by acceptance thereof, waive and release any personal liability of the Debtor and the Owner Participant in their individual capacities and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor or the Owner Participant for and on account of such indebtedness or such liability, and the Security Trustee and the holders of the Notes agree to look solely to the Collateral, including the Rent (other than Excepted Rights in Collateral) for the payment of said indebtedness or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the rights of the holders of the Notes or the Security Trustee to accelerate the maturity of the Notes upon an Event of Default under this Security Agreement; to bring suit and obtain a judgment against the Debtor on the Notes for purposes of realizing upon the Collateral or to exercise all rights and remedies provided under this Security Agreement or otherwise realize upon the Collateral; provided further that nothing contained in this Section 9 shall be construed to limit the liability of The Connecticut National Bank, in its individual capacity for any breach of any representations or warranties set forth in Section 3.1 of the Participation Agreement or to limit the liability of the Owner Participant for any breach of any representations or warranties set forth in Sections 3.4, 3.5(b), 3.6(a)(i) or 3.6(b)(ii) of the Participation Agreement or limit the liability of The Connecticut National Bank or the Owner Participant for gross negligence or wilful misconduct or for a breach of the agreements contained in Section 8 of the Participation Agreement, it being understood and agreed that the liability of The Connecticut National Bank and the Owner Participant in any such event shall be limited to the extent of actual damages resulting from such breach suffered by the party making a claim with respect thereto.

SECTION 10. SUPPLEMENTAL SECURITY AGREEMENTS; WAIVERS.

Section 10.1. Supplemental Agreements Without Noteholders' Consent. The Debtor and the Security Trustee from time to time and at any time, subject to the restrictions in this Security Agreement contained, may enter into an agreement or agreements supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

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

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be

subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

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

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

Section 10.2. Waivers and Consents by Noteholders; Supplemental Agreements with Noteholders' Consent. Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited, or omit the taking of any action required, by any of the provisions of this Security Agreement or any agreement supplemental hereto, or (b) the Debtor and the Security Trustee may enter into an agreement or agreements supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any agreement supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental agreement shall (i) impair or affect the right of any holder to receive payments or prepayments of the principal of and payments of the interest and premium, if any, on its Note, as therein and herein provided, without the consent of such holder, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Notes, the holders of which are required to consent to any such waiver or supplemental agreement pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Security Trustee, without the consent of the holders of all of the Notes at the time outstanding.

Section 10.3. Notice of Supplemental Security Agreements. Promptly after the execution by the Debtor and the Security Trustee of any supplemental agreement pursuant to the provisions of Section 10.1 or 10.2 hereof, the Security Trustee shall give written notice, setting forth in general terms the substance of such supplemental agreement, together with a conformed copy thereof, mailed, first-class, postage prepaid, to each holder of the Notes at its address set forth in the Register. Any failure of the Security Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 10.4. Opinion of Counsel Conclusive as to Supplemental Security Agreements. The Security Trustee is hereby authorized to join with the Debtor in the execution of any such supplemental agreement authorized or permitted by the terms of this Security Agreement and to make the further agreements and stipulations which may be therein contained, and the Security Trustee may receive an Opinion of Counsel as conclusive evidence that any supplemental agreement executed pursuant to the provisions of this Section 10 complies with the requirements of this Section 10.

SECTION 11. INDEMNIFICATION OF SECURITY TRUSTEE AND NOTEHOLDERS.

The Debtor hereby agrees, whether or not any of the transactions contemplated hereby or in the Participation Agreement and the Lease shall be consummated, to assume liability for, and does hereby indemnify, protect, save and keep harmless the Noteholders and the Security Trustee in its individual and trust capacities, and their respective successors, assigns, agents and servants, from and against any and all liabilities (including strict tort liability), obligations, losses, damages, penalties, taxes (excluding any taxes, fees or other charges on, based on, or measured by, any fees or compensation received by the Security Trustee for services rendered in connection with the transactions contemplated hereby; any taxes, fees or other charges imposed on or for the account of any Noteholder on, based on, or measured by, its gross or net receipts or its gross or net income; any doing business or similar taxes; any transfer taxes; any withholding taxes related to the payment of principal or interest on the Notes to any Noteholder; or any taxes described in clause (i) through (vi) of Section 6(a) of the Participation Agreement), claims, actions, suits, costs, expenses or disbursements (including reasonable legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Trust Estate, the Noteholders or the Security Trustee (whether or not also indemnified against by any other person under any other document) in any way relating to or arising out of this Security Agreement, the Trust Agreement, the Notes, the Lease or the Participation Agreement or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, financing, servicing, maintenance, repair, replacement, insuring, improvement, transfer of title, purchase, erection, installation, testing, acceptance or rejection, ownership, delivery, nondelivery, lease, sublease, transportation, storage, possession, use, operation, condition, sale, return or other disposition of the Equipment (including, without limitation, latent and other defects, whether or not discoverable by the Debtor or the Lessee, and any claims for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of the Debtor or the Security Trustee hereunder except only in the case of willful misconduct or gross negligence of the Security Trustee in the performance of its duties hereunder or the breach of any of its representations and warranties set forth herein or in Section 3 of the Participation Agreement; provided that the Security Trustee shall not make any claim under this Section 11 for any claim or expense indemnified against by the Lessee under the Participation Agreement without first making demand on the Lessee for payment of such claim or expense.

SECTION 12. MISCELLANEOUS.

Section 12.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement

contained by or on behalf of the Debtor or by or on behalf of the Security Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

Section 12.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid, provided that nothing contained in this Section 12.2 shall be construed to amend or modify the immunities of the Debtor or the Owner Participant in their respective personal or individual capacities provided for in Section 9 hereof, or to amend or modify any limitations or restrictions of the Security Trustee or the holder of any Note or their respective successors or assigns under said Section 9.

