

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD*
CHARLES T. KAPPLER
JOHN H. DOYLE*
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*ALSO ADMITTED IN NEW YORK
*ALSO ADMITTED IN MARYLAND

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RECORDATION NO. **17630** FILED 1423
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INTERSTATE COMMERCE COMMISSION
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#32

December 13, 1991

New Number

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

RECORDATION NO. **17630** FILED 1423
DEC 16 1991 2:52 PM
INTERSTATE COMMERCE COMMISSION
-A

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two fully executed and acknowledged copies each of a Security Agreement dated as of December 12, 1991, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177 and a Consent and Agreement of Champion International Corporation, One Champion Plaza, Stamford, Connecticut 06921, a secondary document.

The names and addresses of the parties to the enclosed document are:

Secured Party: Canadian Life Assurance Company
330 University Avenue U-6
Toronto, Ontario
CANADA M5G 1R8

Debtor: Security Pacific Equipment Leasing, Inc.
Four Embarcadero Center
San Francisco, California 94111

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

One hundred twenty-five (125) Gunderson 100-ton Plate C Boxcars bearing CRLE reporting marks and road numbers 6200 through 6324, both inclusive.

Also enclosed is a check in the amount of \$32 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Counterparts - CT. Kappler

Dec 16 2 50 PM '91

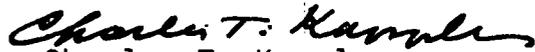
Mr. Sidney L. Strickland, Jr.
December 13, 1991
Page Two

Kindly return a stamped copy of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

A short summary of the enclosed primary document to appear in the Commission's Index is:

Security Agreement dated as of December 13, 1991 between Canada Life Assurance Company, Secured Party, and Security Pacific Equipment Leasing, Inc., Debtor, and a Consent and Agreement of Champion International Corporation covering 125 Gunderson 100-ton Plate C Boxcars, CRLE 6200 - CRLE 6324, both inclusive.

Very truly yours,


Charles T. Kappler

CTK/bg
Enclosures

New Number

17630
RECORDATION NO _____ FILED 1425
DEC 16 1991 - 2 55 PM
INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of December 13, 1991

among

SECURITY PACIFIC EQUIPMENT LEASING, INC.

Debtor

and

THE CANADA LIFE ASSURANCE COMPANY
CANADA LIFE INSURANCE COMPANY OF NEW YORK
and
CANADA LIFE INSURANCE COMPANY OF AMERICA

Secured Parties

SECURITY AGREEMENT, dated as of December 13, 1991 (as amended or supplemented from time to time, "this Agreement"), between SECURITY PACIFIC EQUIPMENT LEASING, INC., a Delaware corporation ("Security Pacific"), as debtor, and THE CANADA LIFE ASSURANCE COMPANY, CANADA LIFE INSURANCE COMPANY OF NEW YORK, and CANADA LIFE INSURANCE COMPANY OF AMERICA, as secured parties (each a "Secured Party" and together, the "Secured Parties").

Preliminary Statement

Certain terms used in this Agreement and not elsewhere defined are defined in Article V. Security Pacific has determined to borrow money, to evidence such borrowing by issuing the Notes and to Grant the Collateral as security for the payment of all sums payable, and the performance of all obligations, thereunder and hereunder. Security Pacific is entering into this Agreement, and the Secured Parties are accepting the Grant made hereby, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged. No obligation of Security Pacific under any Security Instrument shall be impaired or diminished, or imposed upon the Secured Parties, by virtue of the Grant to the Secured Parties.

Granting Clauses

As security for the payment of all sums payable under the Notes and performance of all obligations thereunder and hereunder Security Pacific hereby Grants to the Secured Parties all of Security Pacific's estate, right, title, interest, claim and demand in, to and under (a) the Equipment and all bills of sale with respect thereto, (b) the Lease, except for (i) any amounts paid or payable under the Tax Indemnity Agreement and (ii) Excepted Rights in Collateral, (c) After-Acquired Property, and (d) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims, including, without limitation, all insurance proceeds and condemnation awards to which Security Pacific is or may be entitled which are not Excepted Rights in Collateral.

SUBJECT, HOWEVER, to no liens or encumbrances except Permitted Encumbrances;

TO HAVE AND TO HOLD all and singular the property Granted hereby, whether now owned or held or hereafter acquired, unto the Secured Parties forever;

IN TRUST, NEVERTHELESS, with power of sale, for the benefit and security of the Notes, and for the enforcement of the payment of the principal of and interest on the Notes in accordance with their respective terms, and all other sums payable under this Agreement, or on the Notes and compliance with the provisions of this Agreement, all as herein provided.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Notes are to be issued and secured, and the Collateral is to be held, dealt with and disposed of by the Secured Parties, upon and subject to the provisions of this Agreement.

ARTICLE I

Particular Covenants of Security Pacific

SECTION 1.01. Warranty of Title. Security Pacific hereby represents and warrants that it has taken all necessary actions to authorize the execution and performance of the Lease and that (i) its right, title and interest in, and to, the Equipment and the Lease are each free and clear of all liens, charges, encumbrances and claims of any kind created by or through Security Pacific except Permitted Encumbrances and that to the best of its knowledge without any inquiry there are no liens, charges, encumbrances or claims of any kind created by or through any other party and (ii) this Agreement creates a valid lien on Security Pacific's rights in, and to, the Equipment and the Lease except Excepted Rights in Collateral and amounts payable under the Tax Indemnity Agreement, subject only to Permitted Encumbrances. Until payment in full of the Notes and all of its other obligations secured hereby, Security Pacific will warrant and defend its interest in, and to, the Lease and the Equipment against the claims and demands of all persons and will maintain the lien created under this Agreement. In particular, Security Pacific will, at the Secured Parties' request, enforce or assist the Secured Parties in the enforcement of all such rights as Security Pacific may have against Gunderson, Inc. pursuant to its bills of sale to Security Pacific with respect to the Equipment. The Secured Parties acknowledge and agree that during the Lease term this covenant will be deemed satisfied by virtue of the provisions set forth in the second sentence of Section 6 of the Lease. The expenses of enforcement of any such right against Gunderson shall be a non-recourse obligation of Security Pacific enforceable solely against the Collateral hereunder. Security Pacific has full power and lawful authority to Grant the property Granted by this Agreement.

SECTION 1.02. Protection of Collateral. Security Pacific will from time to time execute and deliver all such supplements and amendments hereto and to any Security Instrument, and will take such other reasonable actions, as the Secured Parties reasonably requests and deems necessary or advisable to (a) Grant better all or any portion of the Collateral, (b) maintain or preserve the lien of this Agreement or carry out more effectively the purposes hereof, (c) perfect, publish notice of or protect the validity of any Security Instrument to which it is a party, or of any Grant made or to be made by this Agreement, (d) enforce any Security Instrument to which it is a party, or

(e) preserve and defend Security Pacific's interest in and to the Collateral and the rights of the Secured Parties therein against the claims of all persons and parties claiming by or through Security Pacific.

SECTION 1.03. Performance of Obligations. Security Pacific will punctually perform and observe all of its obligations and agreements contained in each Security Instrument to which it is a party. Security Pacific will notify the Secured Parties of any default by any person under any Security Instrument to which it is a party promptly after obtaining actual knowledge thereof.

SECTION 1.04. Negative Covenants. Security Pacific will not:

(a) sell, lease, transfer, exchange or otherwise dispose of any of the Collateral except pursuant to the terms of the Lease or to a Transferee which, at or prior to such sale or other disposition, shall have executed and delivered to the Secured Parties a Transferee Agreement;

(b) obtain or carry insurance ("Additional Insurance") relating to the Equipment separate from that required by the Lease or this Agreement, unless (i) the proceeds are payable to the Secured Parties under a mortgagee endorsement, or (ii) under the terms of the policy under which such Additional Insurance is obtained, in the reasonable opinion of the Secured Parties, the interest of the Secured Parties in any insurance required by the Lease or this Agreement is in no way jeopardized, diminished or impaired;

(c) take or permit any action which would result in an Event of Default under subsection (d) or (e) of Section 4.01; or

(d) claim any credit on, or make any deduction from, the principal or interest payable on the Notes by reason of the payment of any taxes levied or assessed upon any of the Collateral.

SECTION 1.05. Discharge of Liens. Security Pacific will, at its own cost and expense, pay or satisfy and discharge all liens and encumbrances on the Collateral resulting from any claims against Security Pacific, but Security Pacific shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not materially endanger the title and interest of the Lessor or the security interest in the Collateral granted hereunder.

SECTION 1.06. Equipment Label. Security Pacific will promptly cause Lessee to affix a label to each item of the Equipment, which label shall read:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION."

SECTION 1.07. Assignment of Lease. Security Pacific hereby irrevocably Grants to the Secured Parties, subject to the provisions of this Agreement, as security for the payment of all amounts payable under or in respect of the Notes and this Agreement, and as security for compliance with the provisions hereof and thereof, all of its estate, right, title, interest, claim and demand in, to and under the Lease, including all rentals due thereunder, commencing with the installment of Interim Rent due on March 1, 1992, damages and other moneys (except for (i) any amounts paid or payable pursuant to the Tax Indemnity Agreement and (ii) Excepted Rights in Collateral) from time to time payable to or receivable by Security Pacific under the Lease (said sums being herein called the "Moneys"). So long as no Event of Default shall have occurred under this Agreement, Security Pacific shall be entitled to exercise all of its rights under the Lease except the right to receive Moneys from the Lessee and except to the extent that such exercise would violate any provision of this Agreement. Upon the occurrence of an Event of Default under this Agreement, Security Pacific shall have no further rights under the Lease (except to receive copies of all notices given and received thereunder) until the termination of this Agreement as provided herein, whereupon all rights granted hereunder to the Secured Parties shall terminate and revert to Security Pacific. The obligations of Security Pacific, however, owing to the Lessee under the Lease shall continue to be owing to Lessee by Security Pacific notwithstanding this Agreement or any Event of Default or any enforcement Proceedings hereunder.

ARTICLE II

Possession, Use and Transfer

SECTION 2.01. Collection of Moneys. The Secured Parties may demand payment or delivery of and shall receive and collect all Moneys and other property payable to or receivable by the Secured Parties pursuant to this Agreement or any Security Instrument, commencing with the payment of Interim Rent due on March 1, 1992 (except for (i) any amounts paid or payable pursuant to the Tax Indemnity Agreement and (ii) Excepted Rights in Collateral). The Secured Parties shall hold all such Moneys and property received by it as part of the Collateral, and shall apply it as provided in this Agreement. If any default occurs in the making of any payment or performance under any Security

Instrument, the Secured Parties may take such action as it shall have power to take and as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Agreement and to proceed thereafter as provided in Article IV.

SECTION 2.02. Transfer of Collateral. So long as any of the Notes is outstanding, Security Pacific will not Grant or otherwise transfer the Collateral or any part thereof or interest therein except with the consent of Secured Parties holding at least 50% of the aggregate outstanding principal amount of the Notes (which consent will not be unreasonably withheld) to a Transferee which, at or prior to such transfer, shall have executed and delivered to the Secured Parties a Transferee Agreement or such other instrument as shall be acceptable to Secured Parties holding at least 50% of the aggregate outstanding principal amount of the Notes. Security Pacific will reimburse the Secured Parties for any reasonable costs incurred by the Secured Parties in connection with any such transfer of the Collateral, including but not limited to lien searches and filings.

SECTION 2.03. Condemnation. Security Pacific shall notify the Secured Parties of any condemnation or other eminent domain proceedings with respect to the Equipment immediately upon its obtaining knowledge thereof. The Secured Parties may participate in any such proceedings. Security Pacific shall provide the Secured Parties with all instruments required by it to permit such participation upon obtaining actual knowledge thereof.

ARTICLE III

Application of Moneys; Prepayment

SECTION 3.01. Rental Payments. If no Event of Default shall be continuing, rental payments under the Lease received by the Secured Parties shall be applied forthwith to the payment of all interest (including penalties) and principal then payable on the Notes and the balance, if any, of such amounts shall be paid to or upon the order of Security Pacific.

SECTION 3.02. Casualty Value Payments; Insurance and Condemnation Proceeds; Early Termination. If no Event of Default shall be continuing, (a) any moneys received in payment of Casualty Value pursuant to Section 13.2 of the Lease shall be applied ratably pursuant to Section 3.03 of this Agreement to prepayment of the Notes at a price of 100% of the unpaid principal amount thereof being prepaid, together with all

interest then accrued and unpaid thereon, but without any prepayment penalty or premium, and the balance, if any, shall be paid to or upon the order of Security Pacific, (b) proceeds of casualty insurance not applied by Lessee to repair or replace the affected Equipment and condemnation awards (or settlements in respect thereof) received by the Secured Parties shall be either (the choice being that of the Secured Parties) paid over to Security Pacific or applied ratably pursuant to Section 3.03 of this Agreement to the prepayment of the Notes, in full or in part, at a price of 100% of the unpaid principal amount thereof being prepaid, together with all interest then accrued and unpaid thereon, but without any prepayment penalty or premium, and the balance, if any, shall be paid to or upon the order of Security Pacific, and (c) any monies received as a result of the termination of the Lease prior to the expiration of the Basic Lease Term (as defined in the Lease) as provided for in Sections 13, 16 and 20 thereof, including but not limited to any Purchase Option Amounts received pursuant to Section 20.1 of the Lease, shall be applied ratably to prepayment of the Notes at a price of 100% of the unpaid principal amount thereof being prepaid together with all interest then accrued and unpaid thereon, but without any prepayment penalty or premium, and the balance thereof shall be paid to or upon the order of Security Pacific.