Section 12.3. Communications. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing or by a telecommunications device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including, without limitation, by overnight express mail and courier service, (b) five (5) days after the date on which it shall have been mailed by United States mail, certified or registered, postage prepaid, return receipt requested, or, (c) in the case of notice by such a telecommunications devise, upon confirmation or receipt by such device with confirmation delivered by overnight express mail, in each case addressed to each party hereto at its address set forth below or, in the case of any such party hereto, at such other address as such party may from time to time designate by written notice to the other parties hereto:

If to the Debtor:	The Connecticut National Bank, not individually but solely as Owner Trustee under Indiana Michigan Power Trust No. 91-3 777 Main Street Hartford, Connecticut 06115 Attention: Corporate Trust Administration
with a copy to:	Chase Manhattan Service Corporation c/o Chase Manhattan Bank, N.A. Global Leasing 1 Chase Manhattan Plaza New York, New York 10081 Attention: Mr. Anthony De Marco
If to the Security Trustee:	Wilmington Trust Company, as Security Trustee Rodney Square North Wilmington, Delaware 19890 Attention: Corporate Trust Administration

If to the Note Purchasers: To their respective addresses listed on Schedule 2 to the Participation Agreement

If to the Lessee: Indiana Michigan Power Company
c/o American Electric Power
Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

Attention: Vice President - Finance

or to the Lessee at such other address as the Lessee may designate by notice duly given in accordance with this Section to the Debtor and the Security Trustee.

Section 12.4. Discharge of Lien. Upon presentation of satisfactory evidence that all Indebtedness Hereby Secured has been fully paid or discharged and all other amounts then due all holders of the Notes and the Security Trustee under this Security Agreement or under the Participation Agreement or the Lease, the Security Trustee shall execute and deliver to, and as directed in writing by, the Owner Trustee an appropriate instrument releasing the Equipment and all other items constituting Collateral from the lien of this Security Agreement, and this Security Agreement shall terminate.

Section 12.5. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

Section 12.6. Governing Law. The provisions of this Security Agreement setting forth the rights, duties, obligations and responsibilities of the Security Trustee hereunder shall be governed by and construed in accordance with the laws of the State of Delaware, so long as Wilmington Trust Company shall serve as Security Trustee hereunder. In all other respects, and if Wilmington Trust Company shall cease to serve as Security Trustee hereunder, this Security Agreement shall be governed by and construed in accordance with the laws of the State of New York, except as otherwise required by mandatory provisions of law.

Section 12.7. Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and Wilmington Trust Company, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its authorized officers, all as of the day and year first above written.

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Owner Trustee under Indiana Michigan
Power Trust No. 91-3

By_____
Its_____

DEBTOR

WILMINGTON TRUST COMPANY

By_____
Its Authorized Officer

SECURITY TRUSTEE

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 1991, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a _____ of The Connecticut National Bank, 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.

_____
Notary Public

(SEAL)

My commission expires _____

STATE OF Delaware)
)
COUNTY OF New Castle)

On this 2nd day of August, 1991, before me personally appeared, James P. Lawler, to me personally known, who being by me duly sworn, says that he is Senior Financial Services Officer of Wilmington Trust Company, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution and foregoing instrument was the free act and deed of said corporation.

Patricia A. Evans
Notary Public

(SEAL)

My commission expires: 4/20/95

THE CONNECTICUT NATIONAL BANK,
not individually but solely as Owner Trustee under
Indiana Michigan Power Trust No. 91-3

9.73% SECURED NOTE, DUE 1991-2007

INDIANA MICHIGAN POWER TRUST NO. 91-3

No. R- , 19_

$

FOR VALUE RECEIVED, the undersigned, The Connecticut National Bank, not individually but solely as Owner Trustee (the "Owner Trustee") under that certain Trust Agreement dated as of July 1, 1991 (the "Trust Agreement") for the benefit of Chase Manhattan Service Corporation, a New York corporation (the "Owner Participant"), promises to pay to

or registered assigns,
the principal sum of

DOLLARS ($)
together with interest from the date hereof until maturity at the rate of 9.73% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) in installments as follows:

(a) one installment of interest only for the period from and including the date of this Note to but not including September 27, 1991, payable on September 27, 1991; followed by

(b) sixty-two (62) installments of principal and/or interest, each in the amount set forth in Schedule I attached hereto, each such installment payable on December 27, 1991 and on the twenty-seventh day of each March, June, September and December thereafter to and including March 27, 2007; followed by

(c) a final installment on June 27, 2007 in the amount equal to the entire principal and interest remaining unpaid hereunder as of said date.

The Owner Trustee further promises to pay interest at the Late Rate on each overdue installment of principal and (to the extent legally enforceable) upon each overdue installment of interest in each case from and after the maturity of each such installment until paid.

All payments of principal of and interest on this Note shall be made at the principal office of the Security Trustee, in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Owner Trustee's 9.73% Secured Notes, (herein called the "Notes") in an aggregate principal amount not exceeding $4,993,551.66 which are (i) issued under and pursuant to the Participation Agreement dated as of July 1, 1991 (the "Participation Agreement") among the Debtor, the Owner Participant, Indiana Michigan Power Company, Wilmington Trust Company (the "Security Trustee") and the institutional investors named in Schedule 2 thereto and (ii) equally and ratably secured by that certain Security Agreement-Trust Deed dated as of July 1, 1991 (the "Security Agreement") between the Owner Trustee and Wilmington Trust Company, as security trustee (the "Security Trustee"). Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the Collateral, the nature and extent of the security and rights of the Security Trustee, the holder or holders of the Notes and of the Owner Trustee in respect thereof.

This Note and said other Notes may be declared due prior to its expressed maturity date and certain prepayments (which are required to be applied ratably on all outstanding Notes) are required to be made thereon and optional prepayments may be made thereon, all in the events, on the terms and in the manner provided for in the Security Agreement.

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

On and subject to the conditions contained in the Security Agreement, this Note is transferable by the registered holder hereof in person or by its duly authorized attorney on the Register (as defined in the Security Agreement) to be kept for that purpose at said principal office of the Security Trustee. On and subject to the conditions contained in the Security Agreement, this Note is exchangeable for Notes of other denominations. The Owner Trustee and the Security Trustee may deem and treat the person in whose name this Note is registered on said Register as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment and for all other purposes, and neither the Owner Trustee nor the Security Trustee shall be affected by any notice to the contrary.

This Note shall not be valid until the certificate of authentication hereon shall have been signed by the Security Trustee.

This Note and the Security Agreement are governed by the laws of the State of New York.

Anything in this Note to the contrary notwithstanding, neither the Security Trustee nor any holder hereof, nor their respective successors or assigns shall have any claim, remedy or right to proceed against the Debtor in its individual corporate capacity or the Owner Participant or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer, or director of the Debtor or the Owner

Participant, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any penalty or assessment or otherwise, for the payment of any deficiency or any other sum owing on account of the indebtedness evidenced by this Note or any sum owing under the Security Agreement from any source other than the Collateral (as defined in the Security Agreement). The Security Trustee and the holder of this Note by its acceptance hereof waive and release any personal liability of the Debtor in its individual corporate capacity or the Owner Participant, and any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Debtor or the Owner Participant for and on account of such indebtedness or other sums or such liability, and the Security Trustee and the holder of this Note agree to look solely to the Collateral for the payment of said indebtedness or other sums or the satisfaction of such liability; provided, however, nothing herein contained shall limit, restrict or impair the right of the Security Trustee to accelerate the maturity of this Note upon an Event of Default under the Security Agreement, to bring suit and obtain a judgment against the Debtor on this Note for purposes of realizing upon the Collateral or to exercise all rights and remedies provided under the Security Agreement or otherwise realize upon the Collateral; provided further that nothing contained herein shall be construed to limit the liability of The Connecticut National Bank, in its individual capacity for any breach of any representations or warranties set forth in Section 3.1 of the Participation Agreement or to limit the liability of the Owner Participant for any breach of any representations or warranties set forth in Sections 3.4, 3.5(b), 3.6(a)(i) or 3.6(b)(ii) of the Participation Agreement or limit the liability of The Connecticut National Bank or the Owner Participant for gross negligence or wilful misconduct or for a breach of the agreements contained in Section 8 of the Participation Agreement, it being understood and agreed that the liability of The Connecticut National Bank and the Owner Participant in any such event shall be limited to the extent of actual damages resulting from such breach suffered by the party making a claim with respect thereto.

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Owner Trustee under Indiana Michigan
Power Trust No. 91-3

By_____
Its_____

NOTICE:

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY BE OFFERED OR SOLD ONLY IF REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR IF AN EXEMPTION FROM SUCH REGISTRATIONS IS AVAILABLE.

FORM OF SECURITY TRUSTEE'S CERTIFICATE

This is one of the Notes designated herein, referred to in the within-mentioned Security Agreement.

_____, 19___.

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Security Trustee

By_____
Its Authorized Officer

SECURITY AGREEMENT SUPPLEMENT _____

SECURITY AGREEMENT SUPPLEMENT _____, dated _____, 19___, between The Connecticut National Bank, not individually but solely as owner trustee (the "Debtor") under the Trust Agreement dated as of July 1, 1991, (the "Trust Agreement") for the benefit of Chase Manhattan Service Corporation, a New York corporation (the Owner Participant"), and Wilmington Trust Company, as security trustee (the "Security Trustee") under the Security Agreement-Trust Deed dated as of July 1, 1991 from the Debtor to the Security Trustee (the "Security Agreement").

W I T N E S S E T H :

WHEREAS, the Security Agreement provides for the execution and delivery from time to time of Security Agreement Supplements substantially in the form hereof each of which shall particularly describe the Equipment (such term and other defined terms in the Security Agreement being herein used with the same meaning) included in the Collateral and subject to the security interest of the Security Agreement;

NOW, THEREFORE, TO SECURE THE PAYMENT when and as due and payable of the principal of and the premium, if any, and interest on the Notes, and to secure the payment of all other indebtedness which the Security Agreement by its terms secures and compliance with all the terms of the Security Agreement and of such Notes, the Debtor does hereby create and grant to the Security Trustee and to its successors and assigns a security interest in the following properties:

(a) all the units of property and equipment described in Schedule A annexed hereto;

(b) all accessories, equipment, parts and appurtenances appertaining or attached to any units of property and equipment described in said Schedule A, whether now owned or hereafter acquired, except such thereof as remain the property of the Lessee under the Lease, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to the Equipment, except such thereof as remain the property of the Lessee under the Lease; and

(c) all rents, issues, income, profits and proceeds arising from or in connection with any of the foregoing, subject always to the exceptions, reservations and limitations contained in the section entitled "EXCEPTED RIGHTS IN COLLATERAL" of the Security Agreement.

SAVINGS AND EXCEPTING, however, from the properties in which a security interest is hereby created and granted, all property saved and excepted from the coverage of the granting clauses of the Security Agreement by the section entitled "EXCEPTED RIGHTS IN COLLATERAL" immediately following the granting clauses thereof.

THE DEBTOR hereby binds itself, its successors and assigns, to warrant and forever defend to the Security Trustee and its successors and assigns the security interest hereby created and granted.

This Supplement shall be construed as supplemental to the Security Agreement and shall form a part of it and the Security Agreement is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

This Supplement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

This Supplement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the Debtor and the Security Trustee have caused this Supplement to be executed, as of the day and year first above written.