SECTION 3.03. Prepayment in General; Partial Prepayments.

(a) The Notes shall be prepaid only to the extent expressly permitted by Section 3.02 hereof.

(b) The amounts from time to time received by the Secured Parties which constitute settlement by the Lessee of the "Casualty Value" for any item of Equipment pursuant to Section 13.2 of the Lease shall be applied by the Secured Parties 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 the following subparagraph (ii);

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

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

For purposes of this Section 3.03, the "Loan Value" in respect of any item of Equipment shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to Lessor's Cost (as defined in the Lease) of such item of Equipment for which settlement is then being made and the denominator of which is the aggregate Lessor's Cost of all items of Equipment then subject to the Lease (including the Lessor's Cost of such item 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 3.03 (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 3.03).

ARTICLE IV

Events of Default and Remedies

SECTION 4.01. Events of Default. Any of the following occurrences or acts shall constitute an Event of Default under this Agreement:

- (a) If default shall be made in the payment of any interest or principal on the Notes when and as the same shall become payable, whether at maturity or by acceleration or as part of any prepayment or otherwise;
- (b) If there shall be default in the due observance of any provision of Section 1.04 hereof; or
- (c) If there shall be default in the due observance or performance of any other material provision of this Agreement, and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to Security Pacific by the Secured Parties; except that with respect to Lease Events of Default, the grace periods provided herein shall not apply and the grace periods provided in Section 4.07 shall apply; or
- (d) If any Security Instrument shall be amended, hypothecated, subordinated, terminated or discharged or

if any person shall be released from any of its covenants or obligations under any Security Instrument, in each case except to the extent that the same shall be caused by, or shall occur with the express written consent of, the Secured Parties.

(e) If any representation or warranty of Security Pacific made in this Agreement, in any Security Instrument or in any certificate or other writing delivered pursuant hereto or thereto, shall prove to be incorrect in any material respect as of the time when the same shall have been made; or

(f) If a default of the nature specified in Section 16.1 of the Lease shall be continuing beyond the applicable grace or cure period provided therein; or

(g) If Security Pacific shall file a petition in bankruptcy or for reorganization or for an arrangement or any composition, readjustment, liquidation, dissolution or similar relief pursuant to the Bankruptcy Act or under any similar present or future federal or state law, or shall be adjudicated a bankrupt;

(h) If a petition or answer shall be filed proposing the adjudication of Security Pacific as a bankrupt or its reorganization or arrangement, or any composition, readjustment, liquidation, dissolution or similar relief with respect to it pursuant to the Bankruptcy Act or any similar present or future federal or state law, and Security Pacific shall consent to the filing thereof, or such petition or answer shall not be discharged or denied within 90 days after the filing thereof; or

(i) If a receiver, trustee or liquidator (or other similar official) of Security Pacific, or of all or substantially all of the assets of Security Pacific or of the Collateral or any portion thereof shall be appointed and shall not be discharged within 60 days thereafter, or if Security Pacific shall consent to or acquiesce in such appointment.

SECTION 4.02. Remedies. If an Event of Default, except a Lease Event of Default with respect to Excepted Rights or amounts payable under the Tax Indemnity Agreement, shall have occurred and be continuing, the Secured Parties may do one or more of the following:

(a) give notice to Security Pacific declaring the entire unpaid principal amount of the Notes, together

with all accrued interest and other sums then owing under this Agreement, to be forthwith payable, and demanding that the same be paid, and thereupon all such amounts shall be forthwith payable, together with all costs and expenses of collection, notwithstanding any contrary provision contained in this Agreement or the Notes;

(b) institute Proceedings for the collection of all amounts then payable on the Notes or under this Agreement, whether by declaration or otherwise, enforce any judgment obtained, and collect moneys adjudged due from the Collateral;

(c) sell the Collateral or any portion thereof or rights or interest therein, at one or more sales called and conducted in any manner permitted by law;

(d) institute Proceedings from time to time for the complete or partial foreclosure of this Agreement;

(e) exclude Security Pacific from the Equipment and take possession thereof, and, at the expense of the Collateral, maintain, repair, alter, add to, improve, insure, lease, operate and manage the Equipment in such manner as the Secured Parties shall see fit;

(f) take any other appropriate action to protect and enforce the rights and remedies of the Secured Parties hereunder, or under or in respect of any Security Instrument, or otherwise; and

(g) have all the rights and remedies provided to a secured party by the Interstate Commerce Act and the Uniform Commercial Code where applicable and otherwise with respect to all parts of the Collateral which are and which are deemed to be governed thereby;

provided, that, so long as Lessee shall not be in default of any of the provisions of either the Lease or the Consent and Agreement, the Secured Parties shall not disturb Lessee's quiet and peaceful possession of the Equipment and its unrestricted right to use the Equipment for its intended purpose.

The unpaid principal amount of the Notes and all accrued interest and other sums payable under this Agreement shall be forthwith payable upon a sale (a "Sale") of any portion of the Collateral pursuant to subsection (c) or (d) above, and notwithstanding any provision to the contrary contained in this Agreement or the Notes. All earnings, revenues, proceeds, rents, issues, profits and income derived pursuant to subsection (e) above (after deducting costs and expenses of operation and other

proper charges), all proceeds of any Sale and all other money and property received or recovered by the Secured Parties pursuant to this Section 4.02 shall become part of the Collateral.

SECTION 4.03. Sale of Collateral.

(a) The power to effect any Sale shall not be exhausted by any one or more Sales as to any portion of the Collateral remaining unsold, but shall continue unimpaired until the entire Collateral shall have been sold or all amounts payable on the Notes and under this Agreement shall have been paid. The Secured Parties may from time to time postpone any Sale by public announcement made at the time and place of such Sale.

(b) The Secured Parties may bid for and acquire any portion of the Collateral in connection with a Sale thereof, and may pay all or part of the purchase price by crediting against amounts owing on the Notes or other amounts secured by this Agreement, all or part of the net proceeds of such Sale after deducting the costs, charges and expenses incurred by the Secured Parties in connection with such Sale. The Notes need not be produced in order to complete any such Sale, or in order to cause there to be credited thereon such net proceeds. The Secured Parties may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law.