THE CONNECTICUT NATIONAL BANK,
not individually but solely as
Owner Trustee under Indiana Michigan
Power Trust No. 91-3

By_____
Its_____

DEBTOR

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Security Trustee

By_____
Its Authorized Officer

SECURITY TRUSTEE

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 1991, before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a _____ of The Connecticut National Bank, 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.

_____
Notary Public

(SEAL)

My commission expires _____

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 1991, before me personally appeared, _____, to me personally known, who being by me duly sworn, says that he is a _____ of Wilmington Trust Company, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution and foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

(SEAL)

My commission expires: _____

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DESCRIPTION OF EQUIPMENT

SCHEDULE A
(to Security Agreement Supplement No.____)

DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3
Annex 1

DEFINITIONS

Re: INDIANA MICHIGAN POWER TRUST NO. 91-3

General Provisions

The following terms shall have the following meanings for all purposes of the Operative Agreements referred to below, unless otherwise defined in an Operative Agreement or the context thereof shall otherwise require. In the case of any conflict between the provisions of this Definition Annex and the provisions of the main body of any Operative Agreement, the provisions of the main body of such Operative Agreement shall control the construction of such Operative Agreement.

Unless the context otherwise requires, (i) references to agreements shall be deemed to mean and include such agreements as the same may be amended and supplemented from time to time, and (ii) references to parties to agreements shall be deemed to include the successors and permitted assigns of such parties.

Defined Terms

"AAR" shall mean the Association of American Railroads or any successor thereto.

"Acceptance Date" for each Item of Equipment means the date on which Lessee has accepted such Item for lease under the Lease, as evidenced by Lessee's execution and delivery of a Lease Supplement for such Item dated such date.

"Acquisition Agreement" shall have the meaning specified in the Recitals of the Participation Agreement.

"Affiliate" shall mean any person, firm or corporation who or which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, another person, firm or corporation. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, firm or corporation, whether though the ownership of voting securities, by contract or otherwise.

"After-Tax Basis" means (i) with respect to any payment to be received by Lessor or the Owner Participant, the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all taxes (net of any current credits or deductions or other tax benefits arising therefrom) with respect to such payments payable by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such taxes are payable or such tax benefits are received in the year of receipt or accrual), the sum of such payments shall be equal to the original payment to be received, and (ii) with respect to any payment to be made by Lessor, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any credits or other tax benefits received by the Lessor, the Owner Participant and any Affiliate of the Owner Participant (whether or not such credits or benefits are received in the year of payment) resulting from the making of such payment, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made.

"**Appraisal Procedure**" shall have the meaning specified in Section 25(c) of the Lease.

"**Assigned Agreements**" shall mean the Lease and all of the other agreements referred to in Division III of the Granting Clauses of the Security Agreement.

"**Bankruptcy Code**" shall mean the Bankruptcy Code as amended from time to time, 11 U.S.C. ¶ 101 et seq.

"**Basic Term**" shall have the meaning specified in Section 4 of the Lease.

"**Basic Term Commencement Date**" shall have the meaning specified in Section 4 of the Lease.

"**Beneficial Interest**" shall mean the interest of the Owner Participant under the Trust Agreement.

"**Bill of Sale**" shall mean the Bill of Sale dated the Closing Date from the Seller to the Owner Trustee pursuant to which the Seller shall convey title to the Equipment to the Owner Trustee.

"**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the states of New York, Connecticut, Indiana or Delaware are authorized or required to be closed.

"**Closing Date**" shall have the meaning specified in Section 2.3 of the Participation Agreement.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" shall have the meaning specified in the Granting Clauses of the Security Agreement.

"**Default**" under the Lease shall mean any event which would constitute an Event of Default under the Lease if any requirement in connection therewith for the giving of notice or the lapse of time, or both, had been satisfied.

"**Default**" under the Security Agreement shall mean any event which would constitute an Event of Default under the Security Agreement if any requirement in connection therewith for the giving of notice, or the lapse of time, or both, had been satisfied.

"**Employee benefit plan**" has the meaning specified in Section 3 of ERISA.

"**Enforcement Date**" shall have the meaning specified in Section 7.3 of the Security Agreement.

"**Equipment**" shall mean collectively those items of railroad rolling stock described in the Lease Supplement delivered on the Closing Date, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed on any item thereof which are the property of the Owner Trustee pursuant to

the terms of the Lease, and "Item" or "Item of Equipment" shall mean individually a railcar.

"**Equipment Lease**" - See "Lease."

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor law.

"**Event of Default**" under the Lease is defined in Section 18 thereof.

"**Event of Default**" under the Security Agreement is defined in Section 7.1 thereof.

"**Event of Loss**" with respect to any Item of Equipment means the loss of such Item of Equipment or any substantial part thereof or of the use thereof due to theft or disappearance for a period in excess of 180 days during the Lease Term, or existing at the expiration or earlier termination of the Lease Term, or the destruction, damage beyond repair, or rendition of such Item of Equipment or any substantial part thereof permanently unfit for normal use for any reason whatsoever, or the condemnation, confiscation, seizure, or requisition of use or title to such Item of Equipment or any substantial part thereof by any governmental authority under the power of eminent domain or otherwise for a period in excess of 180 days.

"**Excepted Rights in Collateral**" shall have the meaning specified in the Security Agreement.

"**Fair Market Sales Value**" shall mean with respect to the Equipment or any Item thereof, the fair market sales value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"**Fair Market Rental Value**" shall mean with respect to the Equipment or any Item thereof, the fair market rental value of the Equipment or such Item, determined in accordance with Section 25 of the Lease, as the case may be.

"**Final Determination**", with respect to a Loss, shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all allowable appeals have been exhausted by all parties to the action) or, in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in a net operating loss carry forward or a business credit carry forward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (i.e., when all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under Section 7121 of the Code or any other settlement agreement entered into in connection with any administrative or judicial proceeding (including any settlement of a proposed adjustment entered into by Owner Participant in accordance with Section 7(a) of the Tax Indemnification Agreement) or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

"**Fixed Rent**" shall mean all rent payable pursuant to Section 6(b) of the Lease for the Basic Term and all Rent payable pursuant to Section 25(a) of the Lease for the Renewal Term, if any.

"**Guidelines**" shall mean the guidelines set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as further set forth in Revenue Procedure 75-28, 1975-1 C.B. 752, and as modified in Revenue Procedure 76-30, 1976-2 C.B. 647 and Revenue Procedure 79-48, 1979-2 C.B. 529 that are applied by the Internal Revenue Service in determining, for advance ruling purposes, whether leveraged lease transactions (other than transactions which are treated as leases pursuant to Section 168(f)(8) of the Code) are leases for Federal income tax purposes.

"**ICC**" means the Interstate Commerce Commission or any successor thereto.

"**Indemnified Parties**" shall mean the Participants, the Owner Trustee (in its individual or trust capacities), the Trust Estate and the Security Trustee (in its individual or trust capacities), and successors, assigns, agents, servants, officers and employees of each of the foregoing.

"**Independent Tax Counsel**" means independent tax counsel selected by Owner Participant and reasonably acceptable to Lessee.

"**Interchange Rules**" shall have the meaning specified in Section 10 of the Lease.

"**Interest**" shall mean the Beneficial Interest or a Note, individually, and "**Interests**" shall mean the Beneficial Interest and the Notes, collectively.

"**Interim Rent**" shall mean for the Equipment, the aggregate amounts payable for such Equipment pursuant to Section 6(a) of the Lease during the Interim Term.

"**Interim Rent Payment Date**" shall mean September 27, 1991.

"**Interim Term**" shall have the meaning specified in Section 4 of the Lease.

"**Investment Grade Quality**", when used with respect to any class of securities, means (i) if such securities are rated by Moody's Investors Service, Inc., Standard & Poor's Corporation or any successor of either that issues nationally accepted securities ratings, the rating is at least "Baa" (or such other rating which at the time is the equivalent thereof) by Moody's Investors Service, Inc., or "BBB" (or such other rating which at the time is the equivalent thereof) by Standard & Poor's Corporation, or (ii) if such securities are not rated by Moody's Investors Service, Inc. or Standard & Poor's Corporation, they are of a credit quality equivalent to the ratings specified in clause (i) above.

"**IRS**" shall mean the Internal Revenue Service or any successor agency.

"**Late Rate**" shall mean interest at the annual rate equal to the greater of (a) the Prime Rate plus 1%, and (b) 10.73%.

"**Lease**" or "**Equipment Lease**" shall mean the Railcar Lease dated as of July 1, 1991 between the Lessor, as lessor, and the Lessee, as lessee as amended or supplemented from time to time.

"**Lease Supplement**" shall mean a Lease Supplement, substantially in the form of Exhibit B to the Lease, entered into between the Owner Trustee and the Lessee pursuant to Section 3 of the Lease, and shall include any supplement, amendment or

restatement thereof. Each Lease Supplement shall contain a description of the Equipment, shall confirm that the Equipment has been accepted by the Lessee and shall set forth a summary of the Purchase Price of the Equipment. Each reference to "the Lease" shall include the Lease and the Lease Supplements.

"**Lease Term**" shall mean the Interim Term, the Basic Term and each Renewal Term.

"**Lessee**" shall mean Indiana Michigan Power Company, an Indiana corporation, and any corporation which succeeds thereto by merger or consolidation or which acquires all or substantially all of the assets thereof.

"**Lessee Agreements**" shall mean the Operative Agreements to which the Lessee is a party.

"**Lessor**" shall mean the Owner Trustee, as lessor under the Lease.

"**Lessor's Liens**" shall mean Liens arising as a result of (i) claims against Lessor, in its individual capacity or as Owner Trustee or Owner Participant not related to the transactions contemplated by the Participation Agreement, (ii) acts of Lessor in its individual capacity or as Owner Trustee, and in the case of Lessor arising out of its gross negligence or willful misconduct either not related to the transactions contemplated by the Participation Agreement or expressly prohibited under the Lease or under the Participation Agreement, (iii) "taxes, fees or other charges" as defined in Section 6(a) of the Participation Agreement imposed against Lessor, in its individual capacity or as Owner Trustee, Owner Participant, the Trust or the Trust Estate which are not indemnified against by Lessee pursuant to Section 6 of the Participation Agreement or (iv) claims against Lessor arising out of the voluntary transfer by Lessor or Owner Participant of its interest in the Equipment other than a transfer of the Equipment pursuant to Sections 15, 25 or 27 and other than a transfer pursuant to the exercise of the remedies set forth in Section 19 of the Lease.

"**Lien**" shall mean any mortgage, pledge, security interest, lien, encumbrance or other charge of any kind on property.

"**Loss**" shall have the meaning given in Section 4 of the Tax Indemnification Agreement.

"**Make Whole Premium**" shall mean, with respect to the termination of the Lease pursuant to Section 27 of the Lease and the prepayment of the Notes under Section 5.1(e) and 7.3 of the Security Agreement, the excess of (a) the present value of the principal and interest payments on and in respect of the Notes being prepaid or paid, as the case may be, that would otherwise become due and payable (without giving effect to such prepayment or payment) (including the final payment on the maturity date of Notes), all determined by discounting such payments and prepayments quarterly at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of the Notes then to be paid or prepaid. To the extent that the Treasury Rate at the time of such payment is equal to or higher than, 9.73%, the Make Whole Premium is zero.