(c) The Secured Parties shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Collateral in connection with a Sale thereof. In addition, the Secured Parties, or any of them, are hereby irrevocably appointed the agent and attorney-in-fact of Security Pacific to transfer and convey its interest in any portion of the Collateral in connection with a Sale thereof, and to take all action necessary to effect such Sale. No purchaser or transferee at such a Sale shall be bound to ascertain the Secured Parties' authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

(d) If any Equipment is subject to the Lease at the time of any Sale, the Secured Parties need not obtain actual possession of such Equipment in order to effect such Sale, but may effect such Sale subject to the Lease without interference with Lessee's rights under the Lease, including, without limitation, Lessee's rights to quiet and peaceful possession of the

Equipment and its unrestricted right to use the Equipment for its intended purpose.

SECTION 4.04. Action on the Notes. The Secured Parties' right to seek and recover judgment on the Notes or under this Agreement shall not be affected by seeking, obtaining or application of any other relief under or with respect to this Agreement. Neither the lien of this Agreement nor any rights or remedies of the Secured Parties shall be impaired by the recovery of any judgment by the Secured Parties against Security Pacific or by the levy of an execution under such judgment upon any portion of the Collateral.

SECTION 4.05. Distribution of Collateral. Upon enforcement of this Agreement, all moneys constituting a part of the Collateral shall be applied from time to time by the Secured Parties as follows:

First: To the payment of all costs, expenses, liabilities and compensation of the Secured Parties (including reasonable fees and expenses of its agents and counsel) incurred or accrued in connection with any Proceedings brought by the Secured Parties or in connection with the maintenance, Sale or other disposition of the Collateral.

Second: To the payment of all amounts of unpaid interest then due and payable on the Notes.

Third: To the payment of all amounts of unpaid principal of the Notes then due and payable.

Fourth: To the payment of all other sums secured by this Agreement.

Fifth: To the payment of any surplus to or upon the order of Security Pacific.

SECTION 4.06. Appointment of Receiver. If an Event of Default shall be continuing, Security Pacific will consent to the appointment of one or more receivers of all or part of the Collateral upon the request of the Secured Parties.

SECTION 4.07. Certain Rights of Security Pacific. Notwithstanding anything to the contrary contained in the Agreement, including, without limitation, Section 4.02 hereof:

(a) Right to Cure. The Secured Parties shall give Security Pacific and, if the Event of Default arises out of a Lease Event of Default (as defined below) the Lessee, written notice of any Event of Default of which the Secured Parties have knowledge and

if such Event of Default arises out of the nonpayment of Fixed Rental under the Lease or out of any other Event of Default under the Lease (a "Lease Event of Default"), the Secured Parties shall give Security Pacific not less than (i) five (5) days with respect to clause (A) below, and (ii) fifteen (15) days with respect to clause (B) below, prior written notice of the date (the "Enforcement Date") on or after which the Secured Parties will exercise any remedy or remedies pursuant to Section 4.02 hereof, or the remedy of terminating the Lease pursuant to the provisions of Section 16.2 thereof. If such a Lease Event of Default shall have occurred and be continuing, Security Pacific shall have the following rights hereunder:

(A) Fixed Rental. In the event of the occurrence of an Event of Default resulting from the failure of the Lessee to pay Fixed Rental, on or prior to the Enforcement Date Security Pacific may, but shall not be obligated to, pay to the Secured Parties 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 (excluding any principal and interest becoming due on account of an acceleration by reason of such Event of Default), and unless Security Pacific has cured the Lease Events of Default with respect to the twelve (12) immediately preceding payments of Fixed Rental or any twenty-four (24) Events of Default in respect of the payment of Fixed Rental, such payment by Security Pacific under this Section 4.07(a), solely for the purpose of determining whether an Event of Default is continuing hereunder, shall cure any Event of Default hereunder which would otherwise have arisen on account of such nonpayment by the Lessee of such installment of Fixed Rental under the Lease, including any Event of Default pursuant to Section 4.01(a) hereof.

(B) Other Defaults. In the event that any other Lease Event of Default (other than a default in the payment of Fixed Rental) has occurred under the Lease, on or prior to the Enforcement Date, Security Pacific may, but shall not be obligated to, solely for the purpose of determining whether an Event of Default is continuing hereunder, cure such Lease Event of Default.

(C) Subrogation. Security Pacific shall not, by exercising the right to cure any such

Lease Event of Default, obtain any lien, charge or encumbrance of any kind on any of the Collateral for or on account of costs or expenses incurred in connection with the exercise of such right nor shall any claims of Security Pacific against the Lessee or any other party for the repayment of such costs or expenses impair the prior right and security interest of the Secured Parties in and to the Collateral. Upon such cure by Security Pacific, Security Pacific shall be subrogated to the rights of the Secured Parties with respect to such payment or performance giving rise to such Lease Event of Default, and therefore, if no other 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 Secured Parties of such payment or performance, Security Pacific shall be entitled to receive such payment or performance upon receipt thereof by the Secured Parties; provided that (1) in the event the principal and interest on the Notes shall have become due and payable pursuant to Section 4.02(a) hereof, such subrogation shall, until principal of and interest on the Notes shall have been paid in full, be subordinate to the rights of the Secured Parties with respect to such payment or performance prior to receipt by Security Pacific of any amount pursuant to such subrogation, and (2) Security Pacific shall not be entitled to seek to recover any such payment or performance (or any payment in lieu thereof) except pursuant to the foregoing right of subrogation.

(b) Option to Purchase Note. At any time (i) after the Notes have been declared due and payable pursuant to Section 4.02(a), or have otherwise become due and payable, or (ii) after a Lease Event of Default shall have occurred and been continuing for one hundred eighty (180) days or more, or (iii) after the giving by the Secured Parties of any notice of termination of the Lease pursuant to Section 16.2(b) thereof, so long as any such notice shall not have been withdrawn by written notice to Security Pacific the Secured Parties agree that they will, upon receipt from Security Pacific or its nominee on the date specified in such request which shall not be less than five (5) days from the date of such request (the "Payment Date") of an amount equal to the aggregate unpaid principal amount of the Notes, together with accrued interest thereon to the date of payment, plus all other sums then due and payable to the Secured Parties

hereunder or under the Notes (but without any premium or penalty), forthwith sell, assign, transfer and convey to Security Pacific or its nominee on or before the Payment Date (without recourse or warranty of any kind except as to title and as against liens on the Notes arising by, through or under the Secured Parties), all of the right, title and interest of the Secured Parties in and to the Notes.