"**Net Economic Return**" means Owner Participant's expected net after-tax yield and net after-tax cash flow (preserving its originally expected aggregate book earnings over the five-year period next succeeding the date of determination) resulting

from the transactions described in and contemplated by the Operative Agreements, based on the Interim Rent and Fixed Rent during the Interim Term and Basic Term originally set forth on Exhibit C to the Lease and based on the assumptions set forth in Section 2 of the Tax Indemnification Agreement; provided, however, that in determining the amount of any increase or decrease in Fixed Rent or other amount or amounts required to preserve Owner Participant's Net Economic Return, it is intended that Owner Participant's net after-tax yield, net after-tax cash flow and originally expected aggregate book earnings over the five-year period next succeeding the date of determination shall each be maintained (or, where one such component must be enhanced in order to preserve the other components, enhanced). Net Economic Return shall not mean or include Owner Participant's return on equity or return on assets.

"**Note**" shall mean any of, and "**Notes**" shall mean all of, the then outstanding Notes, and "**outstanding**", when used with reference to Notes shall mean, as of any particular time, all Notes delivered by the Debtor and secured by the Security Agreement, except:

(a) Notes theretofore cancelled by the Security Trustee or delivered to the Security Trustee for cancellation;

(b) Notes for the payment or prepayment of which moneys in the necessary amount shall have been deposited in trust with the Security Trustee; provided, that if such Notes are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Section 6.3 of the Security Agreement provided, or provision satisfactory to the Security Trustee shall have been made for giving such notice; and

(c) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to the terms of Section 2.4 of the Security Agreement.

"**Noteholder**" shall mean the holder of any Note issued and outstanding under the Security Agreement.

"**Note Purchasers**" shall mean the Note Purchasers named in Schedule 2 to the Participation Agreement and their respective successors and assigns, including successive holders of the Notes.

"**Officer's Certificate**" shall mean a certificate signed in the case of a corporation by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of such corporation, in the case of a partnership by the Chairman of the Board, the President or any Vice President, the Treasurer or an Assistant Treasurer of a corporate general partner, and in the case of a commercial bank or trust company, the Chairman or Vice Chairman of the Executive Committee, or the Treasurer, any Trust Officer, any Vice President, any Executive or Senior or Second or Assistant Vice President, Secretary or Assistant Secretary, or any other officer or assistant officer customarily performing the functions similar to those performed by the Persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"**Operative Agreements**" shall mean and include the Participation Agreement, the Bill of Sale, the Acquisition Agreements, the Trust Agreement, the Lease,

the Lease Supplement, the Notes outstanding at the time of reference, the Security Agreement, the Security Agreement Supplement and the Tax Indemnity Agreement.

"Owner Participant" shall mean Chase Manhattan Service Corporation, a New York corporation, and its successors and permitted assigns of its Beneficial Interest.

"Owner Participant Agreements" shall mean the Operative Agreements to which the Owner Participant is a party.

"Owner Trustee" shall mean The Connecticut National Bank not in its individual capacity but solely in its capacity as trustee under the Trust Agreement and its successors in trust thereunder.

"Owner Trustee Agreements" shall mean the Operative Agreements to which The Connecticut National Bank, either in its individual or trust capacity, is a party.

"Participants" shall mean the Note Purchasers and the Owner Participant.

"Participation Agreement" shall mean the Participation Agreement dated as of July 1, 1991, among the Lessee, the Participants, the Owner Trustee and the Security Trustee.

"Permitted Contest" shall mean a good-faith contest which will be conducted in a manner so as to prevent the imposition of any criminal penalty on, or adverse effect on the title, property or right of, such Indemnified Party, of the legality or validity of any of the taxes, assessments, levies, fees or other governmental charges, or other claims, Liens or impositions which, under the terms of the Lease, are required to be paid or discharged by the Lessee or the Lessor, as the case may be, but for such contest.

"Permitted Encumbrances" with respect to the Equipment and each Item thereof, shall mean (i) the interest of the Lessee and the Owner Trustee, respectively, under the Lease; (ii) any Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being contested by a Permitted Contest; (iii) any Liens of mechanics, suppliers, materialmen and laborers for work or services performed or materials furnished in connection with the Equipment or any Item thereof which are not more than 30 days past due or the amount or validity of which is being contested by a Permitted Contest; (iv) the Lien and security interest granted to the Security Trustee under and pursuant to the Security Agreement; and (v) the rights of any sublessee or assignee pursuant to Section 13 of the Lease in respect of the Equipment.

"Person" shall mean an individual, partnership, corporation, firm, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Pricing Assumptions" shall mean the assumptions set forth in Annex 2 to the Lease.

"Prime Rate" shall mean for any day the rate announced by The Chase Manhattan Bank, N.A., from time to time at its principal office in New York, New York, as its prime rate for domestic (United States) commercial loans in effect on such day (such Prime Rate is not necessarily intended to be the lowest rate of interest charged by The Chase Manhattan Bank, N.A. in connection with the extensions of credit).

"Purchase Price" shall mean with respect to the Equipment $6,508,560.00.

"Reasonable Basis" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85-352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association.

"Register" shall mean the register caused to be kept by the Owner Trustee at the principal office of the Security Trustee for the purpose of recording the registration and transfer of the Notes.

"Regulations" shall mean the income tax regulations issued, published or promulgated under the Code.

"Renewal Term" shall mean any term in respect of which the Lessee shall have exercised its option to renew the Lease pursuant to Section 25(a) hereof.

"Rent" shall mean Interim Rent, Fixed Rent and Supplemental Rent.

"Rent Payment Dates" shall mean for each Item of Equipment (i) for the Basic Term thereof, December 27, 1991 and the twenty-seventh day of each March, June, September and December thereafter throughout, to and including September 27, 2011, and (ii) for each Renewal Term thereof, each date on which a payment of Fixed Rent is due and payable for such Item as provided in Section 25(a) of the Lease.

"Responsible Officer" of the Owner Trustee shall mean any Officer in the Corporate Trust Administration department of the Owner Trustee.

"Responsible Officer" of the Security Trustee shall mean the President, any Vice President, Trust Officer, Corporate Trust Officer or any other Officer of the Corporate Trust Administration of the Security Trustee.

"Secured Indebtedness" shall mean the outstanding Notes and all principal thereof (and premium, if any) and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Owner Trustee under the terms of the outstanding Notes or the Security Agreement.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Security Agreement" shall mean the Security Agreement - Trust Deed dated as of July 1, 1991 between the Owner Trustee, as debtor, and the Security Trustee, as secured party, as amended or supplemented from time to time.

"Security Agreement Supplement" shall mean the Security Agreement Supplement, substantially in the form of Exhibit B to the Security Agreement, entered into between the Debtor and the Security Trustee on the Closing Date, covering the Equipment.

"Security Trustee" shall mean Wilmington Trust Company and its successors in trust not in its individual capacity but solely as security trustee under the Security Agreement.

"**Seller**" shall mean Bethlehem Steel Corporation.

The term "**separate account**" shall have the meaning specified in Section 3 of ERISA.

"**Stipulated Loss Value**" of an Item as of any Rent Payment Date shall mean the amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Stipulated Loss Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Stipulated Loss Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"**Subsidiary**" shall mean any corporation, trust or association of which more than 50% (by number of votes) of the Voting Stock at the time outstanding shall at the time be owned, directly or indirectly, by the Lessee or by any other corporation, association or trust which is itself a Subsidiary within the meaning of this definition, or collectively by the Lessee and any one or more such Subsidiaries.

"**Supplemental Rent**" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement, including, but not limited to, Stipulated Loss Value and Termination Value payments, payment of the Make Whole Premium under Section 27 of the Lease, and amounts, if any, payable, under Section 2.6 of the Participation Agreement (to the extent such payment does not give rise to a rental adjustment under Section 6(e) of the Lease) by the Lessee.

"**Tax Assumptions**" shall have the meaning given in Section 2 of the Tax Indemnification Agreement.

"**Tax Indemnification Agreement**" shall mean the Tax Indemnification Agreement dated as of July 1, 1991 between the Lessee and Owner Participant.

"**Term**" shall mean the Lease Term.

"**Termination Value**" of the Equipment as of the Rent Payment Date next following the date on which the Equipment shall have been leased under the provisions of the Lease and all Rent Payment Dates thereafter shall mean with respect to the Equipment an amount determined in accordance with Exhibit C of the Lease as such percentage or percentages may be adjusted in accordance with the provisions of Section 6(e) of the Lease. Notwithstanding any other provision of the Lease, the Participation Agreement or the Security Agreement, each Termination Value for the Equipment shall be, under any circumstances and in any event, an amount, together with Fixed Rent due and owing through the date of payment of Termination Value, at least sufficient to pay in full as of such date of payment the aggregate unpaid principal amount of and accrued interest on the Notes outstanding on such date of payment.

"**Transaction Costs**" shall have the meaning set forth in Section 2.6 of the Participation Agreement.

"**Treasury Rate**" shall mean at any time with respect to the Notes being prepaid the sum of (i) .50%, plus (ii) the weekly average of the yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the Weighted Average Life to Maturity of the Notes then being prepaid. If no maturity exactly corresponding to such Weighted Average Life to Maturity of the Notes shall appear therein, the weekly average yields for the two most closely corresponding published maturities shall be calculated pursuant to the foregoing sentence and the Treasury Rate shall be interpolated from such yields on a straight-line basis (rounding, in the case of relevant periods, to the nearest month).

"**Trust**" shall have the meaning specified in the Trust Agreement.

"**Trust Agreement**" shall mean the Trust Agreement dated as of July 1, 1991 between the Owner Participant and The Connecticut National Bank.

"**Trust Estate**" shall mean all the estate, right, title and interest of the Owner Trustee in, to and under the Equipment and the Operative Agreements including, without limitation, all funds advanced to the Owner Trustee by the Owner Participant, all proceeds from the sale of the Notes, all installments and other payments of Rent, insurance proceeds, Stipulated Loss Values, Termination Values, condemnation awards, purchase price and sale proceeds, and all other proceeds of any kind for or with respect to the Equipment and the Operative Agreements excluding any and all payments payable or made to the Owner Trustee in its individual capacity or to the Owner Participant for its own account and excluding all Excepted Rights in Collateral.

"**Voting Stock**" shall mean Securities of any class or classes of a corporation, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions).

"**Weighted Average Life to Maturity**" with respect to the Notes shall mean, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the remaining scheduled principal payments on such Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (1) multiplying (A) the amount of each then scheduled required principal payment (including payment at final maturity), by (B) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Notes and the date of such required payment is due, and (2) totalling all the products obtained in (1).