(c) Enforcement of Lease Remedies. The Secured Parties shall not foreclose the lien of this Security Agreement pursuant to any of the remedies contained in Section 4.02 hereof or otherwise divest Security Pacific of title to the Equipment or any item thereof solely as a result of a Lease Event of Default (at a time when no other Event of Default hereunder unrelated to such Lease Event of Default shall have occurred and be continuing) unless the Secured Parties have proceeded, or are then currently proceeding, to the extent they are then entitled to do so hereunder and under the Lease and are not then stayed or otherwise prevented from doing so by operation of law, to exercise one (or more, as they shall in their good faith discretion determine) of the remedies referred to in Section 16.2 of the Lease;

(d) Shared Rights. Security Pacific will at all times retain, but not to the exclusion of the Secured Parties, the rights (i) to receive from the Lessee all notices, copies of documents and other information which the Lessee is permitted or required to give or furnish to Security Pacific pursuant to the Security Instruments, (ii) to inspect the Equipment and the books and records of the Lessee to the extent provided in the Security Instruments, (iii) to provide such insurance as the Lessee will have failed to maintain and to obtain excess insurance for its own account, (iv) to enforce performance of the covenants of the Lessee under the Lease with respect to maintenance of the Equipment, (v) to perform for the Lessee pursuant to Section 25.2 of the Lease; and (vi) the right to declare the Lease to be in default pursuant to Section 16 thereof by reason of an Event of Default which serves to materially and adversely affect the interests of Security Pacific (but not to exercise any further remedies thereunder).

(e) Options. So long as no Event of Default hereunder has occurred and is continuing, Security Pacific will retain, to the exclusion of the Secured Parties, the right to exercise the rights, elections and options of Security Pacific to make any decision or

determination and to give any notice, consent, waiver or approval with respect to any options under Section 20 of the Lease;

(f) Amendments, Waivers, etc. So long as no Event of Default hereunder has occurred and is continuing, Security Pacific will retain, but not to the exclusion of the Secured Parties, the right to exercise the rights, elections and options of Security Pacific to make any decision or determination, to consent to any amendment, supplement or modification and to give any notice, consent, waiver, or approval under the Lease or which any other Security Instrument confers upon Security Pacific and upon the occurrence and continuance of an Event of Default, all such rights may be exercised solely by the Secured Parties.

(g) Excepted Rights in Collateral. Security Pacific will retain, to the exclusion of the Secured Parties, all rights to Excepted Rights in Collateral, including the right to demand, collect, sue for or otherwise obtain all amounts from the Lessee due Security Pacific on account of any such Excepted Rights in Collateral, provided that the rights referred to in this paragraph (g) shall not be deemed to include the exercise of any remedies provided for in Section 16.2 of the Lease other than the right to proceed by appropriate court action or actions, either at law or in equity, to enforce such Excepted Rights in Collateral or to recover damages for the breach thereof.

Notwithstanding anything in this Section 4.07 or this Security Agreement to the contrary, without the prior written consent of the other such party, neither Security Pacific nor the Secured Parties shall amend or consent to any amendment of, or waive or modify, any provision of any Security Instrument if such amendment, waiver or modification would have a material adverse effect on the interests of the other such party.

SECTION 4.08. Rights Cumulative. All rights and remedies from time to time conferred upon or reserved to the Secured Parties are cumulative, and none is intended to be exclusive of another. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or to exercise any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy may be exercised from time to time and as often as deemed expedient.

ARTICLE V

Defined Terms

SECTION 5.01. Definitions. When used in this Agreement, each term defined in this Article V shall be the meaning indicated:

"After-Acquired Property" - all future extensions, improvements, betterments, alterations, repairs, renewals, substitutions and replacements of, and all future additions and appurtenances to, and all other equipment to be physically annexed to, the Equipment except any of the foregoing which are not financed by the Secured Parties and which can be removed from the Equipment without materially impairing its operation or value; all moneys and other property (including amendments or supplements to any Security Instrument) which may from time to time be or become subject to the lien hereof, or which may come into the possession or be subject to the control of the Secured Parties pursuant to this Agreement or any Security Instrument.

"CLA First Note" - Security Pacific's 8.68% Secured Installment Note due July 1, 2009 in the principal amount of \$57,795.80.

"CLA Second Note" - Security Pacific's 8.68% Secured Installment Note due July 1, 2009 in a principal amount as hereinafter determined.

"CLA Third Note" - Security Pacific's 8.68% Secured Installment Note due March 1, 2010 a principal amount as hereinafter determined.

"CLICA First Note" - Security Pacific's 8.68% Secured Installment Note due July 1, 2009 in the principal amount of \$520,818.92.

"CLICA Second Note" - Security Pacific's 8.68% Secured Installment Note due July 1, 2009 in a principal amount as hereinafter determined.

"CLICA Third Note" - Security Pacific's 8.68% Secured Installment Note due March 1, 2010 in a principal amount as hereinafter determined.

"CLNY First Note" - Security Pacific's 8.68% Secured Installment Note due July 1, 2009 in the principal amount of \$78,155.68.

"CLNY Second Note" - Security Pacific's 8.68% Secured Installment Note due July 1, 2009 in a principal amount as hereinafter determined.

"CLNY Third Note" - Security Pacific's 8.68% Secured Installment Note due March 1, 2010 in a principal amount as hereinafter determined.

The respective principal amounts of the Secured Parties' Second Notes and the respective principal amounts of the Secured Parties' Third Notes shall be in proportion, to the respective principal amounts of the Secured Parties' First Notes, and the aggregate principal amount of the Secured Parties' Second Notes and the aggregate principal amount of the Secured Parties' Third Notes shall be equal to 80% of the "Lessor's Cost" of the "Equipment" accepted by the Lessee under the "Lease" (as such terms are hereinafter defined or defined in the Lease) on the respective dates thereof.

"Collateral" - all money, instruments and other property subject or intended to be subject to the lien of this Agreement as of any particular time (including, without limitation, all property and interests Granted in the Granting Clauses of this Agreement), and all right, title and interest of the Secured Parties in, to and under each Security Instrument and all money and property received by the Secured Parties pursuant thereto.

"Consent and Agreement" - the Consent and Agreement of the Lessee, in the form set forth as Annex V to the Note Agreement.

"Default" - any occurrence which with notice or lapse of time would be an Event of Default.

"Equipment" - the property described in Schedule A annexed hereto.

"Event of Default" - as defined in Section 4.01.

"Excepted Rights in Collateral" - (i) any and all obligations of the Lessee to indemnify and hold Security Pacific harmless with respect to general indemnities, tax indemnities, income tax indemnities and liability insurance proceeds provided to Security Pacific under the terms of the Lease, whether or not any of the foregoing is designated as rent (it being understood, however, that amounts payable to the Secured Parties in their own right as Indemnities under the Lease are not intended to be part of "Excepted Rights of Collateral"), (ii) any separate rights or remedies Security Pacific may have against the Lessee under the Tax Indemnity Agreement or any other document or agreement, and (iii) the rights of Security Pacific to enforce the foregoing against the Lessee and/or recover costs, expenses and/or damages for any breaches thereof.

"Grant" - to grant, bargain, sell, warrant, alien, remise, release, convey, assign, transfer, mortgage, pledge, deposit, set over, confirm and create a security interest under the Interstate Commerce Act, the Uniform Commercial Code and otherwise, as applicable. A Grant of any instrument shall include all rights, powers and options but none of the obligations of the Granting party thereunder, including, without limitation, the right generally to do anything which the Granting party is or may be entitled to do thereunder or with respect thereto.

"Installment Payments" - as defined in the Notes.

"Lease" - Equipment Lease dated as of December __, 1991, between Security Pacific, as lessor, and Lessee, as lessee.

"Security Pacific" - as defined in the introductory paragraph of this Agreement.

"Lessee" - Champion International Corporation, a New York corporation.

"Notes" - The CLA First Note, CLA Second Note, CLA Third Note, CLNY First Note, CLNY Second Note, CLNY Third Note, CLICA First Note, CLICA Second Note and CLICA Third Note.

"Note Agreement" - the Note Agreement, dated December 13 1991, between Security Pacific and the Secured Parties, which provides for the purchase and sale of the Notes.

"Permitted Encumbrances" - with respect to the Collateral: (i) any lien thereon for any governmental charge or for work or service performed or materials furnished, which lien secures amounts which are not due and payable or which are not delinquent; (ii) the Lease and any sublease or assignment permitted thereby; and (iii) this Agreement.

"Proceeding" - any suit in equity, action at law or other judicial or administrative proceeding.

"Secured Parties" - as defined in the introductory paragraph of this Agreement.

"Security Instrument" - the Lease, this Agreement, the Consent and Agreement, and any other instrument with respect to which any right or interest in or in respect of the Collateral has been Granted to the Secured Parties.

"Tax Indemnity Agreement" - the Tax Indemnity Agreement dated as of December 13, 1991 between Security Pacific and the Lessee.

"Transferee" -- a transferee of all or any part of the collateral pursuant to a Grant or other transfer thereof meeting all of the terms and conditions of Section 2.02 hereof.

"Transferee Agreement" -- an agreement between the Secured Parties and Transferee in substantially the form set forth in Schedule B to this Agreement.

ARTICLE VI

Discharge of Agreement

SECTION 6.01. Final Discharge. This Agreement and all agreements contained herein shall cease and terminate when all principal, interest and other amounts payable under or in respect of or secured pursuant to the terms of this Agreement shall have been paid in full, whether at the end of the term of the Notes, by acceleration, by prepayment or otherwise.

SECTION 6.02. Delivery of Discharge. Upon the termination of this Agreement, the Secured Parties shall execute and deliver such instruments as Security Pacific shall furnish to the Secured Parties and which shall be reasonably required to satisfy and discharge the lien of this Agreement. The Secured Parties shall then transfer the Collateral to Security Pacific or any other person entitled thereto.

ARTICLE VII

Miscellaneous

SECTION 7.01. Non-Recourse Obligations. Any provision in this Agreement to the contrary notwithstanding, no recourse shall be had against Security Pacific in its individual corporate capacity, or against any incorporator, shareholder, employee, officer or director of Security Pacific under or in respect of this Agreement or the Notes. It is expressly understood that all such obligations are nonrecourse obligations enforceable only against the Collateral or, in the case of negative covenants and agreements, by injunction or other equitable remedies; provided, however, that Security Pacific shall be liable on a recourse basis to the extent of any damages caused to Secured Parties as a result of the breach by Security Pacific of the representations and warranties of Security Pacific set forth in this Agreement and the Note Agreement.

SECTION 7.02. Notices. All notices and demands hereunder shall be in writing and shall be deemed to have been given (i) when actually received by telex, telecopy or other wire transmission, or (ii) three days after the date of mailing by registered or certified mail, return receipt requested, postage

prepaid, or (iii) one day after the date of delivery to an internationally recognized overnight carrier service, and addressed in each case as follows: (a) if to the Secured Parties, at 330 University Avenue U-6, Toronto, Ontario, Canada M5G 1R8, Attention: U.S. Private Placements, or (b) if to Security Pacific, at Four Embarcadero Center, Suite 1200, San Francisco California 765-7300 Attn: Contract Administrator LEV. Any party may change its address for notices hereunder by giving notice of such change to the other parties in accordance with the provisions of this Section 7.02.

SECTION 7.03. Powers and Agencies. Whenever in this Agreement the Secured Parties are granted the power of attorney or are appointed the agent and attorney-in-fact with respect to any person, such grant or appointment is irrevocable and coupled with an interest. The Secured Parties shall have full power of substitution and delegation in respect of all such grants and appointments.

SECTION 7.04. Separability. No provision hereof, or of the Notes, shall require the payment or permit the collection of interest in excess of the maximum permitted by applicable law, any contrary provision herein, or in the Notes notwithstanding. Any provision hereof, or of the Notes, which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, or of the Notes, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by law, the parties hereto hereby waive any provision of law which renders any such provision prohibited or unenforceable in any respect.

SECTION 7.05. Binding Effect. All provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns of the parties hereto.

SECTION 7.06. Amendment and Waiver. The provisions of this Agreement may not be changed orally, but only by an instrument signed by Security Pacific and the Secured Parties. No requirement of this Agreement may be waived at any time except by an instrument signed by the Secured Parties, nor shall any waiver be deemed a waiver of any subsequent breach or Default.

SECTION 7.07. Counterpart Execution; Construction; Governing Law. The section and article headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof. This Agreement may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute

one and the same Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to principles relating to conflict of laws).

IN WITNESS WHEREOF, Security Pacific and the Secured Party have caused this Agreement to be executed, all as of the day and year first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

Debtor

By _____
Authorized Officer

THE CANADA LIFE ASSURANCE COMPANY
Secured Party

By: _____

CANADA LIFE INSURANCE COMPANY
OF NEW YORK

By: _____

CANADA LIFE INSURANCE COMPANY
OF AMERICA

By: _____

SCHEDULE B TO SECURITY AGREEMENT

[LETTERHEAD OF TRANSFEREE]

[Date]

To: Canada Life Assurance Company
Canada Life Insurance Company
of New York
Canada Life Insurance Company
of America
330 University Avenue U-6
Toronto, Ontario, Canada M5G 1R8

Attention:

Gentlemen:

Reference is made to the Security Agreement, dated as of December __, 1991 (the "Security Agreement"), between Canada Life Assurance Company, Canada Life Insurance Company of New York and Canada Life Insurance Company of America (collectively, the "Lender") and Security Pacific Equipment Leasing, Inc. ("Security Pacific"). Terms used herein and not otherwise defined shall have the meanings specified in the Security Agreement, a copy of which is attached hereto as Exhibit A.