AMORTIZATION SCHEDULE

(Payments Required to Amortize $1,000,000 Principal Amount of 9.73% Secured Notes Issued by Debtor)

Date		Draw Down	Debt Service	Interest	Principal	Balance
Aug 2 1991		1000000.00				1000000.00
Sep 27 1991	1		14865.28	14865.28	0.00	1000000.00
Dec 27 1991	2		24325.00	24325.00	0.00	1000000.00
Mar 27 1992	3		24325.00	24325.00	0.00	1000000.00
Jun 27 1992	4		24325.00	24325.00	0.00	1000000.00
Sep 27 1992	5		24325.00	24325.00	0.00	1000000.00
Dec 27 1992	6		24325.00	24325.00	0.00	1000000.00
Mar 27 1993	7		24325.00	24325.00	0.00	1000000.00
Jun 27 1993	8		24325.00	24325.00	0.00	1000000.00
Sep 27 1993	9		24325.00	24325.00	0.00	1000000.00
Dec 27 1993	10		24325.00	24325.00	0.00	1000000.00
Mar 27 1994	11		24325.00	24325.00	0.00	1000000.00
Jun 27 1994	12		24325.00	24325.00	0.00	1000000.00
Sep 27 1994	13		24325.00	24325.00	0.00	1000000.00
Dec 27 1994	14		24325.00	24325.00	0.00	1000000.00
Mar 27 1995	15		24325.00	24325.00	0.00	1000000.00
Jun 27 1995	16		24325.00	24325.00	0.00	1000000.00
Sep 27 1995	17		24325.00	24325.00	0.00	1000000.00
Dec 27 1995	18		24325.00	24325.00	0.00	1000000.00
Mar 27 1996	19		24325.00	24325.00	0.00	1000000.00
Jun 27 1996	20		24325.00	24325.00	0.00	1000000.00
Sep 27 1996	21		24325.00	24325.00	0.00	1000000.00
Dec 27 1996	22		24325.00	24325.00	0.00	1000000.00
Mar 27 1997	23		24325.00	24325.00	0.00	1000000.00
Jun 27 1997	24		24325.00	24325.00	0.00	1000000.00
Sep 27 1997	25		24325.00	24325.00	0.00	1000000.00
Dec 27 1997	26		24325.00	24325.00	0.00	1000000.00
Mar 27 1998	27		24325.00	24325.00	0.00	1000000.00
Jun 27 1998	28		24325.00	24325.00	0.00	1000000.00
Sep 27 1998	29		24325.00	24325.00	0.00	1000000.00
Dec 27 1998	30		24325.00	24325.00	0.00	1000000.00
Mar 27 1999	31		24325.00	24325.00	0.00	1000000.00
Jun 27 1999	32		24325.00	24325.00	0.00	1000000.00
Sep 27 1999	33		24325.00	24325.00	0.00	1000000.00
Dec 27 1999	34		24325.00	24325.00	0.00	1000000.00
Mar 27 2000	35		24325.00	24325.00	0.00	1000000.00
Jun 27 2000	36		24325.00	24325.00	0.00	1000000.00
Sep 27 2000	37		24325.00	24325.00	0.00	1000000.00
Dec 27 2000	38		24325.00	24325.00	0.00	1000000.00
Mar 27 2001	39		24325.00	24325.00	0.00	1000000.00
Jun 27 2001	40		24325.00	24325.00	0.00	1000000.00
Sep 27 2001	41		24325.00	24325.00	0.00	1000000.00
Dec 27 2001	42		24325.00	24325.00	0.00	1000000.00
Mar 27 2002	43		40475.05	24325.00	16150.05	983849.95
Jun 27 2002	44		42549.51	23932.15	18617.36	965232.59
Sep 27 2002	45		57163.15	23479.28	33683.86	931548.72
Dec 27 2002	46		57163.15	22659.92	34503.22	897045.50
Mar 27 2003	47		65173.33	21820.63	43352.70	853692.80
Jun 27 2003	48		40581.12	20766.08	19815.04	833877.76
Sep 27 2003	49		56185.57	20284.08	35901.50	797976.26
Dec 27 2003	50		56185.57	19410.77	36774.80	761201.46

ANNEX II

Date		Draw Down	Debt Service	Interest	Principal	Balance
ar 27 2004	51		64738.85	18516.23	46222.63	714978.84
un 27 2004	52		38439.40	17391.86	21047.54	693931.30
ep 27 2004	53		68204.27	16879.88	51324.39	642606.90
ec 27 2004	54		71581.48	15631.41	55950.06	586656.84
ar 27 2005	55		71581.48	14270.43	57311.05	529345.79
un 27 2005	56		71581.48	12876.34	58705.14	470640.65
ep 27 2005	57		71581.48	11448.33	60133.14	410507.51
ec 27 2005	58		71581.48	9985.60	61595.88	348911.63
ar 27 2006	59		71581.48	8487.28	63094.20	285817.43
un 27 2006	60		71581.48	6952.51	64628.97	221188.47
ep 27 2006	61		71581.48	5380.41	66201.07	154987.40
ec 27 2006	62		71581.48	3770.07	67811.41	87175.99
ar 27 2007	63		71581.48	2120.56	69460.92	17715.07
un 27 2007	64		18145.99	430.92	17715.07	0.00
ep 27 2007	65		0.00	0.00	0.00	0.00
ec 27 2007	66		0.00	0.00	0.00	0.00
ar 27 2008	67		0.00	0.00	0.00	0.00
un 27 2008	68		0.00	0.00	0.00	0.00
ep 27 2008	69		0.00	0.00	0.00	0.00
ec 27 2008	70		0.00	0.00	0.00	0.00
ar 27 2009	71		0.00	0.00	0.00	0.00
un 27 2009	72		0.00	0.00	0.00	0.00
ep 27 2009	73		0.00	0.00	0.00	0.00
ec 27 2009	74		0.00	0.00	0.00	0.00
ar 27 2010	75		0.00	0.00	0.00	0.00
un 27 2010	76		0.00	0.00	0.00	0.00
ep 27 2010	77		0.00	0.00	0.00	0.00
ec 27 2010	78		0.00	0.00	0.00	0.00
ar 27 2011	79		0.00	0.00	0.00	0.00
un 27 2011	80		0.00	0.00	0.00	0.00
ep 27 2011	81		0.00	0.00	0.00	0.00