The undersigned, [name of Transferee] (the "Transferee") and Security Pacific have entered into a Purchase and Sale Agreement, dated as of _____ (the "Purchase and Sale Agreement"), pursuant to which Security Pacific sold the Equipment described in Schedule A to the Security Agreement (the "Equipment") to the Transferee and assigned to the Transferee its rights under the Equipment Lease dated as of December __, 1991 between Security Pacific, as lessor, and Champion International Corporation, as lessee (the "Lease").

Pursuant to the Security Agreement, Security Pacific has granted to the Lender a first security interest in all its rights and interests in and to the Equipment and the Lease, except as otherwise provided therein, to secure Security Pacific's obligations to the Lender under the Security Agreement and under the Notes. In order to comply with the requirements of Section 2.02 of the Security Agreement, the Transferee hereby covenants and agrees with the Lender as follows:

1. Grant of Security Interest to Lender. To secure Security Pacific's obligations to the Lender under the Security Agreement and the Notes, the Transferee hereby Grants to the Lender a security interest in the Equipment and all its right, title and interests in the Lease, and any substitutions therefor,

such security interest having priority over any other interests of the Transferee in the Equipment and the Lease or any substitutions therefor; provided, however that nothing contained herein shall constitute or be deemed to constitute any release of Security Pacific from any of its obligations. Upon the occurrence of an Event of Default under the Security Agreement or the Notes, the Lender shall, except as otherwise provided herein, have the same remedies hereunder with respect to the Equipment and the Lease as are provided with respect to the Collateral by the Security Agreement and by law and such remedies shall be exercisable simultaneously with those with respect to the security interest granted to the Lender by Security Pacific under the Security Agreement. Upon full payment of the Notes and satisfaction of Security Pacific's obligations thereunder and under the Security Agreement, the Lender agrees to execute and deliver to the Transferee such releases, termination statements or other documents reasonably requested by the Transferee as may be necessary or desirable to evidence such satisfaction.

2. Acknowledgement of Lender's Security Interest. In order to preserve and protect the security interest granted to the Lender under the Security Agreement and this Agreement, the Transferee hereby (i) acknowledges the execution and delivery of the Security Agreement by Security Pacific, (ii) waives any objection to the enforceability thereof, (iii) recognizes the security interests granted to the Lender thereby, (iv) agrees that the Transferee's interest in the Equipment and its interest in the Lease shall in all respects be further subject and subordinate to the security interests granted to the Lender by the Security Agreement and this Agreement, (v) agrees that the security interests granted to the Lender under the Security Agreement and this Agreement shall not be affected by any discharge or release of Security Pacific from any liability under the Security Agreement or the Notes except any such discharge or release resulting from payment in full to the Lender of all such liabilities, and (vi) to the extent deemed necessary or desirable by the Lender, agrees that it shall execute and deliver to the Lender, for the purpose of further perfecting or confirming the security interests of the Lender created by the Security Agreement and this Agreement, any documents required to be filed, recorded or deposition under the Interstate Commerce Act, with respect to the security interests created by the Security Agreement and this Agreement.

3. Representations, Warranties and Agreements of the Transferee. The Transferee represents and warrants that:

- (a) The Transferee, on the date hereof, has the same title to the Equipment and the Lease as was conveyed to it by Security Pacific. The Transferee has not taken, or failed to take, nor will it take

or omit to take, any action which would result in the imposition of any lien on the Equipment or the Lease, other than Permitted Encumbrances.

- (b) The Transferee has full authority to enter into this Agreement and to consummate the transactions contemplated hereby; the execution and delivery of this Agreement and the performance of the Transferee's obligations hereunder have been duly authorized by all necessary corporate action on the part of the Transferee; and this Agreement constitutes the valid and binding agreement and obligation of the Transferee, enforceable against the Transferee in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws relating to or affecting creditors' rights generally.
- (c) The Transferee's chief executive office is located at the address set forth above, and the Transferee will give the Lender at least 30 days prior written notice of any change in the location of its chief executive office.

4. Transfer of Collateral. The Transferee hereby agrees that it shall not after the date hereof transfer its interest in the Equipment or the Lease unless the Transferee's transferee shall have executed and delivered to the Lender a letter in form and content substantially identical to this letter.

5. Miscellaneous. All notices hereunder shall be in writing and shall be delivered by hand, telecopy or to an internationally recognized overnight courier service in each case or mailed by first class, registered or certified mail, postage prepaid, addressed to the parties at their respective addresses first set forth above, or at such other address as either party hereto shall have designated by written notice, as aforesaid, to the other. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. The terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. This Agreement may be executed in two or more

counterparts, each of which when so executed shall be an original, but all of which shall constitute one and the same instrument.

Very truly yours,

[NAME OF TRANSFEREE]

By: _____

NAME: _____

TITLE: _____

Agreed as of the date first above written:

CANADA LIFE ASSURANCE COMPANY

By: _____

NAME: _____

TITLE: _____

CANADA LIFE INSURANCE COMPANY OF NEW YORK

By: _____

NAME: _____

TITLE: _____

CANADA LIFE INSURANCE COMPANY OF AMERICA

By: _____

NAME: _____

TITLE: _____

SCHEDULE A TO SECURITY AGREEMENT

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>IDENTIFYING MARKS AND NUMBERS*</u>	<u>NUMBER OF CARS</u>	<u>DESCRIPTION</u>	<u>PURCHASE PRICE EACH</u>	<u>TOTAL PURCHASE PRICE</u>
CRLE 6200- 6324	125	Gunderson 100-Ton Plate C Boxcars	\$63,151.00	\$7,893,875.00

* All numbers inclusive

EXHIBIT C

[Lease Agreement]

ANNEX I

[Form of Opinion of Counsel for Security Pacific]

_____, 19__

Canada Life Assurance Company
330 University Avenue U-16
Toronto, Ontario, Canada M5G 1R8

Attention: _____

RE: Security Pacific Equipment Leasing, Inc.
_____% Secured Installment Note in principal
amount of \$ _____ (the "Note")

Gentlemen:

I have acted as counsel to Security Pacific Equipment Leasing, Inc, a Delaware corporation (the "Company"), in connection with the Company's issuance and sale of the Note to Canada Life Assurance Company (the "Lender"), pursuant to a Note Agreement dated as of December __, 1991 (the "Note Agreement") between the Company and the Lender; the Company's execution and delivery to the Lender of a Security Agreement dated as of _____, 19__ (the "Security Agreement") between the Company and the Lender; and the Company's execution and delivery of an Equipment Lease dated as of December __, 1991 (the "Lease") between the Company, as lessor, and Champion International Corporation, a New York corporation, as lessee. In the Security Agreement, as security for payment of the Note, the Company has assigned to the Lender all of the Company's rights to the rentals payable to the Company under the Lease and has granted to the Lender a security interest in the rolling stock (the "Equipment") which is the subject of the Lease.

In acting as counsel for the Company I have examined originals or counterparts, executed on behalf of the Company, of the Note, the Note Agreement, the Security Agreement and the Lease (collectively, the "Transactional Documents") and have also examined the originals or copies, certified to my satisfaction, of such records, certificates and documents as were deemed relevant and necessary in my judgment to render the opinions expressed below. At the closing today, the Lender has taken possession of one fully executed original counterpart of the Lease and has affixed a legend to each other original executed counterpart thereof indicating that they are duplicates.

This opinion is qualified to the extent that the validity, binding effect, or enforceability of any of the provisions of the Transactional Documents, any obligation thereunder of the Company or any other party thereto, and any right or remedies provided by the terms thereof, may be subject to and affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors, secured parties, and mortgagees generally.

Based upon, subject to, and in reliance upon the foregoing, having regard to the legal considerations which I deem relevant, I am of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, has the corporate power to engage in the transactions contemplated by the Transactional Documents and has full power, authority and legal right to execute and deliver the same and to comply with the provisions of each thereof. The Transactional Documents have been duly executed by the Company, and, assuming the due and valid authorization, execution and delivery thereof by each of the other parties thereto, constitute valid, binding and legal obligations and agreements of the Company, enforceable against the Company in accordance with their respective terms.

2. No action, suit or proceeding is pending against the Company before or by any court, administrative agency or other governmental authority which challenges the validity of the transactions contemplated by the Transactional Documents.

3. Neither the execution and delivery by the Company of the several Transactional Documents, nor the consummation by the Company of the transactions contemplated by any thereof, nor compliance by the Company with the provisions of any thereof, conflicts with or results in a breach of any of the provisions of the certificate of incorporation or by-laws of the Company or, to my knowledge, of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or of any agreement or other instrument known to me to which the Company is a party or by which it is bound.

4. No consent, approval or other authorization of or by any court, administrative agency or other governmental authority is required in connection with the execution, delivery or performance by the Company of, or the consummation by the Company of the transactions contemplated by, the Transactional Documents.

5. The Lender has acquired all of the Company's right to receive payments under the Lease and has a first perfected

security interest in the rental payments and other sums payable under the Lease (except as set forth in the Security Agreement).

In rendering my opinion I have assumed that the documents referred to herein and the transactions described therein will be governed by, and construed in accordance with the provisions of, the substantive laws of the State of California without giving effect to principles relating to conflict of laws. I express no opinion as to the laws of any State other than the State of California and the federal laws of the United States.

This letter is being furnished to you for your use and the use of your counsel and is not otherwise to be reproduced or published in any form without my prior written consent.

Yours very truly,

ANNEX II

[Form of Opinion of Counsel for Lessee]

ANNEX III

[Form of Security Pacific Officer's Certificate]

ANNEX IV

[Form of Lessee's Officers' Certificate]

CHAMPION INTERNATIONAL CORPORATION

CERTIFICATE

Canada Life Assurance Company
330 University Avenue U-6
Toronto, Ontario, Canada M5G 1R8

The undersigned, _____ of Champion International Corporation (the "Company"), hereby certifies as follows to you ("Lender") in connection with the issuance and sale to you on the date hereof of the Secured Installment Note of Security Pacific Equipment Leasing, Inc.:

1. Each of the representations and warranties of the Company contained in the Equipment Lease dated as of December __, 1991, between Security Pacific Equipment Leasing, Inc. as lessor, and the Company, as lessee, are true, correct and complete as if made on and as of the date hereof.

2. The Company has executed only ____ () counterparts of the Lease.

3. No event is continuing which constitutes a default under the Lease.

4. The following persons are, and have been at all times since _____, 19__, duly qualified and acting officers of the Company, duly elected or appointed to the offices set forth opposite their respective names:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate and affixed the seal of the Company as of this ____ day of _____, 19__.

(Corporate Seal)

ANNEX V

[Form of Consent and Agreement
of Lessee]

one and the same Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to principles relating to conflict of laws).

IN WITNESS WHEREOF, Security Pacific and the Secured Party have caused this Agreement to be executed, all as of the day and year first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

Debtor

By: Jon E. Selby
Authorized Officer

THE CANADA LIFE ASSURANCE COMPANY
Secured Party

By: _____

CANADA LIFE INSURANCE COMPANY
OF NEW YORK

By: _____

CANADA LIFE INSURANCE COMPANY
OF AMERICA

By: _____

one and the same Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to principles relating to conflict of laws).

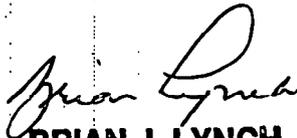
IN WITNESS WHEREOF, Security Pacific and the Secured Party have caused this Agreement to be executed, all as of the day and year first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.

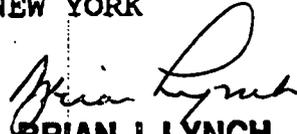
Debtor

By _____
Authorized Officer

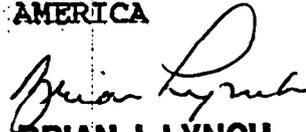
THE CANADA LIFE ASSURANCE COMPANY
Secured Party


By: BRIAN J. LYNCH
ASSISTANT TREASURER

CANADA LIFE INSURANCE COMPANY
OF NEW YORK


By: BRIAN J. LYNCH
ASSISTANT TREASURER

CANADA LIFE INSURANCE COMPANY
OF AMERICA


By: BRIAN J. LYNCH
ASSISTANT TREASURER

Country
State of Canada

Province
County of Ontario

SS:

On this 12th day of December, 1991 before me personally appeared BRYAN J. LYNCH, to me personally known, who being by me duly sworn, says that (s)he is the Assistant TREASURER of THE CANADA LIFE ASSURANCE COMPANY, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Judith Bell
Signature of Notary Public

My Commission expires For Life

Country
State of Canada

Province
County of Ontario

ss:

On this 12th day of December, 1991 before me personally appeared BRIAN J. LYNCH, to me personally known, who being by me duly sworn, says that (s)he is the Assistant TREASURER of CANADA LIFE INSURANCE COMPANY OF NEW YORK, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Judith Bell
Signature of Notary Public

My Commission ~~expires~~ For Life

Country
State of Canada

Province
County of Ontario

ss:

On this 12th day of December, 1991 before me personally appeared BRIAN J. LYNCH, to me personally known, who being by me duly sworn, says that (s)he is the ASSISTANT TREASURER of CANADA LIFE INSURANCE COMPANY OF AMERICA, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Judith Bell
Signature of Notary Public

My Commission ~~expires~~ for Life